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Post Hearing Information Pack of

# 途虎养车

TUHU Car Inc.

途虎養車股份有限公司\*

(the “Company”)

*(A company controlled through weighted voting rights and incorporated in the Cayman Islands with limited liability)*

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# 途虎养车

TUHU Car Inc.

途虎養車股份有限公司\*

(A company controlled through weighted voting rights and incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] under the [REDACTED]	:	[REDACTED] (subject to the [REDACTED])
Number of [REDACTED]	:	[REDACTED] (subject to [REDACTED])
Number of [REDACTED]	:	[REDACTED] (subject to [REDACTED] and the [REDACTED])
Maximum [REDACTED]	:	[REDACTED]
Nominal value	:	US\$0.00002 per Share
[REDACTED]	:	●

Joint Sponsors, [REDACTED]

Goldman Sachs 高盛

CICC 中金公司

BofA SECURITIES

UBS 瑞銀集團

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The [REDACTED] is expected to be fixed by agreement between the [REDACTED] (for themselves and on behalf of the [REDACTED]) and us on or around [REDACTED]. If, for any reason, the [REDACTED] is not agreed by [REDACTED], the [REDACTED] will not proceed and will lapse. The [REDACTED] will be no more than HK\$[REDACTED] per [REDACTED] and is currently expected to be no less than HK\$[REDACTED] per [REDACTED] unless otherwise announced.

The [REDACTED] may, with our consent, reduce the number of [REDACTED] being [REDACTED] under the [REDACTED] and/or the indicative [REDACTED] below that stated in this document at any time on or prior to the morning of the last day for lodging applications under the [REDACTED]. See “Structure of the [REDACTED]” and “How to Apply for [REDACTED]” for further details.

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

Prior to making an [REDACTED] decision, prospective [REDACTED] should consider carefully all of the information set out in this document, including the risk factors set out in “Risk Factors”.

The [REDACTED] have not been and will not be registered under the U.S. Securities Act or any state securities laws of the United States and may not be [REDACTED] or sold within or to the United States, or for the account or benefit of U.S. persons (as defined in [REDACTED]) except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The [REDACTED] are being [REDACTED] and sold (i) solely to QIBs pursuant to an exemption from registration under [REDACTED] of the U.S. Securities Act and (ii) outside the United States in offshore transactions in accordance with Regulation S.

Our Company will be controlled through weighted voting rights upon [REDACTED]. Prospective [REDACTED] should be aware of the potential risks of [REDACTED] in a company with a WVR structure, in particular that the WVR Beneficiary, whose interests may not necessarily be aligned with those of our Shareholders as a whole, will be in a position to exert significant influence over the outcome of our Shareholders’ resolutions, irrespective of how other Shareholders vote. For further information about the risks associated with the WVR structure, see “Risk Factors — Risks Related to the WVR Structure”. Prospective [REDACTED] should make the decision to [REDACTED] in our Company only after due and careful consideration.

\* For identification purpose only

**EXPECTED TIMETABLE**

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[REDACTED]

**EXPECTED TIMETABLE**

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[REDACTED]

## EXPECTED TIMETABLE

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[REDACTED]

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## SUMMARY

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This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. Moreover, there are risks associated with any [REDACTED]. Some of the particular risks of [REDACTED] in the [REDACTED] are set out in “Risk Factors”. You should read the entire document carefully before you decide to [REDACTED] in the [REDACTED].

## OVERVIEW

### Who We Are

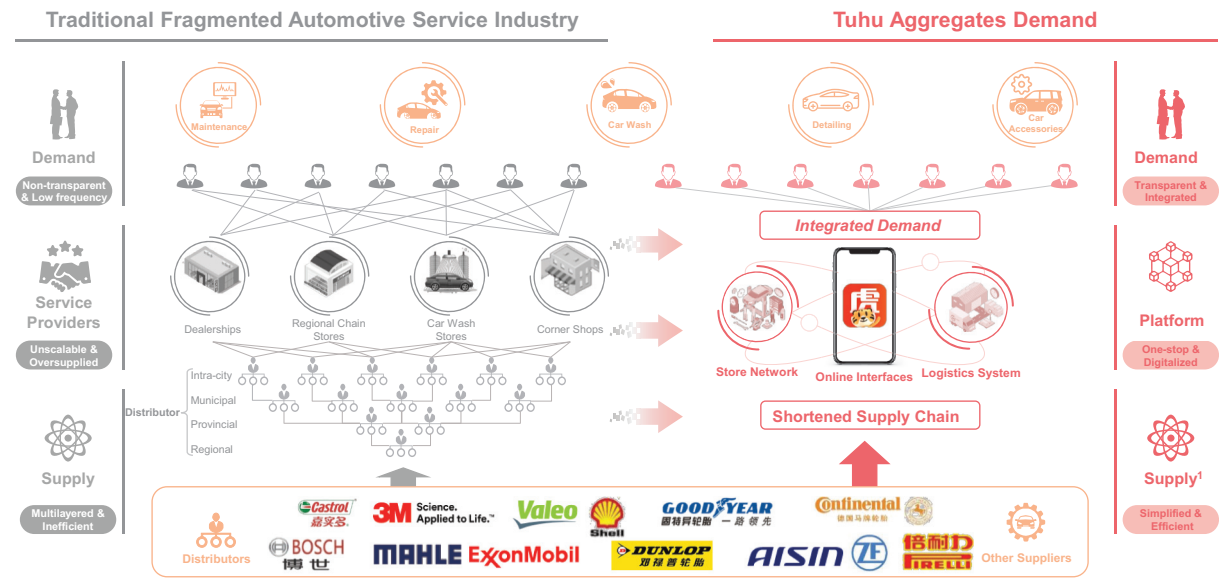
We are one of the leading integrated online and offline platforms for automotive service in China. As of 31 March 2023, we had 100.2 million registered users on our flagship “Tuhu Automotive Service (途虎養車)” app and online interfaces. We had 17.1 million transacting users in the last twelve months ended 31 March 2023, which increased by 9.9% from 15.5 million for the same period ended 31 March 2022. Our average MAU reached 10.2 million in the three months ended 31 March 2023, making our platform the largest car owner community amassed by automotive service providers in China, according to the CIC Report. Our growing service network of over 4,700 Tuhu workshops and over 19,000 partner stores spans across the entire country, covering a majority of prefecture-level cities.

We have three different types of stores, including our self-operated Tuhu workshops, franchised Tuhu workshops, and third-party partner stores. Our franchised Tuhu workshops are operated with the same standard of our self-operated Tuhu workshops and through our proprietary technology systems. We also have a large number of partner stores across China that primarily provide installation service to our customers for orders placed through our online interfaces as a supplement to the Tuhu workshops. According to the CIC Report, Tuhu is the leading independent automotive service brand in China in terms of the number of automotive service stores operated and brand recognition.

Our platform serves most of the passenger vehicle models sold in China, fulfilling automotive service demands ranging from tires and chassis parts replacement to auto maintenance, repair, detailing, and more.



## SUMMARY



*Note:*

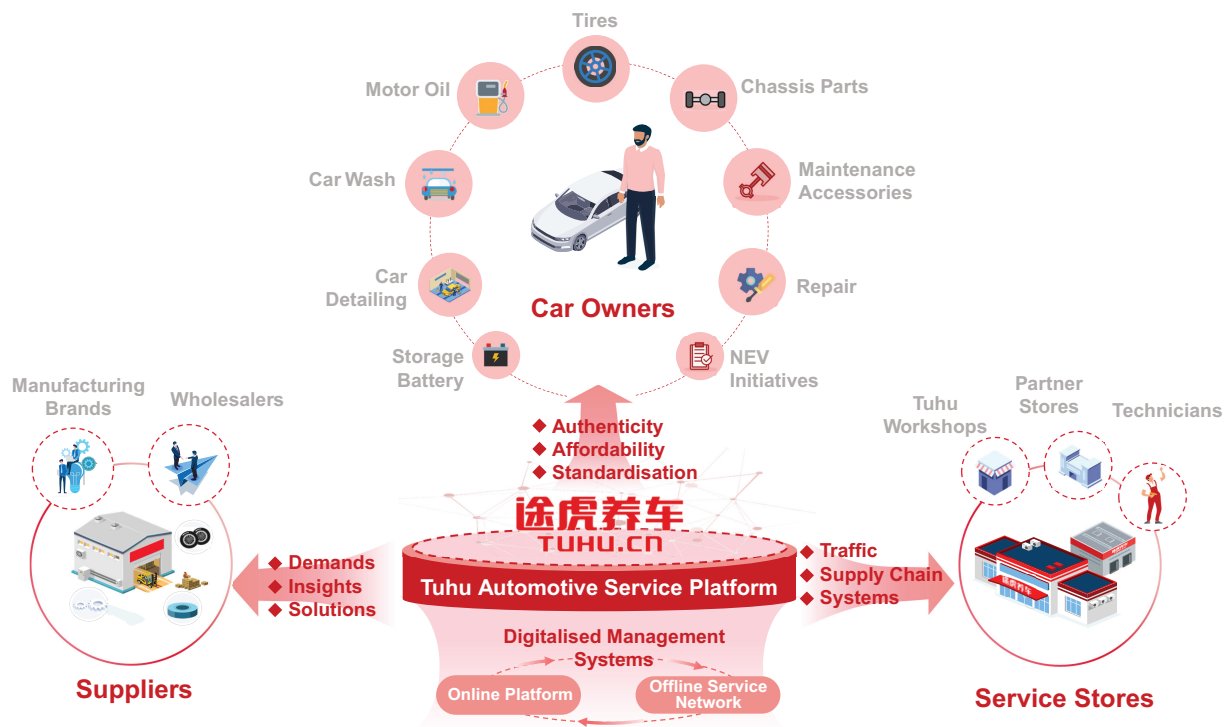
- (1) Company logos represent third-party auto parts suppliers with whom Tuhu has entered into contractual relationships. Auto parts suppliers on Tuhu platform consist of manufacturing brands and wholesalers of various auto parts and equipment. See “Business — Our Supply Chain Capabilities — Our Suppliers”.

We aim to provide our customers with high-quality services and attractive pricing for authentic automotive products on our platform. Our purpose-built digitalised industry solutions optimise each key step of the entire supply and services chain, from merchandise sourcing, inventory management, fulfilment management to service rendering, resulting in high customer loyalty to our platform. Our repeat purchase ratio was 62.3% in March 2022.

## SUMMARY

### Our Automotive Service Platform

Since our inception, we have been striving to address the key pain points faced by China’s automotive service industry, including the underwhelming customer experience, complex supply chain and inefficient fulfillment process. Started as a pure online retail platform providing customers with a wide selection of authentic automotive products with transparent prices, we evolved over time to build an offline network of well-managed stores and technicians to deliver high-quality and standardised services in-store. We also directly engage with auto parts suppliers to offer authentic and affordable products efficiently through our strong supply chain and nationwide logistics system. We have created an automotive service platform consisting of car owners, suppliers, service stores and other participants:



- **Car owners:** We serve the diversified and evolving needs of a large and fast-growing population of car owners who have found us through either online interfaces or offline service network.
- **Suppliers:** Auto parts suppliers on our platform consist of manufacturing brands and wholesalers of various auto parts and equipment. We directly procure merchandise from the manufacturing brands where possible, and engage with a diverse pool of other supply channels to ensure the comprehensiveness and reliability of our supply chain. We engaged with a total of over 3,000 suppliers as of 31 March 2023.
- **Service stores:** Service stores function as the offline touch points for our end customers and are at the frontline of customer engagement. We have built an extensive service store

## SUMMARY

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network across China and follow a win-win philosophy in managing our store network. We strive to satisfy the needs of our stores by providing various solutions to improve their performance and efficiencies.

- **Tuhu workshops:** As of 31 March 2023, our Tuhu workshop network consisted of 160 self-operated stores and 4,610 franchised Tuhu workshops under the management of 2,298 franchisees. All Tuhu workshops are strategically located and carry our Tuhu brands, serving as the core of our services store network and speaking for our high-quality services. Franchised Tuhu workshop is our strategic focus and enables us to expand efficiently through an asset-light model. The majority of our products and services revenue is generated through Tuhu workshops.
- **Partner stores:** We also have a large number of partner stores delivering installation and maintenance services for the products sold from our platform. Partner stores, as a supplement to our workshops, allow us to broaden our geographic coverage, while accumulating customer insights to further increase the efficiencies of the overall supply chain. As of 31 March 2023, we had 19,624 partner stores across China.
- **Other participants:** Our platform connects many other participants that are instrumental to our industry. For example, our technicians serve a critical role in our endeavour to deliver high-quality automotive service to our customers. Leveraging our technician support and management system, we provide online training and real-time online guidance designed to improve the operational efficiency of our technicians through our Blue Tiger system. We also provide auto parts trading services and supply our inventories through Qipeilong, an auto part trading platform we built to connect third-party auto part suppliers with automotive service providers, including stores within and outside of our store network. Our platform is highly scalable and as we grow in scale, we actively monitor the latest industry and technology trends and draw more participants to our platform. For instance, anticipating the trend of sustainable development and increasing popularity of new energy vehicles, we are actively exploring opportunities to work with new energy vehicle brands in the field of automotive services.

### Our Product and Service Offerings

For car owners, the products and services we offer range from tires and chassis parts, auto maintenance, to auto repair, car detailing, auto accessories, and other related installation services. We also provide advertising, franchise and other services to all participants on our platform, including advertisement services and SaaS solutions to various businesses.

#### *Products and Services for Car Owners*

We offer a diversified and expanding catalogue of products and services, including tires and chassis parts, auto maintenance, auto repairs, car detailing, and auto accessories. Through our

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platform, our customers could choose auto products for over 66,000 car models from 286 makes, including our private label products and exclusive products as of 31 March 2023. As of 31 March 2023, we had launched 51 private label product brands covering 7,429 SKUs transacted through our platform over the last twelve months, and 54 exclusive product brands covering 2,239 SKUs transacted through our platform over the last twelve months, ranging from tires and chassis parts, to auto maintenance products and more.

### *Qipeilong (汽配龍)*

We created Qipeilong to better serve our customers’ diversified, long-tail automotive product demand, especially demand arise from our walk-in customers. As of 31 March 2023, Qipeilong mainly utilised our extensive FDCs in 57 cities and our existing supplier, along with access to over 2,200 auto part suppliers that distribute low-frequency automotive products which are generally repair-related. Different from our online interfaces which are dedicated to directly serving our individual customers, Qipeilong is an auto part trading platform we built to serve the procurement needs of automotive service stores within and outside of our store network. Through Qipeilong, we provide two types of services, namely instant procurement service and facilitation services.

### *Advertising, Franchise and Other Services for Platform Participants*

Leveraging the platform we established and the deep understanding of the automotive service industry, we have rolled out a number of advertising, franchise and other services with the goal of serving the comprehensive needs of our platform participants.

In order to attract new customers and enhance customer stickiness, we are actively exploring new opportunities to serve the evolving demands from car owners. For example, we provide used car transaction service to our customers. In addition, we provide our customers with refuelling coupons by cooperating with various gas stations operators, such as PetroChina and Sinopec.

For details of our products and service offerings, please refer to “Business — Our Product and Service Offerings.”

### **Our NEV-related Efforts**

The emerging NEV market represents a change in automotive service demands and a massive potential market to us. We have been actively exploring business opportunities related to NEV. In addition to the automotive services we currently provide to ICEVs, we are exploring the products and services that are more tailored for NEVs, including NEV sales and aftersales services, battery and charging pile maintenance and repair services. Leveraging our extensive services network across the country, we are exploring partnership with NEV brands to help them with vehicle sales and aftersales services. For example, we have established business cooperation with leading NEV brands, such as Leapmotor and BAIC Arcfox, to offer automotive services to NEV owners, and will continue to explore opportunities for further cooperation. We have also established cooperative relationships

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with several mainstream NEV battery manufacturers and battery solution providers, who entrust us to provide battery-related service, such as battery capacity testing and servicing, battery recycling and electrical system replacement to their customers. In 2022, we have completed approximately 20,000 battery and charging pile maintenance and repair service orders. For details of our NEV new initiatives, please refer to “Business — Our Product and Service Offerings — NEV New Initiatives.”

### **Our Technology Capabilities**

We believe our data insights and technology capabilities are our key edges. We are committed to using technological innovation, efficient operation management system and data insights to revolutionise how automotive service is planned, managed and rendered. We currently have over 800 R&D personnel in our team, led by experts in their respective fields, including data analytics, industrial digitisation solutions and intelligent store management. Based on our strong in-house R&D capabilities and industry insights, we have developed a full suite of proprietary technologies tailored to China’s automotive service industry.

We have developed an automotive service technical support system along the automotive service industry chain that includes parts-matching big-data platform, warehouse management system, transportation management system, order management system, store management system, and technicians support and management system. As of 31 March 2023, our auto parts database is the largest and most accurate in China, covering over 66,000 car models under 286 makes and with a 99.99% of matching accuracy, according to the CIC Report. Blue Tiger, our proprietary store and technician management system, is also the largest in China in terms of DAU, according to the CIC Report.

On the customer-facing front, our self-developed business intelligence system leverages our industry know-how to offer both a broad SKU selection of auto parts and data-driven recommendation of services and stores via our online interfaces. During offline service rendering process, our mobile app offers an interactive and convenient experience, allowing customers to review instantaneous analysis reports after inspections, and offering live video monitoring of the service process.

### **Our Fulfilment Infrastructure**

A flexible and extensive fulfilment infrastructure is critical to the success of our platform. We have constructed a nationwide warehousing and logistics system with a combination of self-operated infrastructure and third-party service providers. As of 31 March 2023, we operated 39 regional distribution centres, or RDCs, and 267 front distribution centres, or FDCs. Our logistics solutions cover more than 300 cities in China as of 31 March 2023 and our RDCs supported a monthly average of 2.7 million tires and 13.1 million other auto parts received and shipped in the three months ended 31 March 2023, respectively.

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### Customers and Suppliers

During the Track Record Period, our customers primarily include individual car owners that represent a highly-fragmented customer base. Our five largest customers in each year during the Track Record Period accounted for 2.7%, 2.8%, 1.9%, 1.3% and 1.5% of our total revenues in each year ended 31 December 2019, 2020, 2021, 2022 and the three months ended 31 March 2023, respectively, and our largest customer accounted for 1.8%, 1.9%, 1.0%, 0.6% and 0.6% of our total revenues in each year ended 31 December 2019, 2020, 2021, 2022 and the three months ended 31 March 2023, respectively.

Auto parts suppliers on our platform consist of manufacturing brands and wholesalers of various auto parts and equipment. All of our five largest suppliers are Independent Third Parties. Purchases from our five largest suppliers in each year during the Track Record Period accounted for 31.6%, 37.0%, 36.8%, 36.6% and 38.0% of our total purchases in each year ended 31 December 2019, 2020, 2021, 2022 and the three months ended 31 March 2023, respectively, and purchases from our largest supplier accounted for 12.6%, 14.1%, 14.2%, 13.8% and 11.9% of our total purchases in each year ended 31 December 2019, 2020, 2021, 2022 and the three months ended 31 March 2023, respectively.

### Market Opportunities and Competitive Landscape

According to the CIC Report, China’s automotive service market, comprising auto repair and maintenance, car wash and detailing, and installation-required accessories, reached RMB1.2 trillion in 2022, and is expected to grow at a CAGR of 9.0% from 2023 to 2027 to reach RMB1.9 trillion by 2027. The steadily growing and recession-resilient aspects of China’s automotive service market are driven by a number of factors, including continued growth of China’s car parc, growing mileage travelled and ageing car parc.

Car owners in China are highly reliant on DIFM services provided by various types of automotive service stores. The DIY market only accounts for less than 5% of the automotive service market in China. Automotive service in China are provided by either authorised dealerships or IAMs. Authorised dealerships are stores authorised by automobile original equipment manufacturers, or OEMs. IAMs are stores independent from the authorised dealership system. Authorised dealership stores accounted for approximately 53.6% of the total automotive service market as measured by GMV in 2022, according to the CIC Report. However, along with the ageing car parc and the increased proportion of passenger vehicles that are out of warranty or with expiring warranty, IAM stores are expected to outgrow authorised dealership and account for 58.1% of the automotive service market by 2027.

The automotive service market in China is highly fragmented. In 2022, there were approximately 34 thousand authorised dealership stores and 862 thousand IAM stores in China. The automotive service market in China has long been facing the pain points including underwhelming customer experience, complex supply chain and inefficient fulfilment process.

## SUMMARY

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As China’s leading integrated online and offline platform for automotive service, we have innovatively brought technological solutions and integrated online and offline model into the equation. With our well-recognised brand, large customer base, broad and authentic products offerings, standardised services and strong digitalisation capabilities, we have achieved initial success and believe we are well-positioned to capture the massive addressable market and growth opportunities in China’s automotive service market. We ranked first in terms of number of stores as of 31 March 2023 among all automotive service providers in China. We also ranked first and third in terms of annual automotive service revenue in 2022 among IAM stores in China and all automotive services providers in China, respectively.

Our competitive advantages compared with authorised dealerships and other IAM stores mainly includes: (i) our extensive spectrum of products and services provided to customers and platform participant; (ii) our innovative online and offline integrated business model with strong supply chain, nationwide fulfilment infrastructure and strong control over store operation; and (iii) our technologies capabilities that improve customer experience and digitalise each step of the entire operational process. See “Business — Our Competitive Strengths” for details.

### OUR COMPETITIVE STRENGTHS

We believe that the following strengths contribute to our success and differentiate us from our competitors.

- Largest independent automotive service platform in China with an extensive spectrum of services
- Trusted brand with great customer loyalty
- Digitalised industry solutions enabling superior operational efficiencies
- Partner of choice for brands and suppliers
- Effective and scalable store network to ensure standardised service and fast expansion
- Significant flywheel effects and high entry barriers driven by our innovative automotive service platform
- Visionary management team with solid technology background

### OUR STRATEGIES

We will focus on the following key growth strategies to realise our vision:

- Expand the scale of platform



## SUMMARY

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- Further improve fulfilment capabilities
- Continue to invest in technology
- Further expand our automotive service spectrum to address diversified customer demand
- Partner with more auto part suppliers and further build proprietary brands
- Partner with NEV brands to provide dedicated services to the NEV market

### WVR STRUCTURE AND WVR BENEFICIARY

Our Company is proposing to adopt a weighted voting rights structure effective immediately prior to completion of the [REDACTED]. Under this structure, our Company’s share capital will comprise Class A Shares and Class B Shares. Each Class A Share will entitle the holder to exercise one vote, and each Class B Share will entitle the holder to exercise ten votes, on any resolution tabled at our Company’s general meetings, except for resolutions with respect to the Reserved Matters, in relation to which each Share is entitled to one vote.

Since our inception, we have been striving to address the key pain points faced by the automotive service market in China. We differentiate ourselves through our innovative online and offline integrated business model, fully-digitalized customer service experience and industry solutions, leading scale of operations and development and application of proprietary automotive service technical support systems in operations. According to the CIC Report, we are the most renowned independent automotive service brand in China.

Through our online interfaces and national offline service network, we serve most of the passenger vehicle models sold in China, fulfilling automotive service demands ranging from tires and chassis parts replacement to auto maintenance, repair, detailing, and more. By bringing automotive service demands onto one platform, customer engagement is significantly increased as compared to the traditional offline automotive service model that is highly dependent on localized service demands.

Our innovative business model is backed by our rapidly expanding store network. We have built the largest automotive service stores network in China in terms of number of stores operated as of 31 December 2022, according to the CIC report. Our growing service network of over 4,700 Tuhu workshops and over 19,000 partner stores spans across the entire country, covering a majority of prefecture-level cities. See “Business” for details of our product and service offerings and nationwide store network.

We adopt a franchise business model, which allows us to scale up rapidly while maintaining service quality and consistency. We leverage franchisees to build and operate franchised Tuhu workshops and empowers them with store management and information system, access to our online



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traffic, and full supply chain support. All Tuhu workshops employ our proprietary ERP system and digitalized toolkits for operational standardization and financial and transaction management. In addition, we focus on controlling the supply chain, inventory, store finance, operation and technicians of stores to ensure consistent service quality and product authenticity. The entire supply chain of franchised Tuhu workshops is fulfilled and fully trackable through our proprietary fulfillment infrastructure and Qipeilong. Based on our philosophy of “shared-success”, we have built a franchisee-friendly business model and implemented a series of measures to support our franchisees to develop their businesses. We were the first company to structure the franchise model in this way and still the only player among the independent automotive service platform to widely adopt this approach, according to the CIC report.

In addition, we harness the power of technology to revolutionize the automotive service industry and has been an early mover in developing and adopting a full suite of proprietary automotive service technical support systems to improve operating outcomes. Our in-house developed technical support systems, including our WMS, TMS, OMS and SMS, and our real-time predictive algorithm-driven supply chain, support the digitalization of our supply chain management. Our auto parts database is the largest and most accurate in China, covering over 66,000 car models under 286 makes and with a 99.99% of matching accuracy, according to the CIC Report. We also developed our Blue Tiger technicians support and management system, which is the largest proprietary store and technician management system in China in terms of DAU, to streamline the process of store management and provide training and remote support to our technicians to ensure service quality. Our digitalized end-to-end industry solutions cover all aspects of the automotive service value chain, which not only improve our own operating efficiency, but also optimise the overall efficiency of the automotive service industry.

We design our platform to ensure that it improves over time by learning from millions of transactions and interactions with customers, stores, technicians and supply chain partners. Our data-driven approach creates a virtuous cycle, whereby the more competitive our product and service offerings are, the more customers are drawn to our platform, which results in a desire for our platform participants to join our platform. In effect, this innovative business model creates a closed loop that has propelled our success as a result of the value created within our platform, and our current leading position in the automotive service industry enables us to gain significant advantage over our peers. See “Business” for more details of our innovative business model.

According to the CIC Report, we were one of the leading integrated online and offline platforms for automotive service in China and the largest independent automotive service platform in China in terms of revenue in 2022 and number of automotive service stores operated as of 31 December 2022. We generated RMB11.5 billion total revenue in 2022, which accounted for 0.9% market share and exceeded the cumulative automotive service revenue of the second to the fifth largest players in total. Please refer to “Industry Overview — Competitive Landscape of China’s Automotive Service Market” for rankings of all automotive service providers in terms of number of stores and rankings of IAM stores in terms of automotive service revenue in 2022.

## SUMMARY

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Immediately upon the completion of [REDACTED], the WVR Beneficiary will be Mr. Chen Min. Mr. Chen Min will beneficially own [REDACTED] Class A Shares and [REDACTED] Class B Shares, representing approximately [REDACTED] of the voting rights in our Company (assuming the [REDACTED] is not exercised and no Shares are issued under the Equity Incentive Schemes) with respect to shareholder resolutions relating to matters other than the Reserved Matters. See “Share Capital — Weighted Voting Rights Structure” for further details.

Mr. Chen Min is our co-founder, chairman of the Board, chief executive officer and executive Director. Mr. Chen Min has been integral to the success of our Company and has been materially responsible for the founding and growth of our Company’s business. He is primarily responsible for the overall strategic planning, business direction and management of our Group and leads our Company in formulating our cultural values. Mr. Chen Min has led our Company since our inception, and has been establishing and developing our Company’s vision, mission and culture. Mr. Chen Min makes all key management decisions of our Company and is the leader behind all key strategic developments and shifts of our Company. See “Directors and Senior Management — Director — Executive Directors” for Mr. Chen Min’s biography.

Our Company is adopting the WVR structure to enable the WVR Beneficiary to exercise voting control over our Company notwithstanding that the WVR Beneficiary does not hold a majority economic interest in the share capital of our Company. This will enable our Company to benefit from the continuing vision and leadership of the WVR Beneficiary who will control our Company with a view to its long-term prospects and strategy.

Prospective [REDACTED] are advised to be aware of the potential risks of [REDACTED] in companies with a WVR structure, in particular that the interests of the WVR Beneficiary may not necessarily always be aligned with those of our Shareholders as a whole, and that the WVR Beneficiary will be in a position to exert significant influence over the affairs of our Company and the outcome of our Shareholders’ resolutions, irrespective of how other Shareholders vote. Prospective [REDACTED] should make the decision to [REDACTED] in our Company only after due and careful consideration. For further information about the risks associated with the WVR structure adopted by our Company, see section headed “Risk Factors — Risks Related to the WVR Structure — Holders of our Class B Shares may exert substantial influence over us and may not act in the best interests of our independent Shareholders” of this [REDACTED].

## RISK FACTORS

Our operations and the [REDACTED] involve certain risks and uncertainties, which are set out in the section headed “Risk Factors”. You should read that section in its entirety carefully before you decide to [REDACTED] in our Class A Shares. Some of the major risks we face include:

- Our business and growth are affected by changes in customer demand and spending for automotive service in China;

## SUMMARY

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- We primarily provide our automotive services to customers through Tuhu workshops and partner stores, and we may not be able to attract or retain franchisees or partner store operators;
- We have a history of losses and negative cash flows from operating activities, which may continue in the future;
- Our business may be affected by advances in automotive technology, such as new energy vehicles, autonomous driving and shared mobility;
- Any harm to our brand or reputation may materially and adversely affect our business, market share and results of operations;

### OUR CONTROLLING SHAREHOLDERS

Immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no Shares are issued under the Equity Incentive Schemes), Mr. Chen Min will be interested in and will control (i) [REDACTED] Class A Shares and (ii) [REDACTED] Class B Shares, both through Nholresi Investment Limited and Ilnewgnay Investment Limited. Mr. Chen Min will be interested in approximately [REDACTED] of our issued Shares, and will be entitled to exercise approximately [REDACTED] of the voting rights of our issued Shares in general meetings (except for resolutions with respect to the Reserved Matters, in relation to which each Share is entitled to one vote). Therefore, Mr. Chen Min, Ilnewgnay Investment Limited and Nholresi Investment Limited together will constitute Controlling Shareholders of our Company after the [REDACTED]. See the section headed “Relationship with our Controlling Shareholders” for further details.

### PRE-[REDACTED] INVESTORS

We received multiple series of equity financing from our Pre-[REDACTED] Investors to support our expanding business operations. Our diverse base of Pre-[REDACTED] Investors consists of, among others, Tencent Entities, Joy Capital Entities, Sequoia China, FountainVest Entity, which hold approximately, [19.61]%, [9.07]%, [7.64]% and [5.51]% respectively, of our total issued and outstanding shares, as of the Latest Practicable Date. As of the Latest Practicable Date, approximately 67% of the proceeds from Pre-[REDACTED] Investments had been utilised. See the section headed “History, Reorganisation and Corporate Structure — Pre-[REDACTED] Investments — Information on the Pre-[REDACTED] Investors” of this [REDACTED].

### SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth summary financial data from our consolidated financial information for the Track Record Period, derived from the Accountants’ Report set out in Appendix I. The summary consolidated financial data set forth below should be read together with

## SUMMARY

the consolidated financial statements in this document, including the related notes. Our consolidated financial information was prepared in accordance with IFRS.

### Selected Consolidated Income Statement Items

The following table sets forth our consolidated statements of profit or loss with line items in absolute amounts and as percentages of our revenue for the years/periods indicated:

	For the Year Ended 31 December								For the Three Months Ended 31 March			
	2019		2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except for percentage data)</i>											
	<i>(unaudited)</i>											
Revenue	7,040,361	100.0	8,753,316	100.0	11,724,263	100.0	11,546,851	100.0	2,969,165	100.0	3,264,621	100.0
Cost of revenue	(6,516,954)	(92.6)	(7,673,294)	(87.7)	(9,853,961)	(84.0)	(9,276,669)	(80.3)	(2,436,293)	(82.1)	(2,474,837)	(75.8)
Gross Profit	523,407	7.4	1,080,022	12.3	1,870,302	16.0	2,270,182	19.7	532,872	17.9	789,784	24.2
Operating loss	(1,135,130)	(16.1)	(912,866)	(10.4)	(1,313,879)	(11.2)	(763,920)	(6.6)	(260,676)	(8.8)	(2,510)	(0.1)
Fair value changes of												
convertible redeemable												
preferred shares	(1,933,597)	(27.4)	(2,992,664)	(34.2)	(4,441,164)	(37.9)	(1,339,273)	(11.7)	(342,022)	(11.6)	(297,954)	(9.1)
Loss before tax	(3,417,976)	(48.5)	(3,903,615)	(44.6)	(5,809,979)	(49.6)	(2,107,649)	(18.3)	(604,487)	(20.4)	(277,062)	(8.5)
Loss for the												
year/period	(3,428,278)	(48.7)	(3,928,209)	(44.9)	(5,844,801)	(49.9)	(2,138,315)	(18.5)	(609,724)	(20.5)	(278,532)	(8.5)
Attributable to:												
Owners of the parent	(3,428,278)	(48.7)	(3,928,209)	(44.9)	(5,840,577)	(49.8)	(2,136,173)	(18.5)	(608,888)	(20.5)	(278,151)	(8.5)
Non-controlling												
interests	—	—	—	—	(4,224)	(0.1)	(2,142)	(0.0)	(836)	(0.0)	(381)	(0.0)

### Non-IFRS Measures

To supplement our consolidated financial statements, which are presented in accordance with IFRSs, we also use adjusted EBITDA (non-IFRS measure) and adjusted net profit/loss (non-IFRS measure), as additional financial measures, which are not required by, or presented in accordance with, IFRSs. Adjusted EBITDA (non-IFRS measure) represents loss for the year/period excluding income tax expenses, finance income, finance costs, depreciation and amortisation, share-based payment expenses and, fair value changes of convertible redeemable preferred shares, loss on repurchase of convertible redeemable preferred shares and [REDACTED] expenses. Adjusted net profit/loss (non-IFRS measure) represents loss for the year/period excluding share-based payment expenses, fair value changes of convertible redeemable preferred shares, loss on repurchase of convertible redeemable preferred shares and [REDACTED] expenses.

## SUMMARY

We have made the following adjustments consistently during the Track Record Period:

- Share-based payment expenses primarily represent the non-cash employee benefit expenses incurred in connection with our 2019 Share Incentive Plan. Such expenses in any specific period are not expected to result in future cash payments.
- Fair value changes of convertible redeemable preferred shares mainly represent changes in the fair value of the convertible redeemable preferred shares issued by us and relate to changes in our valuation. We do not expect to record any further fair value changes of the convertible redeemable preferred shares after [REDACTED] as preferred shares liabilities will be redesignated and reclassified from liabilities to equity as a result of the automatic conversion into ordinary shares upon the [REDACTED].
- Loss on repurchase of convertible redeemable preferred shares represents repurchase of our convertible redeemable preferred shares as a result of withdrawals by certain investors in 2019. Such expenses are not expected to result in future cash payments.

The following table reconciles adjusted EBITDA (non-IFRS measure) for the year/period presented to the most directly comparable financial measure calculated and presented in accordance with IFRSs, which is loss for the year/period:

	For the Year Ended 31 December				For the Three Months Ended 31 March	
	2019	2020	2021	2022	2022	2023
	RMB	RMB	RMB	RMB	RMB	RMB
	<i>(in thousands)</i>				<i>(unaudited)</i>	
Loss for the year/period . . .	(3,428,278)	(3,928,209)	(5,844,801)	(2,138,315)	(609,724)	(278,532)
Adjusted for:						
Income tax expense . . .	10,302	24,594	34,822	30,666	5,237	1,470
Finance income . . . . .	(41,707)	(63,236)	(63,504)	(56,934)	(11,008)	(25,414)
Finance costs . . . . .	26,397	50,530	65,696	27,875	9,286	4,901
Depreciation and amortisation . . . . .	199,316	238,966	304,517	363,776	87,283	88,311
Share-based payment expenses . . . . .	95,121	41,533	118,512	219,339	52,912	66,459
Fair value changes of convertible redeemable preferred shares . . . . .	1,933,597	2,992,664	4,441,164	1,339,273	342,022	297,954
Loss on repurchase of convertible redeemable preferred shares . . . . .	363,868	—	—	—	—	—
[REDACTED] expenses . . . . .	—	—	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Adjusted EBITDA (non-IFRS measure) . . .	<u>(841,384)</u>	<u>(643,158)</u>	<u>(922,424)</u>	<u>(186,546)</u>	<u>(115,802)</u>	<u>160,117</u>

We adjust for share-based payment expenses, fair value changes of convertible redeemable preferred shares, loss on repurchase of convertible redeemable preferred shares and [REDACTED] expenses

## SUMMARY

to net loss to derive adjusted net profit/loss. For the same reasons stated above, we have made the adjustments of share-based payment expenses, fair value changes of convertible redeemable preferred shares and loss on repurchase of convertible redeemable preferred shares.

The following table reconciles adjusted net profit/loss (non-IFRS measure) for the year/period presented to the most directly comparable financial measure calculated and presented in accordance with IFRSs, which is loss for the year/period:

	For the Year Ended 31 December				For the Three Months Ended 31 March	
	2019	2020	2021	2022	2022	2023
	RMB	RMB	RMB	RMB	RMB	RMB
	<i>(in thousands)</i>				<i>(unaudited)</i>	
Loss for the year/period	(3,428,278)	(3,928,209)	(5,844,801)	(2,138,315)	(609,724)	(278,532)
Adjusted for:						
Share-based payment expenses	95,121	41,533	118,512	219,339	52,912	66,459
Fair value changes of convertible redeemable preferred shares	1,933,597	2,992,664	4,441,164	1,339,273	342,022	297,954
Loss on repurchase of convertible redeemable preferred shares	363,868	—	—	—	—	—
[REDACTED] expenses	—	—	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Adjusted net (loss)/profit (non-IFRS measure)	<u>(1,035,692)</u>	<u>(894,012)</u>	<u>(1,263,955)</u>	<u>(551,929)</u>	<u>(206,600)</u>	<u>90,849</u>

We present the non-IFRS financial measures because they are used by our management to evaluate our operating performance and formulate business plans. Adjusted EBITDA (non-IFRS measure) enables our management to assess our operating results eliminating the impact of income tax expenses, finance income, finance costs, depreciation and amortisation, share-based payment expenses, fair value changes of convertible redeemable preferred shares, loss on repurchase of convertible redeemable preferred shares and [REDACTED] expenses. Adjusted net profit/loss (non-IFRS measure) enables our management to assess our operating results eliminating the impact of share-based payment expenses, fair value changes of convertible redeemable preferred shares, loss on repurchase of convertible redeemable preferred shares and [REDACTED] expenses.

Adjusted EBITDA (non-IFRS measure) and adjusted net profit/loss (non-IFRS measure) should not be considered in isolation or construed as an alternative to loss for the year/period or any other measure of performance. [REDACTED] are encouraged to review our historical non-IFRS financial measures together with the most directly comparable IFRS measures. Adjusted EBITDA (non-IFRS measure) and adjusted net profit/loss (non-IFRS measure) presented here may not be comparable to similarly titled measures presented by other companies. Other companies may calculate similarly titled measures differently, limiting their usefulness as comparative measures to our data. We encourage [REDACTED] and others to review our financial information in its entirety and not rely on a single financial measure.

## SUMMARY

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We recognised fair value loss of convertible redeemable preferred shares of RMB1.9 billion, RMB3.0 billion, RMB4.4 billion, RMB1.3 billion and RMB298.0 million in 2019, 2020, 2021 and 2022 and the three months ended 31 March 2023, respectively, which is due to the increases in the fair value liabilities of our convertible redeemable preferred shares mainly driven by the increases in our valuation. Such fair value loss of convertible redeemable preferred shares led to the increases in our losses during the Track Record Period. Our convertible redeemable preferred shares will be redesignated and reclassified from liabilities to equity as a result of the automatic conversion into ordinary shares upon the [REDACTED]. Changes in fair value of convertible redeemable preferred shares affected our performance significantly during the Track Record Period and may continue to have adverse effect on our results of operations when our valuation continues to increase until conversion into ordinary shares, after which we do not expect to recognise any further loss or gain on fair value changes from convertible redeemable preferred shares and will return to a net assets position. We had a net loss of RMB3.4 billion, RMB3.9 billion, RMB5.8 billion, RMB2.1 billion and RMB278.5 million in 2019, 2020, 2021 and 2022 and the three months ended 31 March 2023, respectively.



## SUMMARY

### Breakdown by Store Type

The below table sets forth the revenue, cost of revenue, gross profit and gross margin by store type and direct sales to customers during the Track Record Period. The numbers in the below table only represent the stores’ financial contributions to us, and do not necessarily reflect the stores’ own financial conditions and results of operations.

	For the Year Ended 31 December						For the Three Months Ended 31 March					
	2019		2020		2021		2022		2023		2023	
	Revenue	Gross Profit <sup>(1)</sup>	Revenue	Gross Profit <sup>(1)</sup>	Revenue	Gross Profit <sup>(1)</sup>	Revenue	Gross Profit <sup>(1)</sup>	Revenue	Gross Profit <sup>(1)</sup>	Revenue	Gross Profit <sup>(1)</sup>
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	Cost of Revenue	Gross Margin <sup>(1)</sup>	Cost of Revenue	Gross Margin <sup>(1)</sup>	Cost of Revenue	Gross Margin <sup>(1)</sup>	Cost of Revenue	Gross Margin <sup>(1)</sup>	Cost of Revenue	Gross Margin <sup>(1)</sup>	Cost of Revenue	Gross Margin <sup>(1)</sup>
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
Franchised Tuhu workshops <sup>(2)</sup>	3,938,470	11.0	5,485,465	15.9	8,119,365	18.6	8,757,970	22.4	2,190,952	20.8	2,634,971	26.0
Self-operated Tuhu workshops	503,440	(9.0)	525,423	0.9	591,376	(3.8)	563,321	(3.3)	137,065	(8.8)	168,054	5.5
Partner stores <sup>(3)</sup>	1,265,064	1.9	1,182,971	5.2	1,240,969	7.2	673,712	9.5	222,659	8.9	133,227	13.7
Direct sales to customers <sup>(4)</sup>	833,789	7.1	777,705	7.8	795,355	14.9	776,372	16.1	191,751	16.7	190,936	20.6

(unaudited)

(in thousands, except for percentage data)

### Notes:

- (1) It is difficult to allocate cost of revenue by each store type in a precise manner. The current numbers presented and used for calculation of gross profit and gross margin are based on our best estimates under certain assumptions.
- (2) Revenue from franchised Tuhu workshops include (i) revenue from online and walk-in individual customer orders and recorded under automotive products and services to individual end customers, (ii) revenue from sales of auto products to franchised Tuhu workshops through Qipeilong, and (iii) revenue in relation to our franchise services to franchised Tuhu workshops.
- (3) Revenue from partner stores include (i) revenue from online individual customer orders fulfilled at partner stores, and (ii) revenue from sales of auto products to partner stores through Qipeilong.
- (4) Revenue from direct sales to customers represents revenue from online orders from individual customers with delivery of auto products directly to the customer’s home or other designated place.



## SUMMARY

For details, see “Business—Our Nationwide Store Network.”

### Selected Consolidated Balance Sheet Data

The table below sets forth selected information from our consolidated statements of balance sheets as of the dates indicated.

	As of 31 December				As of
	2019	2020	2021	2022	31 March
	RMB	RMB	RMB	RMB	RMB
			<i>(in thousands)</i>		
Total non-current assets . . . . .	660,675	1,456,463	2,085,863	2,108,270	2,323,852
Total current assets . . . . .	5,503,750	7,577,854	7,746,291	6,905,846	6,813,386
Total current liabilities . . . . .	2,722,444	6,337,249	5,742,993	5,572,199	5,616,949
Total non-current liabilities . . . . .	9,937,264	12,602,611	19,453,535	22,398,481	22,391,722
Net current assets . . . . .	2,781,306	1,240,605	2,003,298	1,333,647	1,196,437
Net liabilities . . . . .	(6,495,283)	(9,905,543)	(15,364,374)	(18,956,564)	(18,871,433)
Non-controlling interests . . . . .	—	3,861	2,337	195	(186)

We recorded net liabilities of RMB6.5 billion, RMB9.9 billion, RMB15.4 billion, RMB19.0 billion and RMB18.9 billion, as of 31 December 2019, 2020, 2021 and 2022 and 31 March 2023, respectively, primarily due to the net losses we incurred during the Track Record Period. We had a net loss of RMB3.4 billion, RMB3.9 billion, RMB5.8 billion, RMB2.1 billion and RMB278.5 million in 2019, 2020, 2021 and 2022 and the three months ended 31 March 2023, respectively. We recognised fair value loss of convertible redeemable preferred shares of RMB1.9 billion, RMB3.0 billion, RMB4.4 billion, RMB1.3 billion and RMB298.0 million in 2019, 2020, 2021 and 2022 and the three months ended 31 March 2023, respectively, which is due to the increases in the fair value liabilities of our convertible redeemable preferred shares mainly driven by the increases in our valuation. Such fair value loss of convertible redeemable preferred shares contributed to our net losses during the Track Record Period. Our convertible redeemable preferred shares will be re-designated from liabilities to equity as a result of the automatic conversion into ordinary shares upon the [REDACTED], after which we do not expect to recognise any further loss or gain on changes in fair value of convertible redeemable preferred shares and will return to a net assets position from a net liabilities position. In addition, the exchange differences on translation of foreign operations and the share-based payments we made during the Track Record Period also partially resulted in the fluctuations of net liabilities. We recorded gains on exchange differences on translation of foreign operations of RMB77.1 million, RMB472.6 million, RMB264.8 million and RMB259.7 million in 2019, 2020 and 2021 and the three months ended 31 March 2023, respectively and losses exchange differences on translation of foreign operations of RMB1.6 billion in 2022. We had share-based payments of RMB95.1 million, RMB41.5 million, RMB118.5 million, RMB219.3 million and RMB66.5 million in 2019, 2020, 2021 and 2022 and the three months ended 31 March 2023, respectively.

## SUMMARY

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We had net current assets of RMB1.4 billion as of 31 July 2023, as compared to net current assets of RMB1.2 billion as of 31 March 2023. The change was primarily due to (i) an increase of RMB481.4 million in financial assets at fair value through profit or loss as we allocated more funds in short-term wealth management products, and (ii) an increase of RMB193.8 million in cash and cash equivalents, partially offset by (i) an increase of RMB119.2 million in other payables and accruals, (ii) a decrease of RMB108.1 million in inventories as a result of faster turnover of inventories such as auto parts, in line with the post-COVID-19 business recovery, (iii) a decrease of RMB79.3 million in the prepayments, other receivables and other assets, and (iv) an increase of RMB78.4 million in contract liabilities. The increase in the cash and cash equivalents were primarily due to the increase in the cash inflow from our operating activities as a result of our continued efforts in gross margin improvement, cost control and cash management. The increase in other payables and accruals was primarily due to (i) the increase in refundable deposits from potential franchisees prior to entering into the franchise agreements in line with our store network expansion, and (ii) the increase in payable relating to the construction of new automated warehouses. The decrease in prepayments, other receivables and other assets was primarily due to (i) the decrease in loans receivable as we received repayments from certain entrusted loan borrowers; and (ii) drawdown of prepaid advertising fees in June 2023 during the 618 shopping festival. The increase in contract liabilities was primarily due to the increase in advance from customers as we launched more customer engagement and retention programs, such as the discount voucher promotional activities.

We had net current assets of RMB1.2 billion as of 31 March 2023, as compared to net current assets of RMB1.3 billion as of 31 December 2022. The change was primarily due to (i) a decrease of RMB281.3 million in the restricted cash and time deposits, and (ii) an increase of RMB112.0 million in trade and bills payables, partially offset by an increase of RMB129.2 million in the cash and cash equivalents. The decrease in the restricted cash and time deposits and the increase in the cash and cash equivalents were primarily due to the release of certain security deposits and withdrawal of certain time deposits upon maturity. The increase in trade and bills payables was primarily due to the increased procurement of merchandise in line with the post-COVID-19 business recovery.

We had net current assets of RMB1.3 billion as of 31 December 2022, as compared to net current assets of RMB2.0 billion as of 31 December 2021. The change was primarily due to (i) a decrease of RMB1.5 billion in the restricted cash and time deposits, (ii) a decrease of RMB294.4 million in financial assets at fair value through profit or loss as a result of the redemption of certain wealth management products, and (iii) a decrease of RMB171.0 million in inventories, partially offset by (i) an increase of RMB1.2 billion in the cash and cash equivalents, (ii) a decrease of RMB264.0 million in interest-bearing borrowings as we repaid certain short-term bank borrowings in 2022, and (iii) a decrease of RMB121.0 million in trade and bills payables. The decrease in the restricted cash and time deposits and the increase in the cash and cash equivalents were primarily due to the release of certain security deposits and maturity of certain time deposits, most of which were converted into cash and cash equivalents. The decrease in inventories and trade and bills payables were both because we paced the procurement of merchandise in 2022 in light of the COVID-19 resurgence in China.

## SUMMARY

We had net current assets of RMB2.0 billion as of 31 December 2021, as compared to net current assets of RMB1.2 billion as of 31 December 2020. The change was primarily due to (i) a decrease of RMB1.8 billion in interest-bearing borrowings as we repaid certain short-term bank borrowings in 2021, (ii) an increase of RMB307.3 million in cash and cash equivalents, and (iii) an increase of RMB230.0 million in inventories, partially offset by (i) an increase of RMB501.5 million in other payables and accruals, (ii) an increase of RMB431.9 million in trade and bills payables, and (iii) a decrease of RMB372.0 million in financial assets at fair value through profit or loss.

We had net current assets of RMB1.2 billion as of 31 December 2020, as compared to net current assets of RMB2.8 billion as of 31 December 2019. The change was primarily due to an increase of RMB2.0 billion in interest bearing bank borrowings, an increase of RMB1.1 billion in trade and bills payables in line with our business growth and a decrease of RMB1.1 billion in financial assets at fair value through profit or loss, partially offset by an increase of RMB2.6 billion in restricted cash and time deposits. For details, see “Financial Information — Liquidity and Capital Resources — Net Current Assets.”

### Selected Consolidated Cash Flow Data

The following table sets forth our selected cash flow data for the years/periods indicated:

	For the Year Ended 31 December				For the Three Months Ended 31 March	
	2019	2020	2021	2022	2022	2023
	RMB	RMB	RMB	RMB	RMB	RMB
	<i>(in thousands)</i>				<i>(unaudited)</i>	
<b>Selected Consolidated Cash Flow Data:</b>						
Net cash flows (used in)/from						
operating activities . . . . .	(251,539)	331,280	(98,750)	(312,711)	(564,309)	183,874
Net cash flows (used in)/from						
investing activities . . . . .	(1,077,746)	570,808	(917,972)	481,347	626,563	(79,065)
Net cash flows from/(used in)						
financing activities . . . . .	1,905,441	(1,041,096)	1,407,937	935,977	(466,697)	47,611
Net increase/(decrease) in cash and						
cash equivalents . . . . .	576,156	(139,008)	391,215	1,104,613	(404,443)	152,420
Cash and cash equivalents at the						
beginning of the year/period . . . . .	895,706	1,474,876	1,164,958	1,472,293	1,472,293	2,686,353
Effect of foreign exchange rate						
changes, net . . . . .	3,014	(170,910)	(83,880)	109,447	(3,609)	(23,193)
Cash and cash equivalents at the end						
of the year/period <sup>(1)</sup> . . . . .	<u>1,474,876</u>	<u>1,164,958</u>	<u>1,472,293</u>	<u>2,686,353</u>	<u>1,064,241</u>	<u>2,815,580</u>

## SUMMARY

Note:

(1) The below table sets forth the analysis of balances of cash and cash equivalents for the years/periods indicated.

	For the Year Ended 31 December				For the Three Months Ended 31 March	
	2019	2020	2021	2022	2022	2023
	RMB	RMB	RMB	RMB	RMB	RMB
	<i>(in thousands)</i>				<i>(unaudited)</i>	
Cash and bank balances . . . . .	2,321,033	4,865,846	5,449,954	4,707,793	4,834,298	4,670,285
Restricted cash and time deposits . . . . .	(846,157)	(3,700,888)	(3,977,661)	(2,021,440)	(3,770,057)	(1,854,705)
Cash and cash equivalents as stated in the consolidated statement of cash flows . . . . .	<u>1,474,876</u>	<u>1,164,958</u>	<u>1,472,293</u>	<u>2,686,353</u>	<u>1,064,241</u>	<u>2,815,580</u>

We had net cash flows used in our operating activities of RMB251.5 million, RMB98.8 million and RMB312.7 million in 2019, 2021 and 2022, respectively, primarily because we incurred net losses as the costs and expenses increased at a faster rate than our gross profit as we had not yet achieved economies of scale. We turned operating cash outflow position to operating cash inflow position for 2020, primarily because (i) we used commercial bills, which generally have longer payment terms, for settlement with certain of our suppliers more often in 2020; and (ii) less security deposits were held in designated bank accounts for issuance of commercial bills as we gained more favourable terms from banks in line with our business growth. During the Track Record Period, we had been continually improving gross margin, enhancing cash management capabilities and optimising cash conversion cycles. As a result of these continuous efforts and a series of measures to reduce costs and increase efficiency, we managed to generate positive net cash flows from operating activities of RMB183.9 million in the three months ended 31 March 2023. For discussion on cash flow data, adjustments for non-cash items, and changes in working capital accounts and the reasons underlying the changes, see “Financial Information — Liquidity and Capital Resources.”

### KEY OPERATING DATA

The below table sets forth our transacting users for the years/periods indicated.

	For the year ended 31 December				For the twelve months ended
	2019	2020	2021	2022	31 March
	<i>(in millions)</i>				2023
Transacting users . . . . .	8.6	11.0	14.8	16.5	17.1

## SUMMARY

The below table sets forth our store numbers as of the dates indicated.

	As of 31 December				As of
					31 March
	2019	2020	2021	2022	2023
Number of Tuhu workshops . . . . .	1,423	2,488	3,853	4,653	4,770
Number of partner stores . . . . .	18,743	23,285	31,623	20,870	19,624

The below table sets forth the number of our profit-making self-operated Tuhu workshops and franchised Tuhu workshops which paid profit-based royalty fees to us in December 2019, 2020, 2021, 2022 and March 2023, respectively.

	For the month ended 31 December								For the month	
									ended 31 March	
	2019		2020		2021		2022		2023	
Number of stores <sup>(1)</sup>	% <sup>(1)</sup>	Number of stores <sup>(1)</sup>	% <sup>(1)</sup>	Number of stores <sup>(1)</sup>	% <sup>(1)</sup>	Number of stores <sup>(1)</sup>	% <sup>(1)</sup>	Number of stores <sup>(1)</sup>	% <sup>(1)</sup>	
Self-operated Tuhu workshops <sup>(2)</sup> . . . . .	61	52.1	92	77.3	102	57.3	106	76.3	117	76.0
Franchised Tuhu workshops <sup>(3)</sup> . . . . .	838	90.4	1,504	88.7	2,428	87.1	3,320	81.2	3,771	89.4

Notes:

- (1) The numbers of Tuhu workshops used for calculations are those in operation on our record for at least six months as of the period-end of each period.
- (2) Represents the number of profit-making self-operated Tuhu workshops for the month ended 31 December 2019, 2020, 2021, 2022 and 31 March 2023, respectively.
- (3) Represents the number of franchised Tuhu workshops which paid profit-based royalty fees to us for the month ended 31 December 2019, 2020, 2021, 2022 and 31 March 2023, respectively.

The below table sets forth the revenue, gross profit and gross margin of our Tuhu workshops by years of operation as of 31 March 2023. The numbers in the below table only represent the Tuhu workshops’ financial contributions to us, and do not necessarily reflect the Tuhu workshops’ own financial conditions and results of operations.

	<1 year	1-2 years	2-3 years	≥ 3 years	Total
Number of Tuhu workshops . . . . .	805	1,465	1,109	1,391	4,770
Revenue <sup>(1)</sup> (RMB in thousands) . . . . .	260,639	746,892	715,591	1,078,577	2,801,699
Gross profit <sup>(1)</sup> (RMB in thousands) . . . . .	56,670	178,222	182,059	277,009	693,960
Average revenue <sup>(1)</sup> (RMB in thousands) . . . . .	324	510	645	775	587
Average gross profit <sup>(1)</sup> (RMB in thousands) . . . . .	70	122	164	199	145
Average gross margin <sup>(1)</sup> (%) . . . . .	21.6	23.9	25.4	25.7	24.7

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*Note:*

- (1) Represents revenue, gross profit, and average revenue, gross profit and gross margin in the three months ended 31 March 2023.

For details, see “Business — Our Nationwide Store Network — Our Franchise Model.”

### BUSINESS SUSTAINABILITY

To capture the industry opportunity, we have been striving to address the key pain points of the automotive service market in China, and to innovate simple and easy automotive service by providing a digitalised and on-demand service experience to our customers. To lay a solid foundation for our long-term development and growth, we have been focused on executing growth strategies, rather than seeking immediate financial returns or profitability. To that end, we have devoted considerable resources to growing our user base, broadening our service and product offerings, expanding our geographic coverage, building our fulfilment infrastructure and investing in technology, which has led to us recording accumulated losses as at 1 January 2019 and net losses during the Track Record Period.

#### *Our Resilient Historical Growth*

We witnessed resilient growth in our business operations and financial results during the Track Record Period. Our revenues increased from RMB7.0 billion in 2019 to RMB11.5 billion in 2022. Our revenue increased by 10.0% from RMB3.0 billion in the three months ended 31 March 2022 to RMB3.3 billion in the same period of 2023, primarily due to an increase in revenue from automotive products and services. Our gross profit margin increased from 7.4% in 2019 to 19.7% in 2022, and further to 24.2% in the three months ended 31 March 2023. Furthermore, as we improved our operational efficiencies, our operating losses as percentage of revenue narrowed over time. Our operating loss as percentage of revenue changed from 16.1% in 2019 to 6.6% in 2022 and further to 0.1% in the three months ended 31 March 2023. In the six months ended 30 June 2023, we have achieved positive net profit of RMB59.5 million and positive operating cash flow of RMB714.8 million, demonstrating the sustainability of our business model.

- **Service and product offerings expansion:** Since our inception in 2011, we have been continuously adding more service and product offerings and also exploring new business initiatives with strong growth potential. For example, we launched tires, motor oil, chassis parts, storage battery and NEV battery maintenance and repair businesses in 2011, 2013, 2015, 2015 and 2021, respectively, to address the increasing demand in this service category.
- **Geographic coverage expansion:** We have been continuously expanding our geographic coverage to serve customers in wider areas and also enable them to enjoy our services with greater convenience. The number of Tuhu workshops increased from 1,423 in 141 cities as of 31 December 2019 to 4,770 in 303 cities as of 31 March 2023. We were the largest

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automotive services providers in China in terms of number of stores operated, as of 31 December 2022, according to the CIC Report.

- **Fulfilment infrastructure:** We have built a nationwide warehousing and logistics system to ensure timely delivery of our products and accurate monitoring of the logistics. As of 31 March 2023, we operated 39 regional distribution centres, or RDCs, and 267 front distribution centres, or FDCs, across the country. Our logistics solutions cover more than 300 cities in China as of 31 March 2023 and our RDCs support a monthly average of 2.7 million tires and 13.1 million other auto parts received and shipped in the three months ended 31 March 2023.
- **Technology innovations:** We have built an R&D team with over 800 R&D personnel as of 31 March 2023 and developed a full suite of proprietary technologies tailored to China’s automotive service industry. Such technology innovations not only include customer-facing digitalised applications, but also include the automotive service technical support system along the automotive service industry chain. We leverage technology to digitalise the industry chain and improve customer experience.
- **User base and user engagement:** Growing user base and enhancing user engagement are crucial for our growth and to generate more revenues. We have been continuously improving our user experience. Our efforts have contributed to the strength and loyalty of our customer base, and we continue to attract new customers to our platform across mobile, website and other digital interfaces. Our registered users increased from 44.2 million as of 31 December 2019 to 100.2 million as of 31 March 2023. Our transacting users increased from 8.6 million in 2019 to 17.1 million in the last twelve months ended 31 March 2023. Our average MAUs increased from 5.5 million in 2019 to 10.2 million in the three months ended 31 March 2023.

Going forward, we plan to further improve our profitability primarily by: (i) continuing to achieve revenue growth, driven by a larger user base, more product and services offerings and wider geographic coverage; (ii) improving our cost efficiency, driven by better products mix and more favourable pricing terms with our suppliers; and (iii) increasing our operating leverage, driven by our economies of scale and optimised supply chain efficiency.

- Continuing to achieve revenue growth. Our store expansion plan includes penetration in tier 2 and below cities and counties and the optimisation of location and density of our stores in existing cities. In addition, to accommodate our customers’ diversified needs, we will continue to explore new service offerings that can be seamlessly integrated with our existing offerings. Furthermore, we have been expanding the partnerships with more NEV brands or key suppliers of NEV brands to provide dedicated services addressing the growing NEV market.
- Improving our cost efficiency. We will continue to offer more auto maintenance products and services, which generally have higher margins. We have also entered into exclusive



## SUMMARY

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partnerships with many major suppliers and manufacturing brands to roll out more exclusive products and private label products with higher gross margin. In addition, as our platform continues to expand and our scale continues to increase, we could leverage the scale advantage to increase the leverage in merchandise sourcing and obtain more favourable terms from our suppliers.

- Increasing our operating leverage. We will continue to optimise the operating efficiency through the technology innovation and benefit from the economy of scale. Specifically, we will continue to (i) evaluate and monitor the effectiveness and efficiency of our selling and marketing spending, as well as strategically focus on marketing efforts customised for different target customer groups; (ii) invest in our research and development capabilities efficiently to improve our technological capabilities to enhance our store management system, fulfilment efficiency and user experience.

For detailed strategies and measures we plan to take to achieve profitability, see “Business — Business Sustainability.”

### *Working Capital Sufficiency*

Taking into account the financial resources available to us, including our cash and cash equivalents on hand and the estimated [REDACTED] from the [REDACTED], our Directors are of the view that we have sufficient working capital to meet our present needs and for the next twelve months from the date of this document. We also proactively review and adjust our cash management policy and working capital needs according to general economic conditions and our short-term business plans. In addition, in view of our net cash outflow from operating activities in 2019, 2021 and 2022, we plan to ensure our working capital sufficiency by taking advantage of above-mentioned measures to narrow down our net loss and improve our profitability, which will in parallel translate into improved net operating cash flows. Further, as evidenced by our historical equity financing activities, we have a good track record in being able to raise money from renowned investors to finance our business. See the section headed “History, Reorganisation and Corporate Structure — Pre-[REDACTED] Investments” of this [REDACTED]. We believe that potential external financing sources, including those to which we will gain access after the [REDACTED], will provide additional funding to fuel our business operation and expansion until we achieve profitability and positive operating cash flow. See “Business — Business Sustainability — Working Capital Sufficiency” for details.

### **APPLICATION FOR [REDACTED] ON THE STOCK EXCHANGE**

We have applied to the Listing Committee for the [REDACTED] of, and permission to deal in, the Class A Shares in issue and to be issued pursuant to the [REDACTED] (including any Class A Shares which may be issued pursuant to the exercise of the [REDACTED]), the Class A Shares to be issued under the Equity Incentive Schemes, and the Class A Shares that may be issued upon conversion of the Class B Shares on a one to one basis, on the basis that, among other things,



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we satisfy the market capitalization/revenue test under Rule 8.05(3) and Rule 8A.06(2) of the Listing Rules with reference to (i) our revenue for the year ended December 31, 2022, being RMB11.5 billion, which is over HK\$1 billion; and (ii) our expected market capitalisation at the time of [REDACTED], which, based on the low-end of the indicative [REDACTED] range, exceeds HK[REDACTED].

### FUTURE DIVIDENDS

We are a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividend will also depend on the availability of dividends received from our subsidiaries. PRC laws require that dividends be paid only out of the profit for the year calculated according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including IFRSs. PRC laws also require companies incorporated in PRC to set aside at least 10% of its after-tax profits, if any, to fund its statutory reserves, which are not available for distribution as cash dividends. Dividend distribution to our shareholders is recognised as a liability in the period in which the dividends are approved by our shareholders or Directors, where appropriate.

Any future determination to pay dividends will be made at the discretion of our Directors and may be based on a number of factors, including our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors may deem relevant. As advised by our Cayman Islands legal counsel, under Cayman Islands law, a position of accumulated losses and net liabilities does not necessarily restrict the Company from declaring and paying dividends to our shareholders out of either our profit or our share premium account, provided this would not result in the Company being unable to pay its debts as they fall due in the ordinary course of business. [REDACTED] should not purchase our shares with the expectation of receiving cash dividends. We did not declare or pay any dividends on our shares during the Track Record Period and we do not anticipate paying any cash dividends in the foreseeable future.

### [REDACTED]

This document is published in connection with the [REDACTED] as part of the [REDACTED]. The [REDACTED] comprises of:

- (a) the [REDACTED] of initially [REDACTED] (subject to [REDACTED]) in Hong Kong as described below in the section headed “Structure of the [REDACTED]—The [REDACTED]”; and
- (b) the [REDACTED] of initially [REDACTED] (subject to [REDACTED] and the [REDACTED]) (i) in the United States solely to QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and (ii) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in

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reliance on Regulation S, as described below in the section headed “Structure of the [REDACTED] — The [REDACTED]”.

The [REDACTED] will represent approximately [REDACTED] of the total Shares in issue immediately following the completion of the [REDACTED], assuming the [REDACTED] is not exercised and no Shares are issued under the Equity Incentive Schemes. If the [REDACTED] is exercised in full, the [REDACTED] will represent approximately [REDACTED] of the total Shares in issue immediately following the completion of the [REDACTED], assuming no Shares are issued under the Equity Incentive Schemes.

[REDACTED]

### [REDACTED] EXPENSES

Our [REDACTED] expenses primarily include [REDACTED] fees and commissions and professional fees paid to legal, accounting and other advisors for services rendered in relation to the [REDACTED]. Based on the mid-point [REDACTED] of HK\$[REDACTED] per [REDACTED] and assuming that the [REDACTED] is not exercised, the total estimated [REDACTED] expenses in relation to the [REDACTED] were approximately RMB[REDACTED], representing [REDACTED] of the total gross [REDACTED] from the [REDACTED] of approximately HK\$[3,266.1] million. Approximately RMB[REDACTED] is directly attributable to the [REDACTED] and [REDACTED] of our [REDACTED] and will be deducted from equity upon the [REDACTED]. During the Track Record Period, we incurred [REDACTED] expenses of RMB[REDACTED], of which (i) RMB[REDACTED], RMB[REDACTED] and RMB[REDACTED] were

## SUMMARY

charged to the consolidated statements of profit or loss for the years ended 2021 and 2022 and the three months ended 31 March 2023 and (ii) RMB[REDACTED] was directly attributable to the [REDACTED] and [REDACTED] of our [REDACTED] and will be deducted from equity upon the [REDACTED]. We expect to incur additional [REDACTED] of RMB[REDACTED], of which RMB[REDACTED] is expected to be expensed and RMB[REDACTED] is directly attributable to the [REDACTED] and [REDACTED] of our [REDACTED] and expected to be recognised as a deduction in equity directly upon the [REDACTED].

The table below sets forth a breakdown of the above estimated total [REDACTED] expenses (based on the mid-point [REDACTED]).

	<u>RMB in millions</u>
[REDACTED]-related expenses .....	[REDACTED]
Non-[REDACTED] expenses	
Fees and expenses of legal advisors and accountants .....	[REDACTED]
Other fees and expenses .....	[REDACTED]
<b>Subtotal</b> .....	<b>[REDACTED]</b>
<b>Total [REDACTED] expenses</b> .....	<b>[REDACTED]</b>

### USE OF [REDACTED]

Assuming an [REDACTED] of HK\$[REDACTED] per Share (being the mid-point of the [REDACTED] range of between HK\$[REDACTED] and HK\$[REDACTED] per Share), we estimate that we will receive net [REDACTED] of HK\$[REDACTED] from the [REDACTED] after deducting the [REDACTED] and other estimated [REDACTED] expenses paid and payable by us in connection with the [REDACTED] and assuming that the [REDACTED] is not exercised. In line with our strategies, we intend to use our [REDACTED] from the [REDACTED] for the purposes and in the amounts set forth below:

- Approximately [REDACTED] (approximately HK\$[REDACTED]) of the net [REDACTED] is expected to be used over the next three years for the enhancement of our supply chain capability.
- Approximately [REDACTED] (approximately HK\$[REDACTED]) of the net [REDACTED] is expected to be used over the next three years for research and development to advance our data analytics technologies and further enhance our operating efficiency. We will continue to recruit and retain research and development talents.
- Approximately [REDACTED] (approximately HK\$[REDACTED]) of the net [REDACTED] is expected to be used over the next three years for expanding our store network and franchisee base, especially in the tier 2 and below cities and counties, enlarging our operations and supporting team, and further tightening our relationship with franchisees.
- Approximately [REDACTED] (approximately HK\$[REDACTED]) of the net [REDACTED] is expected to be used over the next three years to fund investment related to automotive services for NEV owners as well as investment in tools and equipment related to these services.

## SUMMARY

- Approximately [REDACTED] (approximately HK\$[REDACTED]) of the net [REDACTED] is expected to be used for working capital and general corporate purposes.

See “Future Plans and Use of [REDACTED]” for more details.

### RECENT DEVELOPMENTS

#### Selected Operating and Financial Data for the Six Months Ended 30 June 2023

Our business operations have remained stable since the Track Record Period and up to the Latest Practicable Date. We have successfully implemented our development strategies, leading to steady growth of our business and quick recovery from the COVID-19 pandemic. Our Tuhu workshop network continued to expand during the first half of 2023. As of 30 June 2023, our store network consisted of 161 self-operated stores, 4,968 franchised Tuhu workshops and 20,013 partner stores. The following table sets forth a breakdown of the number of our Tuhu workshops by geographic location as of 30 June 2023.

<u>Geographical distribution of Tuhu workshops</u>	<u>As of 30 June 2023</u>
Tier 1 Cities .....	818
New Tier 1 Cities .....	1,423
Tier 2 Cities .....	1,076
Other Cities and Countries .....	<u>1,812</u>
<b>Total</b> .....	<b><u>5,129</u></b>

In addition, our registered users reached 104.8 million as of 30 June 2023, while our transacting users increased to 18.0 million in the twelve months ended 30 June 2023. Our average MAU amounted to 9.9 million in the first half of 2023. Our repeat purchase ratio was 61.6% in June 2022 and revenue contribution ratio from recurring customers was 51% in the last twelve months ended 30 June 2023.

For the six months ended 30 June 2023, we recorded total revenue of RMB6.5 billion and gross profit of RMB1.6 billion, representing a year-on-year increase of 19.3% and 58.3%, respectively. For the same period, we achieved adjusted net profit (non-IFRS measure) of RMB214.0 million, as compared with adjusted net loss (non-IFRS measure) of RMB413.6 million for the same period of 2022. We adjust for share-based payment expenses of RMB118.0 million and RMB95.4 million, fair value changes of convertible redeemable preferred shares of RMB406.2 million and RMB47.2 million, loss on repurchase of convertible redeemable preferred shares of nil and nil and [REDACTED] expenses of RMB14.0 million and RMB[REDACTED] to net profit/loss to derive adjusted net profit/loss for the six months ended 30 June 2022 and 2023, respectively. See “— Non-IFRS Measures.”

Our revenue increased by 19.3% from RMB5.5 billion in the six months ended 30 June 2022 to RMB6.5 billion in the same period of 2023, primarily due to an increase in revenue from automotive

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products and services mainly driven by the post-COVID-19 business recovery, and the expansion of our Tuhu workshop network and growing customer base. Our cost of revenue increased by 10.6% from RMB4.5 billion in the six months ended 30 June 2022 to RMB4.9 billion in the same period of 2023, at a pace slower than the growth of our revenue. The increase was primarily attributable to the increase in the sale of tires and chassis parts and related installation services and auto maintenance products and services, which was in line with the revenue growth, partially offset by the decrease in the cost of revenue from our auto parts sold through Qipeilong. Our gross profit increased by 58.3% from RMB997.0 million in the six months ended 30 June 2022 to RMB1.6 billion in the same period of 2023. Our overall gross margin improved from 18.2% to 24.2% during the same period, primarily due to (i) improved margin profile as a result of changes in products and services category mix, (ii) lower procurement cost of certain product categories as we gained more favourable terms from suppliers in line with our business growth, and (iii) higher revenue contribution from our exclusive and private label products, which generally have higher gross margins than branded products.

The financial data of the Group for the six months ended 30 June 2023 disclosed above are derived from the Company’s unaudited interim financial statements for the six months ended 30 June 2023, which have been prepared in accordance with the International Accounting Standard 34, “Interim Financial Reporting” and reviewed by our reporting accountants in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity.” We have included our unaudited interim financial report as of and for the six months ended 30 June 2023 in “Appendix IIA” to this document. For detailed discussion on period-over-period comparison, see “Financial Information — No Material Adverse Change and Recent Developments — Six Months Ended 30 June 2023 Compared to Six Months Ended 30 June 2022.”

### **Recent Regulatory Development**

The regulatory environment in China has been undergoing a number of recent changes and reforms in various areas.

#### ***Regulatory Changes on Data Privacy and Protection***

Recently, the PRC governmental authorities have promulgated, among others, the Personal Information Protection Laws (《個人信息保護法》) and Data Security Laws (《數據安全法》) to ensure cybersecurity, data and personal information protection, which demonstrates that relevant laws and regulations governing such areas are developing along with the enforced and constantly tightening of relevant regulatory supervision. Specifically, on 28 December 2021, the CAC and other twelve PRC regulatory authorities jointly revised and promulgated the Cybersecurity Review Measures (《網絡安全審查辦法》), which became effective on 15 February 2022. Further, on 14 November 2021, the CAC published Regulations on Cyber Data Security Management (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》), or the Draft Regulations on Cyber Data Security Management, for public comments. See “Regulation Overview — Regulations Relating to Internet Information Security and Privacy Protection.”

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Pursuant to the Cybersecurity Review Measures, network platform operators holding over one million users’ personal information shall apply with the Cybersecurity Review Office for a cybersecurity review before listing in a foreign country (國外上市). Although our business generates and processes personal information of over one million users, as advised by our PRC Legal Advisor, based on consultations conducted in January 2022 and September 2022 with the China Cybersecurity Review Technology and Certification Center, which is the competent authority entrusted by the CAC to set up cybersecurity review consultation hotlines, (i) the term of “listing in a foreign country (國外上市)” under the Cybersecurity Review Measures does not apply to listings in Hong Kong, and thus the obligations to proactively apply for cybersecurity review by an entity seeking listing in a foreign country shall not be applicable to the proposed [REDACTED], (ii) since the Draft Regulations on Cyber Data Security Management has not become effective or been formally implemented, the mandatory obligation to apply for a cybersecurity review with the CAC does not apply to the proposed [REDACTED]. However, given the Cybersecurity Review Measures were recently promulgated, there are substantial uncertainties as to the interpretation, application and enforcement of the Cybersecurity Review Measures.

As discussed in more detail in “Business — Information System Risk Management,” our PRC Legal Advisor and Directors are of the view that (i) we are in compliance with the existing PRC laws and regulations on cybersecurity, data security and personal data protection in all material aspects, and (ii) our business operation is unlikely to be deemed as affecting national security in light of the factors set out in Article 10 of the Cybersecurity Review Measures. In addition, our Directors and PRC Legal Advisor do not believe that the Draft Regulations on Cyber Data Security Management, if implemented in the current form, would have a material adverse impact on our business operations or the proposed [REDACTED], nor do they foresee any material impediments for us to comply with the requirements under the Draft Regulations on Cyber Data Security Management in all material aspects. We will proactively maintain communications with relevant government authorities as necessary, and will also adjust and enhance our data protection measures in a timely manner. See “Business — Information System Risk Management” for more details.

### *Regulatory Changes on Listing*

On February 17, 2023, the CSRC released several regulations regarding the filing requirements for overseas offerings and listings by domestic companies, including the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “Trial Measures”) together with five supporting guidelines (together with the Trial Measures, the “New Regulations on Filing”), effective from 31 March 2023. According to the New Regulations on Filing, a filing-based regulatory system will be applied to both direct and indirect overseas offering and listing by PRC domestic companies. See “Regulation Overview — Regulations Relating to M&A and Overseas Listings”.

According to the Notice on the Filing Management Arrangements for the Overseas Offering and Listing by Domestic Companies (《關於境內企業境外發行上市備案管理安排的通知》), if an application of indirect overseas offering and listing by a domestic company has been approved by overseas regulators or overseas stock exchanges (e.g., has passed the hearing in the Hong Kong market) by the



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effective date of Trial Measures and such overseas offering and listing will be completed before 30 September 2023, no immediate filing with the CSRC will be required for the domestic company with respect to such overseas offering and listing as long as no re-hearing is required. If a re-hearing for such application is required or if the domestic company fails to complete the offering and listing before 30 September 2023, the domestic company will be subject to the filing requirements under the New Regulations on Filing. Based on the foregoing and the expected timetable for the [REDACTED] and the [REDACTED] as disclosed in the section headed “Expected Timetable” in this [REDACTED], our PRC Legal Advisor is of the view that we will not be required to file with the CSRC with respect to the [REDACTED] and the [REDACTED] as of the date of this document, assuming we will not be required to go through a re-hearing with the Stock Exchange. If there is a delay in the timetable, and we are not able to complete the [REDACTED] and the [REDACTED] before 30 September 2023, we will be required to file with the CSRC and we will conduct such filing in due course. However, since the New Regulations on Filing was newly promulgated, there remains uncertainties as to their interpretation, implementation and enforcement and how they will affect our operations and our future financing. For more details, please refer to “Risk Factors — Risks Related to Doing Business in the Country Where We Operate — The approval and/or other requirements of PRC governmental authorities may be required in connection with the [REDACTED]”.

### IMPACT OF COVID-19 ON OUR OPERATIONS

In an effort to control the spread of the COVID-19 pandemic, China took precautionary measures, which adversely affected our operations and financial performance during the Track Record Period.

The restriction on or advise against travel, reduces miles driven, and as a result needs for tire changes, vehicle maintenance, and repairs decreased accordingly. Other precautionary measures such as lockdowns, social-distancing, remote working and generally the fear of contracting the disease made our customers less willing to visit our stores for services or postponed their needs for services. Stores in our network were closed temporarily due to cautionary measures and shortage of labour. For instance, more than 200 Tuhu workshops were closed for the whole month of February 2020. Hubei province and Henan province were materially affected by the COVID-19 pandemic in 2020. We derive average monthly in-operation ratios through dividing (a) the monthly average number of Tuhu workshops that received more than five orders on a given day; by (b) the deemed daily average total number of Tuhu workshops for the month, which, for the ease of calculation, is the average of the total numbers of Tuhu workshops at the beginning and the end of the month. The average monthly in-operation ratio of our Tuhu workshops was around 28.4% in February 2020. For the average monthly in-operation ratios of Tuhu workshops in each month of 2020, see “Financial Information — Impact of COVID-19 on Our Operations.”

Our network expansion and supply chain stability was also impacted. Meanwhile, we have experienced and may continue to experience impacts caused by business disruptions to certain of our suppliers as a result of the COVID-19 pandemic.

## SUMMARY

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The COVID-19 resurgence caused by the Omicron variants since late March 2022 adversely affected our operations in certain cities in China. For example, the average monthly in-operation ratio of our Tuhu workshops in Shanghai was less than 5% in April and May 2022. The average monthly in-operation ratio of our Tuhu workshops in Beijing was around 65% in May 2022. For the average monthly in-operation ratios of Tuhu workshops in each month of 2022, see “Financial Information — Impact of COVID-19 on Our Operations.” Travel restrictions, recommendations against gathering and other pandemic control measures also caused a reduction in the number of customers visiting the Tuhu workshops still in operation, resulting in customer traffic below its pre-resurgence level. The number of our transacting users decreased from 1.8 million in March 2022 to 1.7 million in April 2022. The extended period of lockdown and the large number of regions affected by the COVID-19 resurgence also negatively affected our expansion plan, such as the site selection process of new stores, our marketing activities and the operation of certain FDCs.

In December 2022, China began to ease its dynamic zero-COVID policy, and most of the travel restrictions and quarantine requirements were lifted by the end of 2022. There were surges of cases in many cities in December 2022 and January 2023 which caused disruption to our operations. For instance, a large number of our employees were successively infected and on sick leave. The average weekly attendance ratio of staff working at our warehouses dropped to a lowest of 63.8%, which negatively affected our logistics efficiency.

Against the backdrop of the challenging pandemic situation, sales volume of tires products decreased by 12.3% from 13.1 million units in 2021 to 11.5 million units in 2022, which resulted in the decrease in the revenue from sale of tires and related services from RMB4.7 billion to RMB4.3 billion, which was a key factor leading to the slight decrease in our revenue from RMB11.7 billion in 2021 to RMB11.5 billion in 2022. For details, see “Financial Information — Period-to-Period Comparison of Results of Operations.”

There remains uncertainty as to the future impact of the virus. The extent to which the pandemic impacts our results of operations going forward will depend on future developments which are highly uncertain and unpredictable, including the frequency, duration and extent of outbreaks of COVID-19, the appearance of new variants with different characteristics, the effectiveness of efforts to contain or treat cases, and future actions that may be taken in response to these developments. We cannot guarantee you, however, that the COVID-19 pandemic will not further escalate or have a material adverse effect on our results of operations, financial position or prospects. For more details, please refer to “Risk Factors — Risks Related to Our Business and Industry—Our business has been and may continue to be adversely affected by the COVID-19 pandemic.”

We currently do not anticipate any material deviation from our development and expansion plan due to the COVID-19 pandemic. We believe that the level of liquidity is sufficient to successfully navigate an extended period of uncertainty. As of 31 March 2023, we had cash and bank balances of RMB4.7 billion.



## **SUMMARY**

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### **NO MATERIAL ADVERSE CHANGE**

Our Directors confirm that up to the date of this document, there has been no material adverse change in our financial, operational or trading positions or prospects since 31 March 2023, being the end date of the periods reported on as set out in the Accountants’ Report included in Appendix I to this document, and there has been no event since 31 March 2023 that would materially affect the information as set out in the Accountants’ Report included in Appendix I to this document.

## DEFINITIONS

In this document, unless the context otherwise requires, the following terms shall have the following meanings. Certain technical terms are explained in the section headed “Glossary of Technical Terms”.

“2019 Share Incentive Plan”	the share incentive plan approved and adopted by our Company on 31 October 2019, the principal terms of which are set out in “Statutory and General Information — D. Equity Incentive Schemes” in Appendix IV
“Accountants’ Report”	the accountant’s report of our Company, the text of which is set out in Appendix I to this [REDACTED]
“affiliate(s)”	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AFRC”	the Accounting and Financial Reporting Council, the full-fledged independent auditor regulator of Hong Kong established under the Accounting and Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
“Articles” or “Articles of Association”	the articles of association of our Company conditionally adopted by special resolutions passed on [●] with effect from the [REDACTED]
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“business day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“CAC”	the Cyberspace Administration of China (中華人民共和國國家互聯網信息辦公室)
“Cayman Companies Act”	the Companies Act, Cap. 22 (Law 3 of 1961) of the Cayman Islands, as amended or supplemented or otherwise modified from time to time

## DEFINITIONS

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[REDACTED]

<b>“China” or “the PRC”</b>	the People’s Republic of China, and for the purposes of this document only, except where the context requires otherwise, references to China or the PRC exclude Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
<b>“CIC”</b>	China Insights Industry Consultancy
<b>“CIC Report”</b>	the report prepared by CIC
<b>“Class A Share(s)”</b>	Class A ordinary share(s) in the share capital of our Company with a par value of US\$0.00002 each, conferring a holder of a Class A

## DEFINITIONS

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	Share one vote per share on any resolution tabled at our Company’s general meetings
“Class B Share(s)”	Class B ordinary share(s) in the share capital of our Company with a par value of US\$0.00002 each, conferring weighted voting rights in our Company such that a holder of a Class B Share is entitled to ten votes per share on any resolution tabled at our Company’s general meetings, save for resolutions with respect to any Reserved Matters, in which case they shall be entitled to one vote per share
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”, “our Company”, or “the Company”	TUHU Car Inc., an exempted company with limited liability incorporated in the Cayman Islands on 8 July 2019
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Chen Min and the companies through which Mr. Chen Min has an interest in our Company, namely Ilnewgnay Investment Limited and Nholresi Investment Limited
“COVID-19”	a viral respiratory disease caused by the severe acute respiratory syndrome coronavirus
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of our Company
“EIT”	enterprise income tax
“EIT Law”	the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法), promulgated on 16 March 2007 and came into effect on 1 January 2008 and was most recently amended on 29 December 2018 which became effective on the same date

## DEFINITIONS

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**“Equity Incentive Schemes”** collectively, the 2019 Share Incentive Plan and the Post-[REDACTED] Share Scheme, details of which are set out in “Statutory and General Information — D. Equity Incentive Schemes” in Appendix IV

**“Extreme Conditions”** extreme conditions caused by a super typhoon as announced by the government of Hong Kong

**“Fire Safety Consultant”** Taitong Construction Co., Ltd. (太通建設有限公司)

[REDACTED]

**“Governmental Authority”** any governmental, regulatory, or administrative commission, board, body, authority, or agency, or any stock exchange, self-regulatory organisation, or other non-governmental regulatory authority, or any court, judicial body, tribunal, or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic, foreign, or supranational

[REDACTED]

**“Group”, “our Group”, “the Group”, “we”, “us”, or “our”** our Company and its subsidiaries from time to time, and where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time

**“HK” or “Hong Kong”** the Hong Kong Special Administrative Region of the People’s Republic of China

**“HK\$”, “HK dollars” or “Hong Kong dollars”** Hong Kong dollars, the lawful currency of Hong Kong

[REDACTED]

## DEFINITIONS

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[REDACTED]

**“Hong Kong Takeovers Code” or  
“Takeovers Code”** Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC

[REDACTED]

**“IFRS”** International Financial Reporting Standards, as issued by the International Accounting Standards Board

**“Independent Third Party(ies)”** person(s) or company(ies), who/which, to the best of our Directors’ knowledge, information and belief, is/are not our connected persons

[REDACTED]

## DEFINITIONS

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[REDACTED]

“**Joint Sponsors**” the Joint Sponsors of the [REDACTED] as named in the section headed “Directors and parties involved in the [REDACTED]”

“**Latest Practicable Date**” [15 August] 2023, being the latest practicable date for ascertaining certain information in this document before its publication

“**Laws**” all laws, statutes, legislation, ordinances, rules, regulations, guidelines, opinions, notices, circulars, directives, requests, orders, judgements, decrees, or rulings of any Governmental Authority (including the Stock Exchange and the SFC) of all relevant jurisdictions

[REDACTED]

“**Listing Committee**” the Listing Committee of the Stock Exchange

[REDACTED]

“**Listing Rules**” the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

## DEFINITIONS

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“M&A Rules”	the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》)
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company conditionally adopted by special resolutions passed on [●], with effect from the [REDACTED]
“Ministry of Transport”	Ministry of Transport of the People’s Republic of China (中華人民共和國交通運輸部)
“MIIT”	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. Chen Min”	Mr. Chen Min (陳敏), our co-founder, chairman of the Board, chief executive officer, executive Director and Controlling Shareholder, as well as the holder of the Class B Shares entitling him to weighted voting rights as detailed in the section headed “Share Capital — Weighted Voting Rights Structure”, whose biography is further described in the section headed “Directors and Senior Management — Directors — Executive Directors”
“Mr. Hu Xiaodong”	Mr. Hu Xiaodong (胡曉東), our co-founder, president and executive Director, whose biography is further described in the section headed “Directors and Senior Management — Directors — Executive Directors”
“NASDAQ”	Nasdaq Global Select Market
“NDRC”	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“NPC”	National People’s Congress of the PRC (中華人民共和國全國人民代表大會)



## DEFINITIONS

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### [REDACTED]

- “PBOC” People’s Bank of China (中國人民銀行), the central bank of the PRC
- “Post-[REDACTED] Share Scheme” the post-[REDACTED] share scheme conditionally approved and adopted by our Company on [●], the principal terms of which are set out in the section headed “Statutory and General Information — D. Equity Incentive Schemes” in Appendix IV
- “PRC Legal Advisor” CM Law Firm, our legal advisor on PRC laws
- “Pre-[REDACTED] Investment(s)” the investment(s) in our Company undertaken by the Pre-[REDACTED] Investors prior to this [REDACTED], the details of which are set out in the section headed “History, Reorganisation, and Corporate Structure”
- “Pre-[REDACTED] Investor(s)” the investors in our Company prior to our [REDACTED], as set out in the section headed “History, Reorganisation, and Corporate Structure”

## DEFINITIONS

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**“Preferred Shares”** the Series Seed Preferred Shares, the Series A Preferred Shares, the Series B Preferred Shares, the Series C-1 Preferred Shares, the Series C-2 Preferred Shares, the Series C-3 Preferred Shares, the Series D-1 Preferred Shares, the Series D-2 Preferred Shares, the Series E-1 Preferred Shares, the Series E-2 Preferred Shares, the Series E-3 Preferred Shares, the Series E-4 Preferred Shares, the Series F Preferred Shares, the Series F-2 Preferred Shares and the Series F-3 Preferred Shares

[REDACTED]

**“QIB”** a qualified institutional buyer within the meaning of Rule 144A

**“R&D”** research and development

[REDACTED]

**“Reorganisation”** the corporate restructuring of our Group in preparation for the [REDACTED], as described in the section headed “History, Reorganisation, and Corporate Structure — Reorganisation”

**“Reserved Matters”** those matters with respect to which each Share is entitled to one vote at general meetings of our Company pursuant to the Articles of Association, being: (i) any amendment to the Memorandum or Articles, including the variation of the rights attached to any class of shares; (ii) the appointment, election or removal of any independent non-executive Director; (iii) the appointment or removal of our Company’s auditors; and (iv) the voluntary liquidation or winding-up of our Company

**“RMB” or “Renminbi”** Renminbi, the lawful currency of China

**“RSU(s)”** restricted stock unit(s)

[REDACTED]

## DEFINITIONS

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“SAFE”	the State Administration for Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAIC”	the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), which has now been merged into the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
“SAMR”	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“SCNPC”	the Standing Committee of the National People’s Congress (中華人民共和國全國人民代表大會常務委員會)
“Series A Preferred Share(s)”	the series A convertible redeemable preferred share(s) of our Company, with a par value of US\$0.00002 each
“Series B Preferred Share(s)”	the series B convertible redeemable preferred share(s) of our Company, with a par value of US\$0.00002 each
“Series C-1 Preferred Share(s)”	the series C-1 convertible redeemable preferred share(s) of our Company, with a par value of US\$0.00002 each
“Series C-2 Preferred Share(s)”	the series C-2 convertible redeemable preferred share(s) of our Company, with a par value of US\$0.00002 each
“Series C-3 Preferred Share(s)”	the series C-3 convertible redeemable preferred share(s) of our Company, with a par value of US\$0.00002 each
“Series D-1 Preferred Share(s)”	the series D-1 convertible redeemable preferred share(s) of our Company, with a par value of US\$0.00002 each
“Series D-2 Preferred Share(s)”	the series D-2 convertible redeemable preferred share(s) of our Company, with a par value of US\$0.00002 each
“Series E-1 Preferred Share(s)”	the series E-1 convertible redeemable preferred share(s) of our Company, with a par value of US\$0.00002 each
“Series E-2 Preferred Share(s)”	the series E-2 convertible redeemable preferred share(s) of our Company, with a par value of US\$0.00002 each

## DEFINITIONS

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“Series E-3 Preferred Share(s)”	the series E-3 convertible redeemable preferred share(s) of our Company, with a par value of US\$0.00002 each
“Series E-4 Preferred Share(s)”	the series E-4 convertible redeemable preferred share(s) of our Company, with a par value of US\$0.00002 each
“Series F Preferred Share(s)”	the series F convertible redeemable preferred share(s) of our Company, with a par value of US\$0.00002 each
“Series F-2 Preferred Share(s)”	the series F-2 convertible redeemable preferred share(s) of our Company, with a par value of US\$0.00002 each
“Series F-3 Preferred Share(s)”	the series F-3 convertible redeemable preferred share(s) of our Company, with a par value of US\$0.00002 each
“Series Seed Preferred Share(s)”	the series Seed convertible redeemable preferred share(s) of our Company, with a par value of US\$0.00002 each
“SFC”	Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shanghai Lantu”	Shanghai Lantu Information Technology Co., Ltd. (上海蘭途信息技術有限公司), a limited liability company established in the PRC on 26 June 2014 with an initial registered capital of RMB 30 million, and an indirect wholly-owned subsidiary of our Company
“Shanghai Xirang”	Shanghai Xirang Information Technology Co., Ltd. (上海息壤信息技術有限公司), a limited liability company established in the PRC on 2 September 2019 and an indirect wholly-owned subsidiary of our Company
“Share(s)”	the Class A Shares and Class B Shares in the share capital of our Company
“Shareholder(s)”	holder(s) of our Share(s)
“Share Subdivision”	the subdivision of each share in the Company’s issued and unissued share capital with a par value of US\$0.0001 each into 5 shares of the corresponding class with a par value of US\$0.00002 each on 8 March 2022, the details of which are set out in the section headed “History, Reorganisation and Corporate Structure”

## DEFINITIONS

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“sophisticated investor(s)” has the meaning ascribed to it under Guidance Letter HKEX-GL93-18 issued by the Stock Exchange

“SPV” special purpose vehicles

[REDACTED]

“State Council” State Council of the PRC (中華人民共和國國務院)

“Stock Exchange” or “Hong Kong Stock Exchange” The Stock Exchange of Hong Kong Limited

“subsidiary” or “subsidiaries” has the meaning ascribed to it in section 15 of the Companies Ordinance

“substantial shareholder(s)” has the meaning ascribed to it in the Listing Rules

“Tencent” Tencent Holdings Limited, a company whose shares are listed on the Stock Exchange (stock code: 0700), a substantial shareholder of our Company

“Tencent Group” Tencent, its subsidiaries and its controlled affiliated entities

“Track Record Period” the four years ended 31 December 2019, 2020, 2021 and 2022, and the three months ended 31 March 2023

“U.S.”, “US” or “United States” the United States of America, its territories, its possessions and all areas subject to its jurisdictions

“U.S. dollars”, “US dollars” or “US\$” United States dollars, the lawful currency of the United States

“U.S. Securities Act” United States Securities Act of 1933 and the rules and regulations promulgated thereunder

[REDACTED]

“VAT” value-added tax

## DEFINITIONS

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“weighted voting right(s)” or  
“WVR” has the meaning ascribed to it under the Listing Rules

[REDACTED]

“WVR Beneficiary” has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Chen Min, being the ultimate holder of the Class B Shares, entitling him to weighted voting rights, details of which are set out in the section headed “Share Capital” of this [REDACTED]

“WVR structure” has the meaning ascribed to it under the Listing Rules

“%” per cent

Unless otherwise specified, in this document:

- Certain amounts and percentage figures have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them; and
- for ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in the document in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail. English translations of company names and other terms from the Chinese language are provided for identification purposes only.

## GLOSSARY OF TECHNICAL TERMS

This glossary contains definitions of certain technical terms used in this document in connection with us and our business. These may not correspond to standard industry definitions, and may not be comparable to similarly terms adopted by other companies.

<b>“4S”</b>	sales, spare part, service and survey
<b>“AI”</b>	artificial intelligence, the science of researching and developing theories, methods, technologies, and application system that simulate and extend human intelligence
<b>“automotive aftermarket”</b>	refers to all the services around the use of a car after the car is sold
<b>“automotive services”</b>	refers to consumers’ demand throughout a vehicle’s lifecycle, which includes auto repair and maintenance, car wash and detailing, and auto accessories
<b>“average revenue per franchised Tuhu workshop”</b>	include (i) revenue from online and walk-in individual customer orders and recorded under automotive products and services to individual end customers, (ii) revenue from sales of auto products to franchised Tuhu workshops through Qipeilong, and (iii) revenue in relation to our franchise services to franchised Tuhu workshops, divided by the average number of franchised Tuhu workshops for a given period
<b>“average revenue per self-operated Tuhu workshop”</b>	revenue from automotive products and services orders by individual end customers and generated through self-operated Tuhu workshops divided by the average number of self-operated Tuhu workshops for a given period
<b>“BEV”</b>	battery electric vehicle
<b>“big data”</b>	large and diverse data sets able to uncover hidden patterns, unknown correlations, market trends, customer preferences and other useful information assets under new processing model for greater decision-making power, insight and processing optimisation capabilities
<b>“Blue Tiger” or “Blue Tiger system”</b>	includes Blue Tiger app and Rosefinch Cloud app
<b>“BOM”</b>	bill of materials
<b>“C2B”</b>	customer-to-business

## GLOSSARY OF TECHNICAL TERMS

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“C2M”	customer-to-manufacturer
“CAGR”	compound annual growth rate
“car make”	refers to a brand of vehicle
“car parc”	refers to the total number of registered vehicles within a given geographic region
“DAU”	for any specific period, as used in the context of our Blue Tiger system, are to daily active user, which means the average number of users that accessed the Blue Tiger system at least once in a day, with duplicates eliminated, during such period
“DIFM”	Do-It-For-Me, which refers to a segment where car owners go to automotive service stores and purchase auto parts and professional automotive service for their vehicles
“DIY”	Do-It-Yourself, which refers to a segment where car owners purchase auto parts and repair/modify their vehicles on their own
“EU”	European Union
“FDC”	front distribution centre
“GFA”	gross floor area
“GMV”	gross merchandise value, which refers to a total sales monetary value for merchandise sold through a particular marketplace over a certain time frame, regardless of whether the merchandise are returned
“IAM”	independent aftermarket
“ICE”	internal combustion engine
“ICEV”	internal combustion engine vehicle
“MAU”	monthly active user, which refers to the number of devices that were used to access our app at least once in a given month with duplicates eliminated. The number excludes our websites, Weixin service accounts, and third-party channels, such as Tmall, Taobao, etc.



## GLOSSARY OF TECHNICAL TERMS

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“mileage”	total miles covered or travelled during a given time
“MSRP”	manufacturer’s suggested retail price
“NEV”	new energy vehicle
“New Tier 1 Cities”	Dongguan, Foshan, Nanjing, Hefei, Tianjin, Chengdu, Hangzhou, Wuhan, Shenyang, Suzhou, Xi’an, Zhengzhou, Chongqing, Changsha and Qingdao
“O&O”	online and offline
“OEM”	original equipment manufacturer; in the automotive industry, it refers to automotive manufacturer
“order fulfilment ratio”	percentage of orders fulfilled without parts being lost or dispatched to wrong address
“partner store(s)”	partner stores which had completed at least one transaction with us during the three months preceding a specified date
“PHEV”	plug-in hybrid electric vehicle
“Qipeilong”	has the meaning prescribed to it in the section headed “Business — Our Product and Service Offerings — Qipeilong(汽配龍)”
“RDC”	regional distribution centre
“registered user”	a user that has registered by providing required information and logged in to our flagship “Tuhu Automotive Service (途虎養車)” app at least once since registration. We calculate the number of registered users as the cumulative number of valid user accounts at the end of the relevant period with duplicates eliminated
“repeat purchase ratio”	for any specific period are to the percentage of customers who continued to be active and paid for at least one order through our platform (excluding Qipeilong) during the twelve-month period following such period among all customers who completed an order at any Tuhu workshop during such period
“SaaS”	software-as-a-service

## GLOSSARY OF TECHNICAL TERMS

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<b>“service turnover per lift per day”</b>	a common measure to evaluate the operational efficiency of automotive service stores, which is calculated as total number of automotive maintenance and repair service orders fulfilled by the service store during a certain period of time divided by total lifts in such service store, and further divided by the total number of days in such period of time
<b>“SKU”</b>	stock keeping unit
<b>“Tier 1 Cities”</b>	Beijing, Guangzhou, Shanghai and Shenzhen
<b>“Tier 2 Cities”</b>	Kunming, Changchun, Jinan, Yantai, Taiyuan, Huizhou, Nanning, Xuzhou, Nanchang, Baoding, Langfang, Shijiazhuang, Taizhou, Wenzhou, Jinhua, Lanzhou, Quanzhou, Fuzhou, Guiyang, Dalian, Harbin, Nantong, Ningbo, Shaoxing, Changzhou, Jiaxing, Wuxi, Zhuhai, Xiamen and Zhongshan
<b>“Transacting user”</b>	a user account that paid for at least one transaction of product or service on our platform (excluding Qipeilong) in a given period, regardless of whether the transaction was subsequently refunded
<b>“Tuhu workshop(s)”</b>	has the meaning ascribed to it in the subsection headed “Business — Our Nationwide Store Network — Tuhu Workshops”

## FORWARD-LOOKING STATEMENTS

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Certain statements in this document are forward-looking statements that are, by their nature, subject to significant risks and uncertainties. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions, future events, or performance (often, but not always, through the use of words or phrases such as “will”, “expect”, “anticipate”, “estimate”, “believe”, “going forward”, “ought to”, “may”, “seek”, “should”, “intend”, “plan”, “projection”, “could”, “vision”, “goals”, “aim”, “aspire”, “objective”, “target”, “schedules”, and “outlook”) are not historical facts, are forward-looking and may involve estimates and assumptions and are subject to risks (including but not limited to the risk factors detailed in this document), uncertainties and other factors some of which are beyond our Company’s control and which are difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about the businesses that we operate. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to:

- our mission, goals and strategies;
- our future business development, financial conditions and results of operations;
- the expected growth of the automotive service industry in China;
- our expectations regarding demand for and market acceptance of our products and services;
- our expectations regarding our relationships with customers, franchisees, partner stores, suppliers and other partners;
- changes in the cost of, availability of and shipping costs of auto supplies, parts, paints, coatings and motor oil;
- our ability to attract and retain qualified personnel;
- our ability to adequately protect our intellectual property;
- competition in our industry;
- our proposed use of [REDACTED];
- catastrophic events, including war, terrorism and other international conflicts, public health issues (including the ongoing COVID-19 outbreak) or natural causes;

## FORWARD-LOOKING STATEMENTS

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- relevant government policies and regulations relating to our industry; and
- all other risks and uncertainties described in “Risk Factors”.

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution **[REDACTED]** against placing undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by the Listing Rules, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Statements of, or references to, our intentions or those of any of our Directors are made as of the date of this document. Any such intentions may change in light of future developments.

All forward-looking statements in this document are expressly qualified by reference to this cautionary statement.

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## RISK FACTORS

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*An [REDACTED] in our Shares involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an [REDACTED] in our Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. In any such case, the [REDACTED] of our Shares could decline, and you may lose substantial or all of your [REDACTED].*

*These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in the section headed “Forward-looking Statements.”*

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorised these risks and uncertainties into: (i) risks related to our business and industry; (ii) risks related to doing business in the country where we operate; (iii) risks related to the WVR structure; and (iv) risks related to the [REDACTED]. Additional risks and uncertainties that are presently not known to us or not expressed or implied below or that we currently deem immaterial could also harm our business, financial condition and operating results. You should consider our business and prospects in light of the challenges we face, including the ones discussed in this section.

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

***Our business and growth are affected by changes in customer demand and spending for automotive service in China.***

Our business and growth are dependent on the customer demand and spending for automotive service in China, which could be affected by many factors beyond our control, including:

- The number and age of vehicles in the car parc, as vehicles of a certain age (typically older than three years) may no longer be under the OEMs’ warranties and tend to need more maintenance and repairs than newer vehicles.
- Advances and changes in automotive technology and parts design, including, but not limited to, changes in engines and powertrains to hybrid and electric technology, and increased prevalence of autonomous driving vehicles and shared mobility, may reduce collisions and needs for repairs and maintenance.
- Economic downturns, as declining economic conditions may cause customers to defer vehicle maintenance, repairs, oil changes or other services. In addition, economic weaknesses and uncertainty may cause changes in customer preferences, and if such economic conditions persist for an extended period of time, this may result in customers making long-lasting changes to their spending behaviours in the automotive aftermarket markets.

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- Changes in commute patterns, which may cause customers to rely more heavily on public transportation or to travel by car less frequently.
- Changes in governmental regulations in the automotive sector, including pollution prevention laws, which may affect our automotive repair and maintenance services and increase our costs in unknown ways.

Any of the factors described above may change the customer demand and spending for our products and services.

***We primarily provide our automotive services to customers through Tuhu workshops and partner stores, and we may not be able to attract or retain franchisees or partner store operators.***

We primarily provide our automotive services to customers through our offline service network which primarily consists of Tuhu workshops and partner stores. As of 31 March 2023, we had 4,610 Tuhu workshops operated by franchisees, representing over 96% of our Tuhu workshops, and 19,624 partner stores. As a result, we are highly dependent upon our franchisees and partner store operators to serve the customers. We derive a significant portion of revenue from franchised Tuhu workshops and partner stores. Revenue from franchised Tuhu workshops amounted to RMB4.0 billion, RMB5.5 billion, RMB8.1 billion, RMB8.8 billion and RMB2.6 billion for the years ended 31 December 2019, 2020, 2021 and 2022 and the three months ended 31 March 2023, representing 55.9%, 62.7%, 69.3%, 75.8% and 80.7% of our total revenue for the corresponding period, respectively. Revenue from partner stores amounted to RMB1.3 billion, RMB1.2 billion, RMB1.2 billion, RMB673.7 million and RMB133.2 million for the years ended 31 December 2019, 2020, 2021 and 2022 and the three months ended 31 March 2023, representing 18.0%, 13.5%, 10.6%, 5.8% and 4.1% of our total revenue for the corresponding period, respectively.

Our success depends in part on our ability to attract new franchisees and partner store operators to our platforms and to maintain relationships with existing franchisees and partner store operators. We must continue to help franchisees and partner store operators increase sales, and provide them with infrastructure support, traffic, commercial and technology support and operational insights. If we fail to provide support comparable or superior to those of our competitors, we may fail to attract new franchisees and partner store operators to our platforms, or to maintain relationships with existing franchisees and partner store operators. Franchisees and partner store operators may also opt to cooperate with our competitors. See also “—Other IAM players may adopt the franchise model and our franchisees may opt to cooperate with our competitors.”

Further, as we continue to expand into new geographic areas, we also rely on the expansion of our existing franchisees and partner store operators to tier 2 and below cities and counties. If we fail to satisfy the needs of existing franchisees and partner store operators, our expansion plan could be adversely affected, and our business and results of operations could be adversely affected.

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*We have a history of losses and negative cash flows from operating activities, which may continue in the future.*

We have historically incurred losses and negative cash flows from operating activities and we may not be able to achieve or maintain profitability or positive cash flow in the future. We incurred loss of RMB3.4 billion, RMB3.9 billion, RMB5.8 billion, RMB2.1 billion and RMB278.5 million in 2019, 2020, 2021, 2022 and the three months ended 31 March 2023, respectively. Net cash used in our operating activities was RMB251.5 million, RMB98.8 million and RMB312.7 million in 2019, 2021 and 2022, respectively.

We anticipate that our operating costs and expenses will increase in the foreseeable future as we continue to grow our business, acquire new customers, invest and innovate in our technology infrastructure, further develop our product and service offering, and increase our brand recognition. Any of these efforts may incur significant capital investment and recurring costs, have different revenue and cost structures, and take time to achieve profitability. We may also continue to incur net losses in the future due to changes in the macroeconomic and regulatory environment as well as competitive dynamics. If we continue to incur loss and negative cash flows from operating activities, we may have to finance ourselves with equity or debt financing, which may not be available at ideal price term or at all.

*Our business may be affected by advances in automotive technology, such as new energy vehicles, autonomous driving and shared mobility.*

The demand for our motor oil products and maintenance services and products may be adversely affected by continuing developments in automotive technology, including new energy vehicles, autonomous driving and shared mobility. Advances in automotive technology may increase the useful life of those parts and therefore reduce the demand for our services and products, adversely affecting our sales. Increased prevalence of sensors and back-up cameras, and increased prevalence of autonomous driving vehicles and shared mobility, may reduce collisions, which may result in reduced needs for repairs and maintenance. New energy vehicles, or NEVs, generally require less repairs and maintenance, and when they do, may require more specialised service. For instance, traditional maintenance services such as oil and filter change, and maintenance of ignition related parts are not required as NEVs are not equipped with internal combustion engine and exhaust system. We are actively exploring opportunities to provide dedicated automotive services addressing the NEV market, such as expanding and optimising our product and service offerings, building platforms and communities specifically for NEV owners, expanding and deepening our strategic cooperation with leading NEV brands, and accelerating the transformation and upgrading of our offline stores to be able to service NEVs. Our NEV new initiatives may not be well accepted by our customers, and may not achieve expected results. Some new car models require us to incur additional costs to update diagnostic capabilities and technical training programmes or may make providing such training programmes more difficult.

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***Any harm to our brand or reputation may materially and adversely affect our business, market share and results of operations.***

We believe that building a strong brand and reputation as a platform offering genuine products and standardised services is critical to our business and competitiveness. The brand recognition and reputation of our “Tuhu” brand and the successful maintenance and enhancement of our brand and reputation have contributed and will continue to contribute significantly to our success and growth.

Any negative perception and publicity, whether or not justified, such as complaints and accidents in relation to customer experience, products and services offered through our platform, and our brand awareness and recognition, and actual or perceived deterioration of our product and service quality could tarnish our reputation and reduce the value of our brand, which may result in loss of customers. Further, our competitors may fabricate complaints or negative publicity about us, our employees, our stores, and service personnel at our stores for the purpose of vicious competition. With the increased use of social media, adverse publicity can be disseminated quickly and broadly, making it increasingly difficult for us to respond and mitigate effectively.

We are also subject to negative publicity regarding our platform participants, whose activities may be out of our control. Negative public perception on the merchandise sold by our franchisees and partner store operators, or services provided by technicians and service personnel at Tuhu workshops or partner stores, even if factually incorrect or based on isolated incidents, could undermine the trust and credibility we have established and have a negative impact on our ability to attract new customers or retain our current customers.

***If we fail to cost-effectively attract and retain new customers and increase the engagement of existing customers on our platform, our business and results of operations could be adversely affected.***

The success of our platform depends in part on our ability to cost-effectively attract and retain new customers and increase engagement of existing customers. We believe that our product assortment, selling and marketing efficiency, consistent and reliable quality, and rapid responses to changing customer preferences have been critical in promoting awareness of our products and services, which in turn drives new customer growth and engagement. However, if our promotional activities and marketing strategies do not work efficiently and we cannot continue to lower or maintain our customer acquisition cost, if the customers cannot find products or services they are looking for on our platform, or if our competitors offer more incentive promotions, or provide better or more cost-effective products or services, customers may lose interest in us and stop placing orders with us.

We have been leveraging artificial intelligence technologies to generate personalised recommendations to customers of products and services in which they may be potentially interested. In addition, we make individually tailored recommendations and incentives to customers according to a comprehensive database. If our searching results display or tailored recommendations and



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incentives fail to satisfy individual customer needs, we may lose potential or existing customers and may experience decrease in orders.

Any decrease in customer base will affect our ability to provide the Tuhu workshops and partner stores on our platform with adequate customer demands, which may reduce our platform’s attractiveness to franchisees and partner store operators, and the decrease in franchisee and partner store operator base will, in turn, result in further decrease in customer base. Therefore, if we fail to cost-effectively retain customers and increase their engagement on our platform, our business and results of operations could be adversely and materially affected.

***We face intense competition and may fail to maintain our market share.***

The automotive service industry in China is highly competitive. Our current or potential competitors primarily include (i) authorised dealership stores, (ii) e-commerce platforms tapping into automotive service market, (iii) traditional equipment manufacturers, and (iv) franchised independent repair shops. New competitors may emerge at any time. Our competitors may be well-established and be able to devote greater resources to the development, promotion and sale of product and service offerings and offer lower prices than we do, which could adversely affect our results of operations. If we cannot equip ourselves with necessary resources, we may fail to take market share as competition increases. Moreover, certain competitors may have greater brand recognition, which may give them competitive advantages.

Our current and potential competitors may also establish cooperative or strategic relationships amongst themselves or with third parties that may further enhance their resources and offerings. If we are unable to anticipate or react to these competitive challenges, our competitive position could weaken or fail to improve, and we could experience a decline in growth that could adversely affect our business, financial condition and results of operations.

Further, certain new players in the automotive sector, such as the NEV manufacturers, may build or further develop their own service network to gain control of customer touchpoints and to create synergies with their businesses. We may fail to compete effectively with them to provide automotive service to consumers.

***If our franchisees do not comply with franchise agreements or our policies, or partner store operators do not comply with partner store agreements, our business could be harmed.***

Franchisees are contractually obligated to operate their stores per the contractual terms and are subject to specified service quality standards and other requirements pursuant to the related franchise agreements and policies in order to protect our brands and to optimise their performance. We also provide training and support to franchisees, and constantly monitor the performance of Tuhu workshops operated by franchisees. Partner store operators are subject to partner store agreements and are required to follow our service protocol. However, franchisees and partner store operators are

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Independent Third Parties, and the franchisees and partner store operators own, operate, and oversee the daily operations of their stores. As a result, the ultimate success and quality of any franchised Tuhu workshop or partner store rest in part with the franchisee or partner store operator. They may provide substandard services or receive through the supply chain defective products, which may adversely impact the goodwill of our brands. In addition, franchisees and partner store operators may fail to obtain, renew, or retain licences, permits or approvals required by laws and regulations, or fulfil any regulatory requirement, which may lead to penalties from the governmental authorities, such as fines and temporary suspension of business. Such penalties may adversely affect the business of franchised Tuhu workshops and partner stores, which in turn may adversely affect our ability to provide automotive services to customers through our offline service network. Franchisees and partner store operators may also breach the standards set forth in their respective franchise documents or partner store agreements. We may be unable to successfully implement our business model, standard operating procedure, company policies, or brand development strategies if our franchisees or partner store operators do not actively participate in such implementation. The failure of our franchisees and partner store operators to participate in such implementation, even if such failures do not rise to the level of breaching the franchise documents or partner store agreements, could materially and adversely affect our business and results of operations. Moreover, if franchisees do not successfully operate stores for the contractual terms and in a manner consistent with required standards, their profit could be adversely impacted, which in turn could impact payments under the franchise documents and affect our revenues, results of operations, business and financial condition.

***Other IAM players may adopt the franchise model and our franchisees may opt to cooperate with our competitors.***

We have been strategically focusing on our innovative franchise model. Under our franchise model, we leverage franchisees to build and operate franchised Tuhu workshops and empower them with store management and information system, and grant them access to our online traffic. Given that the franchise model we adopt is considered proven and efficient, other IAM players may choose to adopt our innovative franchise model. Our franchisees may opt to cooperate with our competitors if they charge lower franchise service or other fees, or offer other more favourable terms. We primarily provide our automotive services to customers through our offline service network, among which franchised Tuhu workshops form an integral part. See also “—We primarily provide our automotive services to customers through Tuhu workshops and partner stores, and we may not be able to attract or retain franchisees or partner store operators.” If we fail to maintain relationships with existing franchisees, our business and results of operations could be adversely affected.

***If we are unable to provide high-quality service, our reputation and business may be materially and adversely affected.***

Our ability to provide high-quality service depends on factors such as our ability to provide a reliable and easy-to-use interface for our customers, our ability to further improve and streamline our service process, and our ability to continue to offer available products and services at competitively

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low costs. If our customers are not satisfied with our services, or if our system is severely interrupted or otherwise fails to meet their demand, our reputation could be adversely affected and we could fail to maintain customer loyalty. Moreover, if the technicians at our Tuhu workshops and partner stores do not follow the recommended operation procedures or provide otherwise defective services to customers, which may subject us to various liabilities and harm our brand image and reputation.

Furthermore, we rely on our customer service hotlines and online customer service centres to provide certain services to our customers. If our customer service representatives fail to provide satisfactory services, or if waiting time is too long due to the high volume of calls from customers, our brands and customer loyalty may be adversely affected. In addition, any negative publicity or poor feedback regarding our customer service may harm our brands and reputation and in turn cause us to lose customers and market share.

***Our store network expansion may not be implemented effectively.***

The number of our Tuhu workshops increased from 1,423 as of 31 December 2019 to 4,770 as of 31 March 2023. Our store network expansion involves substantial risks, including the selection of suitable locations, the availability of suitable locations and competition for suitable development sites, the selection of appropriate franchisee candidates, the ability of franchisees to fulfil their commitments to build new locations and the time frames specified in their development agreements, the negotiation of acceptable lease terms for new locations, costs of construction, permit issuance and regulatory compliance, the ability to meet construction schedules, the availability of financing and other capabilities of franchisees. We cannot assure you that franchisees planning the opening of new Tuhu workshops will have the ability or sufficient access to financial resources necessary to open and operate such new Tuhu workshops. The franchisees’ development and construction of new Tuhu workshops may not be completed in a timely manner or at all. We cannot assure you that present or future development plans will perform in accordance with expectations. It cannot be assured that franchisees will successfully participate in our strategic initiatives or operate locations in a manner consistent with our standards. Moreover, newly opened Tuhu workshops may not achieve desired revenue or cash flow levels. We also develop a large number of partner stores to further expand our store network coverage. If we fail to attract new partner store operator in new geographic locations, our store network expansion may not be implemented effectively.

***We may not successfully expand into new product and service categories or upgrade existing products and services.***

We may expand into new product and service categories and upgrade our existing products and services to meet our customers’ evolving preferences. It is difficult to predict the preferences of our customers or a specific segment of customers. Changes and upgrades to our existing products and services may not be well accepted by our customers, and newly introduced products and services may not achieve expected results. The efforts to expand into new product categories and services or upgrade existing products and services may also require substantial investments of additional human

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capital and financial resources. If we fail to improve our existing products and services or introduce new ones in a timely or cost-effective manner, our ability to attract and retain customers may be impaired, and our results of operations and prospects may be adversely affected. For example, we work with selected suppliers to jointly develop our private label products that cater to the specific needs of our customers based on our data and business insights. We cannot assure you that the private label products that we offer will cater to the needs of potential or existing customers, sustain their popularity for a period of time that we expect them to, or be welcomed or well accepted by the market as we expect.

***We recorded net liabilities as of 31 December 2019, 2020, 2021 and 2022 and 31 March 2023.***

We recorded net liabilities of RMB6.5 billion, RMB9.9 billion, RMB15.4 billion, RMB19.0 billion and RMB18.9 billion, as of 31 December 2019, 2020, 2021 and 2022 and 31 March 2023, respectively, primarily due to the significant amounts of convertible redeemable preferred shares recorded as liabilities.

Our convertible redeemable preferred shares will be re-designated from liabilities to equity as a result of the automatic conversion into ordinary shares upon the [REDACTED], after which we do not expect to recognise any further loss or gain on changes in fair value of convertible redeemable preferred shares and will return to a net assets position from a net liabilities position. However, there can be no assurance that we will not experience liquidity problems in the future.

***Our results of operations, financial conditions and prospects have been adversely affected by fair value changes of preferred shares. The valuation of our convertible redeemable preferred shares is uncertain due to the use of unobservable inputs.***

During the Track Record Period, we had outstanding convertible redeemable preferred shares, which were designated as financial liabilities at fair value through profits or losses. The preferred shares issued by us are not traded in an active market and the respective fair value is determined by using valuation techniques. The discounted cash flow method was used to determine the total equity value of our Company and the equity allocation model was adopted to determine the fair value of the financial instruments. Please refer to note 44 to the Accountant’s Report included in Appendix I to this document for the key assumptions in determining the fair value of the convertible redeemable preferred shares. These valuation methodologies that we use involve a significant degree of management judgement and are inherently uncertain. Changes in these unobservable inputs and other estimates and judgements could materially affect the fair value of our convertible redeemable preferred shares, which in turn may adversely affect our results of operations. In 2019, 2020, 2021 and 2022 and the three months ended 31 March 2023, we recognised net fair value losses in preferred shares of RMB1.9 billion, RMB3.0 billion, RMB4.4 billion, RMB1.3 billion and RMB298.0 million, respectively. We expect continued fluctuation of the fair value of our preferred shares after 31 March 2023 till the completion of the [REDACTED], upon which all the preferred shares will automatically convert into our Shares. After the automatic conversion of the preferred

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shares into Shares upon the completion of the [REDACTED], we do not expect to recognise any further loss or gain on fair value changes from the preferred shares in the future.

***We may not be able to fulfil our obligations in respect of contract liabilities, which may have a material and adverse impact on our results of operations and financial condition.***

Our contract liabilities mainly represent customer advances for automotive products and service sales and deferred upfront franchise fees paid by franchisees. As of 31 December 2019, 2020, 2021 and 2022 and 31 March 2023, our contract liabilities were RMB287.0 million, RMB491.9 million, RMB674.1 million, RMB713.3 million and RMB688.1 million, respectively. See “Financial Information—Discussion of Certain Key Balance Sheet Items—Contract Liabilities.” If we fail to fulfil our obligations under our contracts with customers or franchisees, we may not be able to convert such contract liabilities into revenue, and our customers or franchisees may also require us to refund the advance payments or upfront franchise fees we have received, which may adversely affect our cash flow and liquidity condition. In addition, it may adversely affect our business, our relationship with such customers or franchisees, which may also affect our reputation and results of operations in the future.

***Our financial assets at fair value through profit or loss are subject to changes and the valuation of such assets is subject to uncertainties due to the use of valuation techniques and market observable and unobservable inputs, which may in turn adversely affect our financial performance.***

We made investments in certain financial assets during the Track Record Period. As of 31 December 2019, 2020, 2021 and 2022 and 31 March 2023, we recorded current financial assets at fair value through profit or loss of RMB1.7 billion, RMB692.4 million, RMB320.4 million, RMB25.9 million and RMB48.0 million, respectively, and non-current financial assets at fair value through profit or loss, which we refer to as financial investments at fair value through profit or loss in note 20 to the Accountants’ Report, of RMB31.9 million, RMB146.0 million, RMB201.0 million, RMB227.1 million and RMB236.4 million, respectively. Our current financial assets at fair value through profit or loss primarily represented short-term wealth management products with maturity period within one year that we purchased from various reputable financial institutions in China without guaranteed returns. In 2019, 2020, 2021 and 2022 and the three months ended 31 March 2023, net realised gain on financial assets at fair value through profit or loss with respect to our wealth management products amounted to RMB4.8 million, RMB13.6 million, RMB7.6 million, RMB6.7 million and RMB486.0 thousand, respectively. However, we cannot assure you that market conditions and regulatory environment will result in fair value gains on the wealth management products we invest in or we will not incur any fair value losses on our investments in wealth management products in the future. If we incur such fair value losses, our results of operations, financial condition and prospects may be adversely affected. Our financial investments at fair value through profit or loss consist of our equity investments in private companies. We use significant unobservable inputs in valuing certain financial investments at fair value through profit or loss. In 2019, 2020, 2021 and 2022, and the three months ended 31 March 2023 net realised gain on financial investments at fair value through profit or loss of RMB3.4 million and RMB12.5 million, net loss of RMB7.5 million, RMB2.1 million and RMB679.0

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thousand, respectively. These investments may earn yields substantially lower than anticipated, and the fair values of these financial investments may fluctuate significantly, which contribute to the uncertainties in valuation. Any failure to realise the benefits we expected from our financial assets may materially and adversely affect our business and financial results.

***We had exposure to fair value changes for our equity investments designated at fair value through other comprehensive income, which could result in losses to us.***

Equity investments designated at fair value through other comprehensive income represent our investments in the equity securities of certain listed companies. Such investments were irrevocably designated at fair value through other comprehensive income as we consider these investments to be strategic in nature. We had equity investments designated at fair value through other comprehensive income of nil, nil, nil, RMB289.3 million and RMB322.9 million as of 31 December 2019, 2020, 2021 and 2022 and 31 March 2023, respectively. The valuation of the fair value of the equity investments designated at fair value through other comprehensive income is categorised within Level 1 of fair value measurement, i.e., fair value measurement based on quoted prices (unadjusted) in active markets for identical assets or liabilities. The trading price of the equity securities we invested in may be volatile and could fluctuate widely in response to factors, including the performance of the listed companies such as the variations in their revenues, earnings, cash flow and operating metrics, the general market conditions of the securities markets in Hong Kong, China, the United States and elsewhere in the world, regulatory developments affecting the industries that our investees are in, etc. If the trading price of the equity investees decline significantly, we may incur significant fair value loss from such investments.

***We are subject to credit risk associated with our trade receivables. Any payment delays or defaults from franchised Tuhu workshops, third-party auto dealers and certain key account customers who make bulk purchases may materially and adversely affect our cash flow and results of operations.***

Our trade receivables represent primarily (i) trade receivables from franchised Tuhu workshops and third-party auto dealers for payment of auto products sourced from Qipeilong platform, (ii) trade receivables from certain key account customers for bulk purchase of automotive services, (iii) trade receivables from franchised Tuhu workshops in connection with the franchises services we provide and (iv) trade receivables from brand owners in connection with the advertising services we provide. We generally offer credit terms of 30 days to the franchised Tuhu workshops for payment of auto products sourced from Qipeilong platform and certain key account customers for bulk purchase of automotive services, and our cash flow may be materially and adversely affected by any deterioration in their credit quality. We assess their credit quality based on their track record and other factors. We also monitor our outstanding trade receivables regularly. However, we cannot guarantee collection of amounts due in a timely manner. If our business partners delay or default on their payments, for reasons including non-payment or requests for refund by them, deterioration or termination of our relationship with them or a general decrease in their business, we may not be able to fully recover the outstanding amounts due from them and we may have to make provision for



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impairment, write off the relevant receivables and/or incur legal costs to enforce our rights. As of 31 December 2019, 2020, 2021 and 2022 and 31 March 2023, our gross trade receivables amounted to RMB174.2 million, RMB292.0 million, RMB215.6 million, RMB189.0 million and RMB211.8 million, respectively. We also recorded impairment of RMB18.5 million, RMB11.5 million, RMB12.6 million, RMB15.2 million and RMB16.0 million, respectively. See note 26 to the Accountants’ Report for an ageing analysis of our trade receivables. Our business, financial condition and results of operations may be materially and adversely affected if significant trade receivables are not settled on time, or at all.

***We may recognise impairment loss on our prepayment and other receivables.***

Our prepayments, other receivables and other assets primarily include (i) advances to suppliers for purchase of goods and services, such as tires, (ii) deposits and other receivables, which mainly consist of lease deposits in connection with leased warehouses and offices, and (iii) VAT recoverable. As of 31 December 2019, 2020, 2021 and 2022 and 31 March 2023, our prepayments, other receivables and other assets were RMB256.6 million, RMB555.6 million, RMB539.5 million, RMB456.3 million and RMB458.5 million, respectively. As of 31 December 2019, 2020, 2021 and 2022 and 31 March 2023, the impairment allowance for such balances was assessed to be RMB329 thousand, RMB525 thousand, RMB344 thousand, RMB2.9 million and RMB4.3 million, respectively. We may recognise impairment loss on our prepayment and other receivables in the future. If there would be significant impairment loss on our prepayment or other receivables, our business, results of operations and financial conditions may be materially and adversely affected.

***Our historical growth rate may not be indicative of our future performance and if we fail to effectively manage our growth, our business, financial condition and results of operations could be adversely affected.***

We have experienced rapid growth since our inception. However, we cannot assure you that we will be able to maintain our historical growth rates in future periods. Our growth rates may slow down due to a number of reasons, including but not limited to decreasing demand for our products and services, market saturation, increasing competition, emergence of alternative business models, changes in government policies, increasing regulatory costs, declining growth of automotive aftermarket industry in China, or changes in general economic conditions. If our growth rates slow or decline, [REDACTED] perceptions of our business and prospects may be adversely affected and the [REDACTED] of our Shares could decline.

We cannot assure you that we will be able to effectively manage our future growth. We intend to achieve growth by expanding the scale of our platform, further improving fulfilment capabilities, continuing to invest in technology, further expanding our automotive service spectrum to address diversified customer demand, partnering with more auto part suppliers and further building proprietary brands, and partnering with NEV brands to provide dedicated services to the NEV market. We cannot assure you that our growth initiatives will succeed. In addition, our rapid growth

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has placed, and may continue to place significant demands on our management and our technology systems, as well as our administrative, operational and financial systems. Our ability to manage our growth effectively and to integrate new technologies and participants into our existing business will also require us to continue to implement a variety of new and upgraded managerial, operational, technological and financial systems, procedures and controls. If we are not able to effectively manage the growth of our business and operations or execute our strategies effectively, our expansion may not be successful, and our business and prospects may be materially and adversely affected.

***Supply chain shortages and interruptions, fluctuations in prices and our relationship with suppliers could adversely affect our results of operations.***

We and our stores are dependent upon frequent deliveries of auto parts, products, and supplies that meet our quality specifications. Shortages or interruptions in the supply caused by unanticipated demand, problems in production or distribution, acts of terrorism, financial or other difficulties of suppliers, labour actions, inclement weather, natural disasters such as floods, drought and hurricanes, outbreak of disease, including COVID-19 and other pandemics, or other conditions could adversely affect the availability, quality and cost of supplies for such products, which could lower our revenues, increase operating costs, damage brand reputation or otherwise harm our business. Such shortages or interruptions could also reduce our profit margins which may in turn materially and adversely affect our business and results of operations.

Our business also depends on developing and maintaining close relationships with our suppliers and on our suppliers’ ability or willingness to sell quality products to us at favourable prices and terms. Many factors beyond our control may harm these relationships and the ability or willingness of these suppliers to sell us products on favourable terms. In addition, the consolidation among auto parts suppliers, distributors, or wholesalers may disrupt or end our relationship with some suppliers and could lead to less competition and result in higher prices.

***Accidents, injuries or other harm suffered in Tuhu workshops or our warehousing facilities may adversely affect our reputation, subject us to liability and cause us to incur substantial expenses.***

We could be held liable for accidents that occur in Tuhu workshops or our warehousing facilities. In the event of personal injuries, fires or other accidents suffered by anyone working at or visiting our stores or warehouses, our stores or warehouses may be perceived to be unsafe and people may be discouraged from visiting or working in Tuhu workshops or our warehousing facilities.

We could also face claims alleging that we should be liable for accidents or injuries caused by our employees or other service personnel due to negligence in supervision. Any material liability claim against us or any of our employees or other service personnel could adversely affect our reputation, create unfavourable publicity, cause us to incur substantial expenses and divert the time and attention of our management.



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***Our business has been and may continue to be adversely affected by the COVID-19 pandemic.***

The COVID-19 pandemic adversely affected our business. In early 2020, in response to intensifying efforts to contain the spread of COVID-19, the Chinese government took a number of actions, which included, among others, extending the Chinese New Year holiday, travel restrictions, quarantines, remote working, cancellation of public events, and recommendations against travel for leisure. COVID-19 caused temporary closures of stores in our network and our offices in early 2020. For instance, more than 200 Tuhu workshops were closed for the whole month of February 2020. We experienced a sharp decline in the sales of automotive products and services in February 2020. While such restrictive measures have been largely lifted, our business has been and could continue to be adversely impacted by the effects of the COVID-19 pandemic. Since the beginning of 2021, a few waves of COVID-19 infections emerged in various regions of China, resulting in varying levels of travel restrictions and encouragement of reduced travel. These travel restrictions reduced customers’ travel and as a result demand for automotive services. Our network expansion was also affected. While we managed to increase the number of Tuhu workshops and partner stores according to our plan, many of these were opened in the second half of 2020. As these stores were afforded less time to organise their operations and ramp up, their results of operations have been negatively affected. Meanwhile, we have experienced and may continue to experience impacts caused by business disruptions to certain of our suppliers as a result of the COVID-19 pandemic. As we have a nationwide network of suppliers, such disruptions do not have a material adverse impact on our business, financial condition, results of operations and cash flows. The COVID-19 resurgence caused by the Omicron variants since late March 2022 adversely affected our operations in certain cities in China. For example, the average monthly in-operation ratio of our Tuhu workshops in Shanghai was less than 5% in April and May 2022. The average monthly in-operation ratio of our Tuhu workshops in Beijing was around 65% in May 2022. The number of our transacting users decreased from 1.8 million in March 2022 to 1.7 million in April 2022.

In December 2022, China began to ease its dynamic zero-COVID policy, and most of the travel restrictions and quarantine requirements were lifted by the end of 2022. There were surges of cases in many cities in December 2022 and January 2023 which caused disruption to our operations, and there remains uncertainty as to the future impact of the virus. The extent to which the pandemic impacts our results of operations going forward will depend on future developments which are highly uncertain and unpredictable, including the frequency, duration and extent of outbreaks of COVID-19, the appearance of new variants with different characteristics, the effectiveness of efforts to contain or treat cases, and future actions that may be taken in response to these developments. We cannot guarantee you that the COVID-19 pandemic will not further escalate or have a material adverse effect on our results of operations, financial position or prospects.

***We are subject to risks relating to the warehousing and logistics of our products.***

Some of our inventories involve hazardous chemicals. The storage and transportation of chemicals involve inherent safety risks. We may face challenges with respect to the storage,

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transportation, handling, protection and examination of these chemicals by the governmental authorities. We cannot assure you that our risk management system will eliminate all possibilities of hazardous chemical diffusions, combustions, and other types of hazardous chemical accidents. For instance, we might be held liable for hazardous chemical accidents that happen on the premises of our leased properties. In the event that our use of leased properties is determined to be in violation of applicable requirements, such as the requirements for storage of hazardous chemical, we may be subject to fines and forced to relocate the affected operations. We can provide no assurance that we will be able to find suitable replacement sites on terms acceptable to us on a timely basis, or at all, or that we will not be subject to material liability resulting from third parties’ challenges on our use of such properties.

We also rely on third-party logistics service providers to deliver products to our Tuhu workshops and partner stores, and are not able to control or predict the actions of these service providers. Logistics may be disrupted for a number of reasons that may be beyond our control or the control of our logistics service providers, including, without limitation, epidemics, adverse weather condition, natural disasters, transportation interruptions or labour unrest or shortage. Further, vehicles and personnel of third-party logistics service providers may be involved in transportation accidents, and the products carried by them may be lost, damaged, destroyed, or may cause safety accidents, and we may be subject to various levels of liabilities associated with personal injuries or property damages if such accidents happen. In addition, we cannot assure you that all such logistics providers have obtained the required permits for dealing with hazardous chemicals. If any of such logistics service providers fails to obtain the required permits in a timely manner or at all, we may be penalised by the governmental authorities for engaging such service providers. Such interruptions to or failures in such third-party logistics service providers’ operations may obstruct the timely or successful delivery of our products. If products are not delivered on time, the normal operation of stores may be adversely affected and our customers may wait longer time to have their vehicles serviced, which may harm our brand image and reputation. If the products are delivered in a damaged state, our franchisees and partner store operators may return the products and may claim refund from us and our franchisees and partner store operators’ confidence in us may be impaired. If any of our logistics service providers’ operations or services are disrupted or terminated, we may not be able to find alternative qualified service providers on commercial terms to our satisfaction in a timely and reliable manner, or at all. As a result, our business, reputation, financial condition and results of operations may be materially and adversely affected.

Moreover, natural disasters or other unanticipated catastrophic events, including power interruptions, water shortage, storms, fires, earthquakes, cybersecurity attacks, terrorist attacks and wars, as well as changes in governmental planning for the land underlying the warehousing facilities, may also result in the closure of one or more of our distribution centres or other facilities, or may adversely affect our ability to deliver inventory to our stores in a timely manner. Any interruptions or delays in our supply chain service, whether as a result of third-party error, our error, natural disasters or security breaches, whether accidental or willful, could affect our ability to timely provide products to our customers, resulting in lost sales or a potential loss of customer loyalty, any of which could significantly impair our business, financial condition and results of operations.

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***Stores in our network may experience difficulty hiring and retaining qualified personnel.***

The operation of our stores requires skilled service personnel, and trained and experienced automotive field personnel may be in high demand and short supply at competitive compensation levels in some areas, which may result in increases in labour costs. From time to time, Tuhu workshops and partner stores may experience difficulty hiring and retaining such qualified personnel. Any such future difficulties could materially and adversely affect our revenues, results of operations, business, and financial condition.

***Failure to manage inventory at optimal levels could adversely affect our business, financial condition, and results of operations.***

We are required to manage a large volume of inventory for our business. We depend on demand forecasts for our products to make procurement plans and manage our inventory. Our forecast for demands, however, may not accurately reflect the actual market demands, which depends on a number of factors including, without limitation, launches of new products, changes in product lifecycles and pricing, product defects, changes in customer spending patterns, manufacturer backlogs and other suppliers/manufacturers-related issues, as well as the volatile economic environment in China. We cannot assure you that we will be able to maintain proper inventory levels for our business at all times, and any such failure may have a material and adverse effect on our business, financial condition and results of operations.

Inventory levels in excess of store demand may result in inventory write-downs, expiration of products or an increase in inventory holding costs and a potential negative effect on our liquidity. If we fail to manage our inventory effectively, we may be subject to heightened risk of inventory obsolescence, a decline in inventory values, and significant inventory write-downs or write-offs. In addition, we may be required to lower sale prices in order to reduce inventory level, which may lead to lower gross margins. High inventory levels may also require us to commit substantial capital resources, preventing us from using that capital for other important purposes. Any of the above may materially and adversely affect our results of operations and financial condition.

Conversely, if we underestimate store demand or if we experience faster-than-expected growth, or if our suppliers fail to provide products to us in a timely manner, we may experience inventory shortages, which may, in turn, require us to procure products at higher costs, result in unfulfilled user orders, leading to a negative impact on our financial condition and our relationships with franchisees and partner store operators.

Additionally, we also rely extensively on our artificial intelligence algorithms to manage inventory levels at a specific warehouse or store, and such inventory levels might not accurately correspond to actual market demands and could lead to under-stocking or over-stocking in the warehouses or stores. Therefore, although we try to monitor inventory levels in these warehouses or stores to the extent we can, we cannot assure you that there will not be under-stocking or over-stocking in these warehouses or stores.

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***Misconducts, including illegal, fraudulent, or collusive activities, by our employees, franchisees, partner store operators, suppliers, manufacturers and any third-party service providers, may harm our brand and reputation and adversely affect our business and results of operations.***

Misconducts, including illegal, fraudulent or collusive activities, unauthorised business conducts and behaviours, or misuse of corporate authorisation by our employees, franchisees, partner store operators, suppliers and manufacturers and other business partners could subject us to liability and negative publicity. They may conduct fraudulent activities, such as accepting payments from or making payments to other third parties in order to bypass our internal system and to complete shadow transactions and/or transactions outside our internal system, disclosing users’ information to competitors or other third parties for personal gains, using or providing counterfeit or inferior products, or applying for fake reimbursement. They may conduct activities in violation of Anti-unfair Competition Law, which may expose us to unfair competition allegations and risks. It is not always possible to identify and deter such misconduct, and the precautions we take to detect and prevent these activities may not be effective. We had historically received certain immaterial administrative penalties for such misconduct. Such misconduct could also damage our brand and reputation, which could adversely affect our business and results of operations.

In the event that we become subject to claims caused by actions taken by our employees, franchisees, partner store operators, suppliers, and manufacturers, we may attempt to seek compensation from the relevant employees, franchisees, partner store operators, suppliers, and manufacturers. However, such compensation may be limited and we may be required to bear such losses and compensation at our own costs. This could have a material and adverse effect on our business, financial condition and results of operations.

***Failure to obtain, renew, or retain licences, permits or approvals may affect our ability to conduct or expand our business.***

The automotive service business in China is regulated by the PRC government. Pursuant to the Road Transport Regulation of PRC promulgated by the State Council and the Provisions on Motor Vehicle Maintenance and Repair promulgated by the Ministry of Transport Administrative, whoever engages in the business operations of motor vehicle maintenance is required to have sufficient space for motor vehicle maintenance, equipment, facilities and technicians and file with the local administrative authorities for record. As of the date of this [REDACTED], four Tuhu workshops operated by us as of 31 March 2023 have not completed this filing with the relevant local governmental authorities for record as required. The requirements of the local administrative authorities for such filings may vary among various geographic locations, and we cannot assure you that the outstanding filings and future filings will be completed in a timely manner, or at all. Potential fines from RMB5,000 to RMB20,000 for each self-operated workshop may be imposed if we fail to remediate after receiving any notice from relevant governmental authorities.

Moreover, PRC laws and rules provide various requirements with respect to fire safety in China. Detailed measures and requirements vary among various regions and are still

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evolving. As of the date of this [REDACTED], 13.9% of the Tuhu workshops operated by us as of 31 March 2023 had not completed required fire safety filings. We cannot assure you that we will be able to obtain or complete such filings or to timely respond to changes in the public security or fire safety standards issued by the governmental authorities from time to time. In light of our failure to timely complete all fire safety filings, we may be subject to administrative fines up to RMB5,000 for each self-operated workshop. Even if the premises have completed the fire safety filings, they may be randomly inspected by the relevant governmental authorities and if they fail to pass the random inspections after the fire safety filings, the premises may be closed down, which could materially and adversely affect our financial results. As of the Latest Practicable Date, none of the Tuhu workshops operated by us as of 31 March 2023 that failed to complete the fire safety filings has been subject to any fines or other penalties due to lack of fire safety filings.

We also provide certain financial assistance to our franchised Tuhu workshops to fund their operation. Some of the franchisees are small-to-medium enterprises and may face difficulties in obtaining necessary financial resources on their own. We selectively provide loans or facilitate loans to help such franchisees after comprehensive and proper due diligence and internal assessment. During the Track Record Period, we provided interest bearing loans to some of our franchised Tuhu workshops. The outstanding balance of the interest bearing loans we extended to franchised Tuhu workshops amounted to RMB44,000, RMB10.0 million, nil, nil and nil as of 31 December 2019, 2020, 2021 and 2022 and 31 March 2023, respectively. Such loans had interest rates ranging from 4% to 12% per annum with terms ranging from one to three years. We extended such interest bearing loans to 1, 133, nil, nil and nil franchised Tuhu workshops in 2019, 2020, 2021 and 2022 and the three months ended 31 March 2023, respectively. We also extended interest bearing loans to one franchisee in 2020. The loans had interest rates of 1% per mensem or 9% per annum with terms ranging from three months to 18 months. As of 31 December 2020, 2021 and 2022 and 31 March 2023, the outstanding balance of the interest bearing loans we extended to the franchisee amounted to RMB8.0 million, nil, nil and nil, respectively. The revenues we generated from such franchised Tuhu workshops and the franchisee amounted to RMB1.0 million, RMB259.9 million, nil, nil and nil in 2019, 2020, 2021 and 2022 and the three months ended 31 March 2023, respectively, representing approximately 0.01%, 3.0%, nil, nil and nil of our total revenues during the same periods. As of the Latest Practicable Date, outstanding balance of the interest bearing loans provided by us was nil. The interpretation of the legality of such loan agreements may continue to change. According to the General Lending Provisions by the People’s Bank of China (“PBOC”) in 1996, only financial institutions may legally engage in the business of extending loans, and loans between companies that are not financial institutions are prohibited. The PBOC may impose penalties on the lender of an amount equivalent to one to five times of the income generated (being interest charged). According to the Provisions of the Supreme People’s Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (the “Provisions”), the Supreme People’s Court took a separate view that private lending contracts concluded between legal persons for the purpose of production or business operation are valid and effective unless otherwise provided in the Provisions. As of the Latest Practicable Date, none of such loans was prohibited by the PBOC.

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In addition, we facilitate loans funded by third-party financial institutions that we collaborate with, and voluntarily provide guarantee for such loans through our entities. The outstanding balance of the loans amounted to RMB11.0 million, RMB80.5 million, RMB66.7 million, RMB77.2 million and RMB67.4 million as of 31 December 2019, 2020, 2021 and 2022 and 31 March 2023, respectively. Such outstanding loans generally had an interest rate ranging from 3.85% to 6% per annum with terms ranging from one to three years. The corresponding outstanding guarantees amounted to approximately RMB11.0 million, RMB80.5 million, RMB66.7 million, RMB77.2 million and RMB67.4 million as of 31 December 2019, 2020, 2021 and 2022 and 31 March 2023, respectively. 22, 260, 182, 416 and 402 franchised Tuhu workshops were involved in such loan facilitation or guarantees as of the same dates, respectively. The revenues we generated from such franchised Tuhu workshops amounted to RMB19.1 million, RMB266.0 million, RMB232.0 million, RMB438.4 million and RMB116.8 million in 2019, 2020, 2021 and 2022 and the three months ended 31 March 2023, respectively, representing approximately 0.3%, 3.0%, 2.0%, 3.8% and 3.6% of our total revenues during the same period. As of 31 March 2023, the provision estimated for the outstanding guarantees was RMB5.7 million. As of 30 June 2023, the outstanding guarantees amounted to RMB69.1 million. Pursuant to the Regulations on the Supervision and Administration of Financing Guarantee Companies (《融資擔保公司監督管理條例》) promulgated by the State Council, the establishment of a financing guarantee company or engagement in the financing guarantee business shall be subject to approval by the relevant authority. Based on the facts that (i) only enterprises engaged in financing guarantee business are required to obtain approvals by the relevant Department of Supervision and Administration for the establishment; (ii) we only voluntarily provide guarantees without charging the franchised Tuhu workshops for a fee; and (iii) we have not been involved in any investigations on providing financing guarantee business and nor have we received any inquiry, notice, warning, or sanctions in such respect, after consulting with our PRC Legal Advisor, our Directors are of the view that such regulations do not have a material adverse impact on our business operations and financial performance as of the Latest Practicable Date, and will not affect our compliance with laws and regulations in any material aspects as of the Latest Practicable Date. On 1 June 2022, our PRC Legal Advisor and the Joint Sponsors’ PRC legal advisor conducted an anonymous consultation with an officer of Shanghai Financial Regulatory Bureau. During the consultation, Shanghai Financial Regulatory Bureau (上海地方金融監管局) confirmed that such non-profit guarantees voluntarily provided by us to franchised Tuhu workshops with respect to the loans provided by third-party financial institutions does not fall into the scope of engaging in the business of financing guarantee under the Regulations on the Supervision and Administration of Financing Guarantee Companies (《融資擔保公司監督管理條例》), which is consistent with our PRC Legal Advisor’s view. Our PRC Legal Advisor is of the view that Shanghai Financial Regulatory Bureau is the competent government authorities to provide such confirmation as it is responsible for the examination and approval of financing guarantee company in Shanghai. Although we do not believe that voluntary provision of guarantees for free shall be deemed as engaging in the business of financing guarantee, there is no assurance that relevant PRC authorities will take the same position. If our existing or future financial assistance is deemed by regulators to be not in compliance with any applicable laws or regulations, we would be subject to penalties, such as confiscation of illegal gains and fines, which could have adverse impact on our business, financial



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condition and results of operations. In addition, any failure to repay the loans funded or guaranteed by us may adversely affect our financial position. The interest bearing loans and guarantees are both means of our financial assistance, to either encourage the development of franchised Tuhu workshops or relieve the franchised Tuhu workshops out of financial distress in difficult times, such as the COVID-19 pandemic period. Taking as whole, the significant increase in the amount of outstanding balance of the interest bearing loans and guarantees we provided to franchised Tuhu workshop in 2020, 2021 and 2022 and the three months ended 31 March 2022 as compared to 2019 was primarily due to the COVID-19 pandemic in 2020 and its resurgence since the second half of 2021, which resulted in worsened financial conditions of certain franchised Tuhu workshops. In 2021, 2022 and the three months ended 31 March 2022, we primarily utilised loans provided by third-party financial institutions as the preferred means of our financial assistance, which resulted in the decrease in the interested bearing loans as compared to 2020. Moreover, in March 2022, one of our subsidiaries obtained the license to conduct financing guarantee business. During the COVID-19 pandemic, we have also adopted a series of relief measures, such as management fee reductions, to alleviate the financial burden of our franchisees in the regions affected by the pandemic.

As the interpretation and implementation of relevant laws and regulations and the enforcement practises by relevant governmental authorities continue to change, if the relevant governmental authorities consider that we were operating without proper approvals, licences or permits, or if the relevant governmental authorities promulgate new laws and regulations that require additional approvals or licences or impose additional restrictions on the operation of any part of our business and we are not able to obtain such approvals, licences or permits or adjust our business model in a timely manner or at all, they have the power, among other things, to levy fines, confiscate our income, revoke our business licences, and require us to discontinue our relevant business. Any of these actions by the relevant governmental authorities may have a material adverse effect on our business and results of operations. For example, we use products which involve hazardous chemicals as part of our automotive services provided to customers, and used to deliver a small amount of those products from warehouses to our Tuhu workshops. According to the consultations conducted on 16 December 2021 with local Emergency Management Bureau in Shanghai, our PRC Legal Advisor is of the view that using or storing small amount of hazardous chemicals during the process of providing automotive service does not required to obtain the Hazardous Chemicals Operation Permit. However, if the PRC government tightens regulatory framework in the future, we may need to obtain additional licences or approvals, we may not be able to do so in a timely manner or at all, and our ability to conduct such business may be affected.

***The wide variety of payment methods that we adopt may subject us to risks related to third-party payment processing.***

We accept a wide variety of payment methods, including bank transfers and online payments through various third-party online payment platforms such as Weixin Pay, UnionPay and Alipay, in order to ensure smooth user experience. For certain payment methods, we pay varying service fees, which may increase over time and raise our operating costs and lower our profit margins. We may

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also be subject to fraud and other illegal activities in connection with the various payment methods we offer. We may fail to deal effectively with any fictitious transactions or other fraudulent conduct.

We are also subject to various rules, regulations and requirements governing electronic funds transfers, both in China and globally, which could change or be reinterpreted to make it difficult or impossible for us to comply with. In addition, the commercial banks and third-party online payment service providers that we work with are subject to the supervision of the People’s Bank of China, or the PBOC. The PBOC may publish rules, guidelines and interpretations from time to time regulating the operation of financial institutions and payment service providers that may in turn affect the business arrangements between such entities and us. For example, in November 2017, the PBOC published a notice, or the PBOC Notice, on the investigation and administration of illegal offering of settlement services by financial institutions and third-party payment service providers to unlicensed entities. The PBOC Notice intended to prevent unlicensed entities from using licensed payment service providers as a conduit for conducting the unlicensed payment settlement services, so as to safeguard the fund security and information security. As the laws and regulations in this area are still evolving and subject to interpretation, we cannot assure you that the PBOC or other governmental authorities will find our current or planned new settlement mechanisms to be in compliance with the PBOC Notice. As of the Latest Practicable Date, we had entered into third-party payment service agreements with licensed entities and such business arrangements were confirmed by or filed with PBOC by such licensed entities. The licensed entities are reputable commercial banks. The amount of payment processed by them was RMB7.4 billion as of the Latest Practicable Date. However, if the PBOC or other relevant governmental authorities consider our current or planned new settlement mechanisms not fully compliant with the PRC regulations, we may need to adjust our business and cooperation model with the commercial banks and third-party payment service providers, and be subject to penalties and orders to rectify, which may result in higher payment processing cost, and any of these events may materially and adversely affect our growth potential, business and results of operations.

***Stores in our network are subject to certain environmental laws and regulations.***

Certain activities of our stores involve the handling, storage, transportation, recycling, or disposing of various new and used products, which may generate solid and hazardous wastes. These business activities are subject to stringent laws and regulations governing the storage and disposal of these products and wastes, the release of materials into the environment or otherwise relating to environmental protection. These laws and regulations may impose numerous obligations upon our stores’ operations, including the acquisition of permits to conduct regulated activities, the imposition of restrictions on where or how to store and handle new products and to manage or dispose of used products and wastes, the incurrence of capital expenditures to limit or prevent release of such material, the imposition of substantial liabilities for pollution resulting from our stores’ operations, and costs associated with health claims from service personnel.

In addition, environmental laws and regulations have generally imposed further restrictions on our operations, which may result in significant additional costs to our business. Failure to comply



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with these laws, regulations, and permits may result in the assessment of administrative, civil, and criminal penalties, the imposition of remedial and corrective action obligations, and the issuance of orders limiting or preventing operation of our stores. For instance, according to the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste, it is prohibited to provide or entrust hazardous waste to units or other producers and business operators with no licences for the collection, storage, utilisation and disposal of the hazardous wastes. We have cooperated with local operators to dispose of the hazardous wastes, however, we cannot assure you that all such operators can obtain hazardous waste operation permits in a timely manner or at all. If such operators fail to do so, governmental authorities may ask us to make corrections within a specified time, levy fines, confiscate our income, and under serious circumstances, order us to cease operation or suspend our relevant business. Further, stores that engage in car wash business are required to obtain or update the permit of discharging sewage into urban drainage networks. Stores without such permit may be ordered to stop the relevant activities, take rectification measures, and pay a fine of up to RMB500,000 for each instance. As of the Latest Practicable Date, certain Tuhu workshops engaged in car wash business with small revenue contribution had not obtained permit of discharging sewage into urban drainage networks. Any adverse environmental impact on our stores, including, without limitation, the imposition of a penalty or order, could materially and adversely affect our business and results of operations.

***Increases in labour costs in the PRC and noncompliance with labour laws and regulations may materially and adversely affect our business and our margin profile.***

China’s overall economy and the average wage have increased in recent years and are expected to continue to grow. The average wage level for our employees has also increased in recent years. We expect that our labour costs, including wages and employee benefits, will continue to increase. Unless we are able to pass on these increased labour costs to our customers who pay for our products and services, our margin profile and results of operations may be materially and adversely affected. Further, pursuant to the PRC Labour Contract Law, as amended, or the Labour Contract law, and its implementation rules, employers are subject to various requirements in terms of signing labour contracts, minimum wages, paying remuneration, determining the term of employees’ probation and unilaterally terminating labour contracts. In the event that we decide to terminate some of our employees or otherwise change our employment or labour practises, the Labour Contract Law and its implementation rules may limit our ability to affect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations.

In addition, under the PRC Social Insurance Law and the Administrative Measures on Housing Provident Fund, employees are required to participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance, maternity insurance, and housing provident funds, and employers are required, together with their employees or separately, to pay the contributions to social insurance and housing provident funds for their employees. During the Track Record Period and as of the Latest Practicable Date, we had not made social insurance and housing provident fund contributions for some of our employees in full in accordance with the relevant PRC

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laws and regulations. The relevant governmental authorities may examine whether an employer has made adequate payments of the requisite statutory employee benefits, and employers who fail to make adequate payments may be subject to late payment fees, fines and/or other penalties. In addition, certain of our PRC subsidiaries engage third-party human resources agencies to make social insurance and housing fund contributions for some of their employees, and we cannot assure you that such third-party agencies make such contributions in full in a timely manner, or at all, and even if they do, regulators may deem such practise to be noncompliant with the relevant labour laws and bring enforcement actions against us. If the relevant PRC authorities determine that we shall make up for social insurance and housing fund contributions or that we are subject to fines and legal sanctions in relation to our failure to make social insurance and housing fund contributions in full for our employees, our business, financial condition and results of operations may be adversely affected.

Furthermore, pursuant to the Labour Contract Law and the Interim Provisions on Labour Dispatch promulgated on 1 March 2014, dispatched labour is only intended to be a supplementary form of employment, the number of the dispatched workers used by an employer shall not exceed 10% of the employer’s total labour force and the dispatched workers can only engage in temporary, ancillary or replaceable work. See “Regulatory Overview — Regulations Relating to Employment and Social Welfare”. We have hired dispatched workers from employment agencies from time to time and the number of dispatched workers may exceed 10% of the total number of our labour force. As of the Latest Practicable Date, the number of our dispatched workers as percentage of the total number of labour force was below the 10% threshold.

However, we cannot assure you that our employment practises will be deemed to be in compliance with labour-related laws and regulations in China due to the changes in labour laws and regulations, related interpretations and implementations, which may subject us to labour disputes or government investigations. If we are deemed to have violated relevant labour laws and regulations, we could be required to provide additional compensation to our employees and our business, financial condition and results of operations could be materially and adversely affected.

***Our business is subject to a certain level of seasonality.***

Seasonal changes may impact the demand for our automotive services and products. We have historically recorded lower revenues in the first quarter of each year. During the first quarter, stores are temporarily closed as technicians return home for the Chinese New Year holidays and there is relatively low level of road travel activity during the winter and the Chinese New Year holiday period. We have historically recorded higher revenues in the second half of each year. Car sales in China are generally higher in the second half of the year, especially in the fourth quarter. Therefore, more car owners perform maintenance on their vehicles in the second half of the year given that maintenance schedules are often on an annual basis (if not based on mileage). Due to the seasonality of our business, we generally open more stores in the second half of the year to benefit from the higher sales in the periods that follow. In addition, we also typically experience a seasonal surge in volume of orders during the third and fourth quarters of each year when major online retail and

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e-commerce platforms launch special promotional campaigns, for example, around China’s new online shopping festivals on 18 June and 11 November each year. We may experience capacity and resource shortages in fulfilling orders during the period of such seasonal surge in our business, which could materially and adversely affect our business and results of operations.

***Any disruption to our technology systems and resulting interruptions in the availability of our websites, applications, platforms, or services could adversely affect our business and results of operations.***

The satisfactory performance, reliability and availability of our technology systems are critical to our success. We rely on our scalable technology infrastructure and corresponding online interfaces to connect our network with those of our various platform users. These integrated systems support the smooth performance of certain key functions of our business. However, our technology systems or infrastructure may not function properly at all times. We may be unable to monitor and ensure high-quality maintenance and upgrade of our technology systems and infrastructure, and users may experience service outages and delays in accessing and using our platforms as we seek to source additional capacity. In addition, we may experience surges in online traffic and orders associated with promotional activities and generally as we scale, which can put additional demand on our platform at specific times. We had not experienced any material incident on our technology systems during the Track Record Period. However, any disruption to our technology systems and resulting interruptions in the availability of our website, applications, platform or services could adversely affect our business and results of operations.

Our technology systems may also experience telecommunications failures, computer viruses, failures during the process of upgrading or replacing software, databases or components, power outages, hardware failures, user errors, or other attempts to harm our technology systems, which may result in the unavailability or slowdown of our platform or certain functions, delays or errors in transaction processing, loss of data, inability to accept and fulfil orders, reduced order volume and the attractiveness of our platform. Further, hackers, acting individually or in coordinated groups, may also launch distributed denial of service attacks or other coordinated attacks that may cause service outages or other interruptions in our business. Any of such occurrences could cause severe disruption to our daily operations. If we cannot successfully execute system maintenance and repair, our business and results of operations could be adversely affected and we could be subject to liability claims.

***Our use of certain leased properties could be challenged by third parties or governmental authorities, which may expose us to potential fines and negatively affect our ability to use the properties we lease.***

As of the Latest Practicable Date, for certain Tuhu workshops operated by us and some of our warehouses, we have not been provided by the lessors with the applicable certificates, approvals or any other documentation proving their right to lease those properties to us or the actual use of such premises is not consistent with the designated use of premises as stated in the relevant ownership certificate. If our lessors are not the owners of the properties and they have not obtained consents

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from the owners or their lessors or permits from the relevant governmental authorities, our leases could be invalidated. If this occurs, we may have to renegotiate the leases with the owners or other parties who have the right to lease the properties, and the terms of the new leases may be less favourable to us. In addition, in the event that our use of properties is successfully challenged, we may be forced to relocate. Moreover, we may become involved in disputes with the property owners or third parties who otherwise have rights to or interests in our leased properties. We can provide no assurance that we will be able to find suitable replacement sites on terms acceptable to us on a timely basis, or at all, or that we will not be subject to material liability resulting from third parties' challenges on our use of such properties. As a result, our business, financial condition and results of operations may be materially and adversely affected. In addition, if our franchisees or partner store operators were not able to find replacement premises for their stores due to any lease deficiencies, the daily operations of such stores may be negatively affected.

Furthermore, the leasehold interests of our self-operated Tuhu workshops have not been registered with the relevant PRC governmental authorities as required by PRC law, which may expose us to potential fines if we fail to remediate after receiving any notice from the relevant PRC governmental authorities. Failure to complete the lease registration will not affect the legal effectiveness of the lease agreements according to PRC law, but the real estate administrative authorities may require the parties to the lease agreements to complete lease registration within a prescribed period of time, and failure to do so may subject the parties to fines from RMB1,000 to RMB10,000 for each of such lease agreements.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any actions, claims or investigations threatened against us or our lessors with respect to the defects in our leasehold interests which may have a material adverse impact on our business, financial condition and results of operation. However, if any of our leases is terminated as a result of challenges by third parties or governmental authorities for lack of title certificates or proof of authorisation to lease, we do not expect to be subject to any fines or penalties, but we may be forced to relocate the affected offices, stores or warehouses and incur additional expenses relating to such relocation. We cannot guarantee that suitable alternative locations are readily available on commercially reasonable terms, or at all, and if we fail to relocate our operations in a timely manner, our operations may be interrupted.

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

We lease properties to operate a majority of our self-operated Tuhu workshops, warehouses and offices and some of our franchisees and partner store operators lease properties to operate their stores. We and our franchisees and partner store operators may not be able to successfully extend or renew such leases upon expiration, on commercially reasonable terms or at all, and may be forced to relocate the affected operations. Such relocation may disrupt our operations and result in significant relocation expenses, which could adversely affect our business, financial condition and results of

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operations. We may not be able to locate desirable alternative sites for our facilities as our business continues to grow and failure in relocating our operations when required could adversely affect our business and operations. In addition, we compete with other businesses for premises at certain locations or of desirable sizes. Even if we or our franchisees and partner store operators are able to extend or renew the respective leases, rental payments may significantly increase as a result of the high demand for the leased properties.

***We may be subject to product defects or other quality issues and product liability exposure.***

We and our stores may receive defective products or products of substandard quality. Defects in products could result in personal injury and property damage and may give rise to claims against us or our stores for losses and expose us and our stores to claims for damages. There can be no assurance that the insurance held by our stores or us will be adequate to cover the associated risks of the sale and use of defective products. In the event that product liability arises, sales of such products could expose us to product liability claims relating to personal injury or property damage and may require product recalls or other actions. Third parties subject to such injury or damage may bring claims or legal proceedings against us as the retailer of the product or a platform service provider. Although we would have legal recourse against the manufacturers of such products under PRC law, attempts to enforce our rights against the manufacturers may be expensive, time-consuming and ultimately futile. In addition, if we fail to provide the real names, addresses and valid contact details of the products provider, the customers may also claim damages from us, or if we know or should have known that franchisees or partner store operators on our platform use our platform to infringe upon the legitimate rights and interests of customers but we fail to take necessary measures, we shall bear joint and several liability with the franchisees or partner store operators. To the extent such liability is either not covered by our, the franchisees’ or partner store operators’ insurance or exceeds the policy limits, the aggrieved parties could seek to recover their losses from us, whether or not we are legally or contractually entitled to do so, which could increase litigation costs or result in liability for us. Additionally, if we or our stores deliver any defective products, or if there is a perception that our products are of substandard quality, we may incur substantial costs associated with product recall, product returns and replacements, our credibility and market reputation could be harmed and our results of operations and market share may be adversely affected. We had not been subject to any material product defects related litigations, incidents or penalties during the Track Record Period. No product recall occurred during the Track Record Period and up to the Latest Practicable Date.

***Our business model may be replicated by other automotive service platforms, internet companies and traditional offline automotive service companies aiming to engage in online and offline integrated automotive service business.***

Our business model may be replicated by other automotive service platforms. Given that products and services we offer are relatively transparent, our competitors can copy and launch similar products and services, possibly at lower prices than what we offer. If we fail to continue to

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optimise or upgrade our product and service offerings that meet market demand quickly, we may not be able to keep our edge in the competition, and our business and results of operations will be negatively affected. Moreover, the leading Chinese internet companies have experienced the fast-moving internet development in China in past decades and have demonstrated their strong capacities in client-centric and efficiency driven business development and innovation. Given the large amount of data and strong capacity of technological development the leading Chinese internet companies have, we believe it is possible that these companies have the ability to develop their automotive service platforms to compete with us in a short period of time. In addition, we have seen certain traditional offline automotive service companies establish the online platforms in order to take advantage of the soaring opportunities emerged from online and offline integrated platforms. Considering these internet companies’ strong abilities in promoting their products and services through their existing abundant online channels and the potential of traditional offline automotive service companies to convert their offline resources and clients online, we may face severe competition in the near future from these potential competitors.

***Our business is subject to complex and evolving laws and regulations regarding cybersecurity, privacy, data protection and information security in China. Any privacy or data security breach or failure to comply with these laws and regulations could damage our reputation and brand and substantially harm our business and results of operations.***

As a platform, our business generates and processes a large amount of data. We face risks inherent in handling and protecting large volumes of data, including protecting the data hosted in our system, detecting and prohibiting unauthorised data share and transfer, preventing attacks on our system by outside parties or fraudulent behaviour or improper use by our employees, and maintaining and updating our database. Any system failure, security breach, third-party attacks or attempts to illegally obtain the data that results in any actual or perceived release of user data could damage our reputation and brand, deter current and potential customers from using our services, negatively affect our business, and expose us to potential legal liability.

Personally identifiable and other confidential information is increasingly subject to legislation and regulations in China and numerous foreign jurisdictions. The PRC governmental authorities have enacted a series of laws and regulations relating to the protection of personal information and/or the supervision over data processing activities, under which relevant information or data processors are required to comply with an array of personal information and data protection requirements, including for example, to clearly indicate the purposes, methods and scope of any information collection and usage, to obtain appropriate user consent and to establish user information protection systems with appropriate remedial measures. However, this regulatory framework for privacy issues worldwide is rapidly evolving. For example, on 10 June 2021, the Standing Committee of the PRC National People’s Congress issued the Data Security Law (《數據安全法》) to regulate data processing activities and security supervision in the PRC, which came into effect on 1 September 2021. The Data Security Law provides a national data security review system, under which data processing activities that affect or may affect national security shall be reviewed. Moreover, on 20 August 2021,



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the Standing Committee of the PRC National People’s Congress promulgated the Personal Information Protection Law (《個人信息保護法》), effective on 1 November 2021, which further detailed the general rules and principles on personal data processing and further increase the potential liability of personal data processor. Given that the Personal Information Protection Law is relatively new, its interpretation and implementation may change. For more information, see “Regulatory Overview — Regulations Relating to Internet Information Security and Privacy Protection.”

Furthermore, the PRC government has taken steps to limit the method and manner that the internet companies may apply when using the algorithms. For instance, the CAC, together with eight other governmental authorities, jointly issued the Guidelines on Strengthening the Comprehensive Regulation of Algorithms for Internet Information Services (《關於加強互聯網信息服務算法綜合治理的指導意見》) on 17 September 2021, which provides that daily monitoring of data use, application scenarios and effects of algorithms shall be carried out by the relevant regulators, and security assessments of algorithms shall be conducted by the relevant regulators. The guidelines also provide that an algorithm filing system shall be established, and classified security management of algorithms shall be promoted. In addition, on 31 December 2021, the CAC, the Ministry of Industry and Information Technology, the Ministry of Public Security, the Ministry of State Security promulgated the Administrative Provisions on Internet Information Service Algorithm Recommendation (《互聯網信息服務算法推薦管理規定》), which came into effect on 1 March 2022. The Administrative Provisions on Internet Information Service Algorithm Recommendation stipulates that algorithm recommendation service providers shall inform users of their provision of algorithm recommendation services in a conspicuous manner, and publicise the basic principles, purpose intentions, and main operating mechanisms of algorithm recommendation services in an appropriate manner. For more information, see “Regulatory Overview — Regulations Relating to Internet Information Security and Privacy Protection.”

In addition, the CAC published the Regulations on Cyber Data Security Management (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) on 14 November 2021, or the Draft Regulations on Cyber Data Security Management, which specified that data processor who seeks to list in Hong Kong, which affects or may affect the national security, shall apply for cybersecurity review. However, the criteria for determining “affect or may affect the national security” as stipulated therein remain unclear and is still subject to further explanation and elaboration, and the enactment date, final content, interpretation and implementation of the Draft Regulations on Cyber Data Security Management remain unclear. On 28 December 2021, the CAC and other twelve PRC regulatory authorities jointly revised and promulgated the Measures for Cybersecurity Review (《網絡安全審查辦法》), or the Cybersecurity Review Measures, which further stipulates that any data processing activities by network platform operators that affects or may affect national security shall be subject to the cybersecurity review as well. However, neither the Cybersecurity Review Measures nor the Draft Regulations on Cyber Data Security Management provides further explanation or interpretation for “listing in a foreign country” or the criteria on determining the risks that “affects or may affect national security.” If our proposed [REDACTED] was deemed to “affect or may affect national security,”

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affect national security,” we may be required to apply for cybersecurity review, but there can be no assurance that we will be able to obtain approval from the regulatory authorities in a timely manner, or at all. Further, the Cybersecurity Review Measures further stipulates that operators mastering personal information of more than one million users shall also apply to the CAC for cybersecurity review when they seek for listing in a foreign country. If a cybersecurity review for any of our activities is required, we will actively cooperate with the CAC to conduct such cybersecurity review. Any failure to obtain such approval or clearance from the regulatory authorities could materially constrain our liquidity and have a material adverse impact on our business operations and financial results, especially if we need additional capital or financing.

Any failure, or perceived failure, by us, or by our employees or partners, to maintain the security of our user data or to comply with applicable PRC or foreign privacy, data security and personal information protection laws, regulations, policies, contractual provisions, industry requirements and other requirements may result in civil or regulatory liability, including governmental or data protection authority enforcement actions and investigations, fines, penalties, enforcement orders requiring us to cease operating in a certain way, revoking our business permits or business licences, litigation or adverse publicity, and may require us to expend significant resources in responding to and defending allegations and claims. Furthermore, claims or allegations that we have failed to adequately protect our users’ data, or otherwise violated applicable privacy and data security laws, regulations, policies, contractual provisions, industry standards or other requirements, may result in damage to our reputation and a loss of confidence in us by our users or our partners, potentially causing us to lose users, other business partners and revenues, which could have a material adverse effect on our business, financial condition and results of operations.

As of the Latest Practicable Date, having considered that (i) we have not been subject to any material fines or administrative penalties, mandatory rectifications, or other sanctions by any competent regulatory authorities in relation to the infringement of cybersecurity and data protection laws and regulations; (ii) there is no material leakage of data or personal information or violation of cybersecurity and data protection and privacy laws and regulations by us which will have a material adverse impact on our business operations; (iii) there had been no material cybersecurity and data protection incidents or infringement upon the rights of any third parties, or other legal proceedings, administrative or governmental proceedings, pending or, to the best of the knowledge of the Company, threatened against or relating to the Company; (iv) we have not been involved in any investigations on cyber security review made by the CAC on such basis and nor have we received any inquiry, notice, material warning, or sanctions in such respect; and (v) we have implemented comprehensive cybersecurity and data protection policies, procedures and measures to safeguard personal information rights and ensure secured storage and transmission of data and prevent unauthorised access or use of data, our PRC Legal Advisor and Directors are of the view that we are in material compliance with the existing PRC laws and regulations on cybersecurity, data security and personal data protection, and the existing laws and regulations in cybersecurity, data security and personal data protection will not have a material adverse impact on our business operations.



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In addition to laws, regulations and other applicable rules regarding privacy and privacy advocacy, industry groups or other private parties may propose new and different privacy standards. We have historically received notices from the relevant governmental authorities in China requiring us to rectify our collection of personal information practise, without imposing any penalty on us. On 19 July 2021, we received a notice from the MIIT on our “Tuhu Automotive Service (途虎養車)” app in relation to its user permission request issues. Upon receiving the notice, we immediately initiated self-examination and took rectification measures. We also delivered a report to the MIIT specifying our rectification measures. MIIT generally does not issue written confirmations to companies confirming the completion of remediation under similar circumstances. As of the Latest Practicable Date, our app had not been requested by governmental authorities to be removed from app stores and we had not received any further notices or been subject to any penalties from the relevant governmental authorities. We currently have a data privacy policy on how we collect, store, process and use user data and information. We cannot assure you that our existing privacy and personal protection system and technical measures will always be considered sufficient under applicable laws, regulations and other privacy standards. We could be adversely affected if legislation or regulations in China are expanded to require changes in business practises or privacy policies, or if the PRC governmental authorities interpret or implement their legislation or regulations in ways that negatively affect our business. We may also be subject to additional regulations, laws and policies adopted by the PRC government to apply more stringent social and ethical standards in data privacy resulting from the increased global focus on this area.

***Any failure to protect our intellectual property could harm our business and competitive position.***

We regard our proprietary technologies, trademarks, copyrights, patents, domain names, know-how and similar intellectual property as critical to our success. We rely on a combination of intellectual property laws and contractual arrangements, including confidentiality, invention assignment and non-compete agreements with our employees and others, to protect our proprietary rights. However, the functionality of our app and Weixin service accounts might be reproduced and our source code might be copied. We have been and may continue to be an attractive target to attacks in the future because of our brand recognition in China. We have policies and measures in place to prevent unauthorised use of our intellectual property. However, any of our intellectual property rights could be challenged, invalidated, circumvented or misappropriated. For instance, we cannot guarantee that we can successfully protect our intellectual property and exclusive rights from unauthorised usage by third parties or breach of confidentiality obligations by our counterparties. Statutory laws and regulations are also subject to changes in judicial interpretations and implementations. Confidentiality, invention assignment and non-compete agreements may be breached by counterparties, and there may not be adequate remedies available to us for any such breach. Accordingly, we may not be able to effectively protect our intellectual property rights or to enforce our contractual rights. Policing any unauthorised use of our intellectual property is difficult and costly and the steps we take may be inadequate to prevent the infringement or misappropriation of our intellectual property. In the event that we resort to litigation to enforce our intellectual property rights, such litigation could result in substantial costs and a diversion of our management

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and financial resources, and could put our intellectual property at risk of being invalidated or narrowed in scope. We can provide no assurance that we will prevail in such litigation, and even if we do prevail, we may not obtain a meaningful recovery. In addition, our trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors. Any failure in maintaining, protecting or enforcing our intellectual property rights could have a material adverse effect on our business, financial condition and results of operations.

***We may be subject to intellectual property infringement claims.***

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

***Impairment of goodwill and other intangible assets could negatively affect our financial condition and results of operations.***

We recorded goodwill and other intangible assets of RMB1.4 million, RMB61.1 million, RMB78.9 million, RMB85.8 million and RMB85.9 million as of 31 December 2019, 2020, 2021 and 2022 and 31 March 2023, respectively. Our other intangible assets consist mainly of an insurance brokerage license and software. Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other intangible assets that have a definite life are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in use. During the Track Record Period, no impairment charges was recorded for goodwill or other intangible assets. However, if the condition of goodwill and other intangible assets changes in the future, we may have to record additional impairment charges in future accounting periods. If we need to recognise significant impairment losses on goodwill and other intangible assets, our results of operations will be materially and adversely affected.

***We may fail to successfully make necessary or desirable strategic alliance, acquisition, or investment, and we may not be able to achieve the benefits we expect from the strategic alliances, acquisition, or investments we make.***

We may pursue selected strategic alliances and potential strategic acquisitions that are supplemental to our business and operations, including opportunities that can help us further expand

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our product and service offerings and improve our technology system. However, strategic alliances with third parties could subject us to a number of risks, including risks associated with sharing proprietary information, non-performance or default by counterparties, and increased expenses in establishing these new alliances, any of which may materially and adversely affect our business. In addition, we may have limited ability to control or monitor the actions of our strategic partners. To the extent a strategic partner suffers any negative publicity as a result of its business operations, our reputation may be negatively affected by virtue of our association with such party.

The costs of identifying and consummating strategic acquisitions may be significant and subsequent integrations of newly acquired companies, businesses, assets and technologies would require significant managerial and financial resources and could result in a diversion of resources from our existing business, which in turn could have an adverse effect on our growth and business operations. In addition, investments and acquisitions could result in the use of substantial amounts of cash, potentially dilutive issuances of equity securities and exposure to potential unknown liabilities of the acquired business. The acquired businesses or assets may not generate the financial results we expect and may incur losses. The cost and duration of integrating newly acquired businesses could also materially exceed our expectations. For instance, we had made some minority interest investments in certain franchisees. The performance of the invested franchisees may not be as expected or they may need additional financing from us, which would negatively affect our results of operations and financial condition.

***Share of results of joint venture we invested in may adversely affect our results of operations.***

Investments in joint ventures represent our investments in two joint ventures, namely, Shanghai Zhisheng Automobile Technology Co., Ltd. (“Shanghai Zhisheng”) and Shanghai Wuqi Private Fund Limited Partnership (“Shanghai Wuqi”). We had investments in joint ventures of nil, nil, nil, RMB115.4 million and RMB113.2 million as of 31 December 2019, 2020, 2021 and 2022 and 31 March 2023, respectively. Under the equity method, the performance of our invested companies will affect our statements of comprehensive income. Share of loss from Shanghai Zhisheng was RMB3.0 million and RMB1.2 million in 2022 and the three months ended 31 March 2023, respectively, and share of profit from Shanghai Wuqi was RMB13,000 in 2022 and share of loss from Shanghai Wuqi was RMB975,000 in the three months ended 31 March 2023. We may enter into joint ventures with various third parties to further our business purpose from time to time in the future. Our results of operations could be negatively affected by the under performance of the joint ventures that we invested in. In addition, investments in joint ventures are not as liquid as other investment products and could be subject to impairment.

***Fluctuation of the operational results of the associates we invested in may adversely affect our financial position.***

We have strategically invested in and collaborated with some automotive products and services suppliers, franchisees and other industry players with growth potential or potential synergies with

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our business. As of 31 December 2019, 2020, 2021 and 2022 and 31 March 2023, our investments in associates accounted for using the equity method were RMB48.1 million, RMB207.6 million, RMB194.2 million, RMB163.7 million and RMB168.7 million, respectively. Under the equity method, the performance of our invested companies will affect our statements of comprehensive income. We recorded share of losses of investments in associates accounted for using equity method of RMB691 thousand, RMB10.8 million, RMB52.7 million and RMB30.5 million in 2019, 2020, 2021 and 2022, respectively and share of profits of RMB5.0 million in the three months ended 31 March 2023. Even if profits or losses were reported under the equity method for our investments in associates, no cash inflow may be recognised from these investments until the associates declare dividends. In addition, investments in associates are not as liquid as other investment products and could be subject to impairment. As a result of these factors, our results of operations could be negatively affected by the under performance of our associate companies that we invested in.

***If we are unable to recruit, train and retain qualified personnel, our business may be materially and adversely affected.***

We believe our future success depends on our continued ability to attract, develop, motivate and retain qualified and skilled personnel. We may not be able to hire and retain these personnel at compensation levels consistent with our existing compensation and salary structure. Some of the companies with which we compete for experienced employees have greater resources than we have and may be able to offer more attractive terms of employment. In addition, we invest significant time and resources in training our employees, which increases their value to competitors who may seek to recruit them. If we fail to retain our employees, we could incur significant expenses in hiring and training new employees, and our ability to serve users and business partners could diminish, resulting in a material adverse effect to our business.

***We may not be able to obtain additional capital when desired, on favourable terms or at all.***

We need to make continued investments in facilities, hardware, software, technological systems and to retain talents to remain competitive. Due to the unpredictable nature of the capital markets and our industry, we cannot assure you that we will be able to raise additional capital on terms favourable to us, or at all, if and when required, especially if we experience disappointing operating results. If adequate capital is not available to us as required, our ability to fund our operations, take advantage of unanticipated opportunities, develop or enhance our infrastructure or respond to competitive pressures could be significantly limited. If we do raise additional funds through the issuance of equity or convertible debt securities, the ownership interests of our shareholders could be significantly diluted. These newly issued securities may have rights, preferences or privileges on par with or senior to those of existing shareholders.

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***Regulatory actions, legal proceedings, and customer complaints against us or our constituents could harm our reputation and have a material adverse effect on our business, results of operations, financial condition and prospects.***

We were involved in litigations and other disputes in the ordinary course of our business, which include lawsuits, arbitration, regulatory proceedings and other disputes relating to our business. Along with growth and expansion of our business, we or our constituents may be involved in litigations, regulatory proceedings and other disputes arising outside the ordinary course of our business. Such litigations and disputes may result in claims for actual damages, freezing of our assets, diversion of our management’s attention and reputational damage to us and our management, as well as legal proceedings against our directors, officers or employees, and the probability and amount of liability, if any, may remain unknown for long periods of time. Given the uncertainty, complexity and scope of many of these litigation matters, their outcome generally cannot be predicted with any reasonable degree of certainty. Therefore, our reserves for such matters may be inadequate. Moreover, even if we or our constituents eventually prevail in these matters, we could incur significant legal fees or suffer significant reputational harm.

In addition, Mr. Wang Jingbo, our independent non-executive Director, was named as one of the defendants in an ongoing securities class action lawsuit against Qutoutiao Inc. (a company previously listed on the NASDAQ Stock Market under the stock code of QTT), or Qutoutiao, originally filed on 20 August 2020 in the United States District Court for the Southern District of New York. Mr. Wang was named as one of the defendants in his capacity as its then chief financial officer and director. This class action lawsuit alleged materially false or misleading statements or omissions in offering documents in connection with Qutoutiao’s initial public offering in September 2018 and follow-on equity offering in April 2019. As of the Latest Practicable Date, no conclusive judicial decision had been made with respect to this lawsuit. See “Directors — Independent non-executive Directors.”

***We have granted options and may continue to grant options, restricted share units and other types of awards under our share incentive plan, which may result in increased share-based compensation expenses.***

We adopted our 2019 Share Incentive Plan, as amended and restated, which we refer to as the 2019 Plan, for the purpose of granting share-based compensation awards to employees, directors and consultants to secure and retain the services of eligible award recipients and to provide incentives for such persons to exert maximum efforts for our success. For further detailed information, please refer to “Appendix IV — Statutory and General Information — D. Equity Incentive Schemes.” We recognise expenses in our consolidated financial statements in accordance with IFRS. Expenses associated with share-based compensation will affect our financial performance, and any additional securities issued pursuant to the 2019 Plan will dilute the ownership interests of our shareholders. Under the 2019 Plan, we are authorised to grant options, restricted share awards, restricted share unit awards and other types of share awards. As of the Latest Practicable Date, the maximum aggregate number of ordinary shares which may be issued pursuant to all awards under the 2019 Plan is

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93,737,185 ordinary shares, and we have outstanding options with respect to [44,219,934] ordinary shares granted to our employees, directors and consultants under the 2019 Plan. We recorded share-based payment expenses of RMB95.1 million, RMB41.5 million, RMB118.5 million, RMB219.3 million and RMB66.5 million in 2019, 2020, 2021 and 2022 and the three months ended 31 March 2023, respectively. We expect to incur substantial share-based compensation expenses in the future. As a result, our expenses associated with share-based compensation may increase, which may have an adverse effect on our results of operations. Further, we may re-evaluate the vesting schedules, lock-up period, exercise price or other key terms applicable to the grants under our equity incentive plan from time to time. If we choose to do so, we may experience substantial change in our share-based compensation charges in the reporting periods following the [REDACTED].

***Our success depends on the continuing efforts of our senior management and key employees.***

Our future success is significantly dependent upon the continued service of our senior management and other key employees. If we lose their service, we may not be able to locate suitable or qualified replacements, and may incur additional expenses to recruit and train new staff, which could severely disrupt our business and growth. Our co-founder, chairman of the Board, chief executive officer and executive Director, Mr. Chen Min, and other management members are critical to our vision, strategic direction, culture and overall business success. If there is any internal organisational structure change or change in responsibilities for our management or key personnel, or if one or more of our senior management members were unable or unwilling to continue in their present positions, the operation of our business and our business prospects may be adversely affected. Our employees, including members of our management, may choose to pursue other opportunities. If we are unable to motivate or retain key employees, our business may be severely disrupted and our prospects could suffer. In addition, although we have entered into confidentiality and non-competition agreements with our management, there is no assurance that our management members would not join our competitors or form a competing business. If any dispute arises between our current or former officers and us, we may have to incur substantial costs and expenses in order to enforce such agreements in China or we may not be able to enforce them at all.

***The release of the restricted shares issued to Mr. Chen Min may exert certain negative influence on us and our shareholders.***

[REDACTED] of the Class A Shares will be issued to Mr. Chen Min as restricted Shares pursuant to the 2019 Share Incentive Plan before [REDACTED] and will be released from certain repurchase and transfer restrictions if the consolidated gross profit of the Company for any period of 12 months reaches RMB13.0 billion (the “**Financial Conditions**”). See “Relationship with our Controlling Shareholders — Our Controlling Shareholders.” If the Financial Conditions are satisfied, Mr. Chen Min would have the discretion to dispose these Shares. If we are unable to further motivate or retain Mr. Chen Min, our business may be severely disrupted and our prospects could suffer. The release of such restricted Shares may also cause dilution to our existing shareholders. Future sales of a substantial number of such Shares, or the perception or anticipation of such sales, could negatively impact the [REDACTED] of our Shares in Hong Kong.



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*Adverse determination towards transfer pricing arrangements may result in adverse tax consequences to us.*

In general, the PRC tax authorities have ten years to conduct examinations for transfer pricing matters. We could face material and adverse tax consequences if the PRC tax authorities determine that the transfer pricing arrangements among our subsidiaries were not made on an arm’s length basis and adjust our income and expenses for PRC tax purposes by requiring a transfer pricing adjustment. A transfer pricing adjustment could adversely affect us by (i) increasing the tax liabilities of our subsidiaries or resulting in penalties to our subsidiaries for underpaid taxes; or (ii) limiting the ability of our subsidiaries in obtaining or maintaining preferential tax treatments and other financial incentives. During the Track Record Period, we were not requested by PRC tax authorities for a transfer pricing adjustment.

*We face risks related to natural disasters, health epidemics and other outbreaks, which could significantly disrupt our operations.*

In addition to the impact of COVID-19, our business could be materially and adversely affected by natural disasters, health epidemics or other public safety concerns affecting China. Natural disasters may give rise to server interruptions, breakdowns, system failures, technology platform failures or internet failures, which could cause the loss or corruption of data or malfunctions of software or hardware as well as adversely affect our ability to operate our platform and provide services and solutions. In recent years, there have been outbreaks of epidemics in China and globally, such as H1N1 flu, avian flu or another epidemic. Our business operations could be disrupted by any of these epidemics. In addition, our results of operations could be adversely affected to the extent that any health epidemic harms the Chinese economy in general. A prolonged outbreak of any of these illnesses or other adverse public health developments in China or elsewhere in the world could have a material adverse effect on our business operations. Such outbreaks could significantly impact the automotive service industry, which could severely disrupt our operations and adversely affect our business, financial condition and results of operations. Our headquarters is located in Shanghai, where most of our management and employees currently reside. Most of our system hardware and back-up systems are hosted in facilities located in Shanghai. Consequently, if any natural disasters, health epidemics or other public safety concerns were to affect Shanghai, our operation may experience material disruptions, which may materially and adversely affect our business, financial condition and results of operations.

*Insurance coverage may not be adequate, and increased insurance costs could adversely affect our results of operations.*

We maintain certain insurance policies to safeguard us against risks and unexpected events, including property insurance for inventory, public liability insurance for accidents in business operations which cause personal injury or property damage to a third party, employer liability insurance, product quality and safety insurance and genuine products guarantee insurance. We

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provide social security insurance including pension insurance, unemployment insurance, work-related injury insurance, maternity insurance and medical insurance for our employees in compliance with applicable PRC laws. We do not maintain business interruption insurance. We consider our insurance coverage to be sufficient for our business operations in China. However, we cannot assure you that our insurance coverage is sufficient to prevent us from any loss or that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected.

***A severe or prolonged downturn in Chinese or global economy could materially and adversely affect our business and financial condition.***

COVID-19 had a severe and negative impact on the Chinese and the global economy in 2020. Even before the outbreak of COVID-19, the global macroeconomic environment was facing numerous challenges. The growth rate of the Chinese economy had already been slowing since 2010. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies which had been adopted by the central banks and financial authorities of some of the world’s leading economies, including the United States and China, even before 2021. The war in Ukraine and the imposition of broad economic sanctions on Russia could raise energy prices and disrupt global markets. Unrest, terrorist threats and the potential for war in the Middle East and elsewhere may increase market volatility across the globe. There have also been concerns about the relationship between China and other countries, including the surrounding Asian countries, which may potentially have economic effects. In particular, there is significant uncertainty about the future relationship between the United States and China with respect to trade policies, treaties, government regulations and tariffs. Economic conditions in China are sensitive to global economic conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate in China. Any severe or prolonged slowdown in the global or Chinese economy may materially and adversely affect our business, results of operations and financial condition.

***We are subject to anti-corruption, anti-bribery, sanctions and similar laws, and non-compliance with such laws can subject us to administrative, civil and criminal fines and penalties, collateral consequences, remedial measures and legal expenses.***

We are subject to anti-corruption, anti-bribery, sanctions and similar laws and regulations. We have direct or indirect interactions with officials and employees of government agencies and state-owned affiliated entities in the ordinary course of business. These interactions subject us to an increased level of compliance related concerns. We have implemented policies and procedures designed to ensure compliance by us and our Directors, officers, employees, representatives, consultants, agents and business partners with applicable anti-corruption and anti-bribery and similar laws and regulations. However, our policies and procedures may not be sufficient and our Directors, officers, employees, representatives, consultants, agents and business partners could engage in



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improper conduct for which we may be held responsible, or subject us to financial loss and sanctions or penalties imposed by governmental authorities while seriously damaging our reputation.

Non-compliance with anti-corruption or anti-bribery laws and regulations could subject us to whistle-blower complaints, adverse media coverage, investigations and severe administrative, civil and criminal sanctions, collateral consequences, remedial measures and legal expenses. If we or any of our associates fail to comply with economic sanctions or trade restrictions imposed by national or international authorities that are applicable to us or them, we may be exposed to potential legal liability and the costs associated with investigating potential misconduct, as well as potential reputational damage.

Any export controls or any economic or trade restrictions in the U.S. or elsewhere applicable to our businesses could be complex and may change frequently. The interpretation and enforcement of such laws and regulations involve uncertainties, which may be driven by political or other factors out of our control or heightened by national security concerns. Any potential restrictions imposed on us or our suppliers, as well as any associated inquiries or investigations or any other government actions, may be difficult or costly to comply with and may cause disruptions to our service offerings and business operations, result in negative publicity, require significant management time and attention and subject us to fines, penalties or orders. Any of the foregoing events may have a material and adverse effect on our business, financial condition and results of operations.

### **Risks Related to Doing Business in the Country Where We Operate**

*Changes in economic, political or social conditions or government policies in markets where we operate could affect our business and operations.*

Substantially all of our assets and operations are located in China. Accordingly, our business, financial condition, results of operations and prospects may be influenced to a large degree by economic, political and social conditions in China generally. The PRC government may exert influence over China’s economic growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy, and providing preferential treatment to particular industries or companies. In addition, the PRC government continues to play a significant role in regulating industry development by imposing relevant industrial policies.

The PRC economy has experienced significant growth over the past decades. However, economic growth may differ geographically and among various sectors, and the economy’s rate of growth has gradually slowed down in recent years. Any adverse changes in economic conditions in China, in the policies of the PRC government or in the laws and regulations in China could have a material adverse effect on the overall economic growth of China. Such developments could adversely affect our business and operating results, lead to reduction in demand for our services and adversely affect our competitive position. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may

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benefit the overall Chinese economy, but may not benefit us. For example, our financial condition and results of operations may be adversely affected by certain capital investments policies or changes in tax regulations.

*The approval and/or other requirements of PRC governmental authorities may be required in connection with the [REDACTED].*

The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors, or the M&A Rules, adopted by six PRC regulatory agencies in 2006 and amended in 2009, purport to require offshore special purpose vehicles that are controlled by PRC companies or individuals and that have been formed for the purpose of seeking a public listing on an overseas stock exchange through acquisitions of PRC domestic companies or assets to obtain CSRC approval prior to publicly listing their securities on an overseas stock exchange. The interpretation and application of the regulations may change. If CSRC approval is required, it is uncertain how long it will take for us to obtain such approval. Any failure to obtain or a delay in obtaining CSRC approval for the [REDACTED] may subject us to sanctions imposed by the CSRC and other PRC regulatory agencies, which could include fines and penalties on our operations in China, restrictions or limitations on our ability to pay dividends outside of China, and other forms of sanctions that may materially and adversely affect our business, financial condition, and results of operations.

Our PRC Legal Advisor has advised us that, based on its understanding of the current PRC laws and regulations, we will not be required to submit an application to the CSRC for the approval under the M&A Rules for the [REDACTED] or the [REDACTED] and [REDACTED] of the Shares on the Hong Kong Stock Exchange, primarily because (i) the CSRC currently has not issued any definitive rule or interpretation concerning whether [REDACTED] like ours under this [REDACTED] are subject to this regulation; and (ii) we did not acquire any equity interests or assets of a “PRC domestic company” as such terms are defined under the M&A Rules.

However, our PRC Legal Advisor has further advised us that how the M&A Rules will be interpreted or implemented in the context of an overseas offering may change, and its opinions summarised above are subject to any new laws, rules and regulations or detailed implementations and interpretations in any form relating to the M&A Rules in the future. We cannot assure you that relevant PRC governmental authorities, including the CSRC, would reach the same conclusion as our PRC Legal Advisor, and hence, we may face regulatory actions or other sanctions from them. Furthermore, relevant PRC governmental authorities promulgated the Opinions on Strictly Scrutinising Illegal Securities Activities (《關於依法從嚴打擊證券違法活動的意見》), among which, it is mentioned that the administration and supervision of overseas-listed China-based companies will be strengthened, and the supervision of overseas issuance and listing of shares by China-based companies will be strengthened, clarifying the responsibilities of domestic industry competent authorities and regulatory authorities. On February 17, 2023, the CSRC released several regulations regarding the filing requirements for overseas offerings and listings by domestic companies, including the Trial Administrative Measures of Overseas Securities Offering and Listing by

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Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “Trial Measures”) together with five supporting guidelines (together with the Trial Measures, the “New Regulations on Filing”), effective from March 31, 2023. According to the New Regulations on Filing, a filing-based regulatory system will be applied to both direct and indirect overseas offering and listing by PRC domestic companies. If a domestic company fails to complete the filing procedure or conceals any material fact or falsifies any major content in its filing documents, such domestic company may be subject to administrative penalties, such as order to rectify, warnings, fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines. See “Regulation Overview - Regulations Relating to M&A and Overseas Listings”.

According to the Notice on the Filing Management Arrangements for the Overseas Offering and Listing by Domestic Companies (《關於境內企業境外發行上市備案管理安排的通知》), if an application of indirect overseas offering and listing by a domestic company has been approved by overseas regulators or overseas stock exchanges (e.g., has passed the hearing in the Hong Kong market) by the effective date of Trial Measures and such overseas offering and listing will be completed before 30 September 2023, no immediate filing with the CSRC will be required for the domestic company with respect to such overseas offering and listing as long as no re-hearing is required. If a re-hearing for such application is required or if the domestic company fails to complete the offering and listing before 30 September 2023, the domestic company will be subject to the filing requirements under the New Regulations on Filing. However, since the New Regulations on Filing was newly promulgated, there remains uncertainties as to their interpretation, implementation and enforcement and how they will affect our operations and our future financing.

If it is determined in the future that CSRC approval or other procedural requirements are required to be met for and prior to the [REDACTED] or future [REDACTED] activities, it is uncertain whether we can or how long it will take us to obtain such approval or complete such procedures and any such approval could be rescinded if we fail to comply with applicable laws and regulations. Any failure to obtain or delay in obtaining such approval or completing such procedures, or a rescission of any such approval, could subject us to sanctions by the relevant PRC governmental authorities. The governmental authorities may impose restrictions and penalties on our operations in China, such as suspension of our apps, shutting down part of our operations, limiting our ability to pay dividends outside of China, delaying or restricting the repatriation of the [REDACTED] from the [REDACTED] or future [REDACTED] activities into China or taking other actions that could have a material adverse effect on our business, financial condition, results of operations and prospects, as well as the [REDACTED] of the Shares. The PRC governmental authorities also may take actions requiring us, or making it advisable for us, to suspend the [REDACTED] before settlement and delivery of the Shares [REDACTED] hereby. Consequently, if you engage in market trading or other activities in anticipation of and prior to settlement and delivery, you do so at the risk that settlement and delivery may not occur. In addition, if the PRC governmental authorities later promulgate new rules or explanations requiring that we obtain their approvals for filings, registrations or other kinds of authorisations for the [REDACTED], we cannot assure you that we can obtain the approval, authorisations, or complete required

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procedures or other requirements in a timely manner, or at all, or obtain a waiver of the requisite requirements if and when procedures are established to obtain such a waiver.

***Any misunderstanding or mis-perception of the interpretation and enforcement of PRC laws and regulations could adversely affect us.***

Legal systems of different geographic markets vary significantly from jurisdiction to jurisdiction. Some jurisdictions have a civil law system based on written statutes and others are based on common law. Unlike the common law system, prior court decisions under the civil law system may be cited for reference but have limited precedential value. China’s legal system operates under a civil law system. The PRC legal system is evolving, and laws, regulations, rules and related interpretations, implementations and enforcement practices may continue to change.

For instance, certain regulators may have discretion in interpreting and implementing statutory terms, and there can be no assurance that we will obtain an outcome of a judicial or administrative proceeding as we expect, which may impede our ability to enforce the contracts we have entered into and could materially and adversely affect our business and results of operations.

Furthermore, our operations may also be subject to certain government policies and internal rules. As a result, we may not always be aware of any potential violation of these policies and rules in a timely manner. Such unpredictability towards our contractual, property (including intellectual property) and procedural rights could adversely affect our business and impede our ability to continue our operations.

***We may be adversely affected by changes in PRC regulations governing automotive service and internet-related services in the PRC.***

Our business is subject to a variety of laws and regulations in the PRC governing the automotive service and internet-related services. The application and interpretation as to certain of these laws and regulations may be interpreted and administered by different governmental authorities and local bureaus. For instance, some of our Tuhu workshops were subject to the older version of the List of Classified Management for Environmental Impact Assessment of Construction Projects, and were therefore required to fill out a registration form of environmental impact. However, pursuant to the latest List of Classified Management for Environmental Impact Assessment of Construction Projects (2021 version), none of our Tuhu workshops is required to complete such filing as of the Latest Practicable Date. As advised by our PRC Legal Advisor, according to the Legislation Law of the PRC, as to laws and administrative regulations promulgated by the same administrative authority, where there is inconsistency between the new version and the old version, the new version shall prevail. Therefore, the likelihood that the Group be penalized for failure to fill out the registration form in respect of environmental impact required under the old version of the List of Classified Management for Environmental Impact Assessment of Construction Projects is remote. As of the Latest Practicable Date, we have not been subject to any material fines or other penalties due to any

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material violations of applicable PRC laws or regulations. However, if the PRC government tightens regulatory framework for the automotive service and internet service in the future, and subject industry participants such as our Company to new or specific requirements, such as licencing requirements, our business, financial condition and prospects would be materially and adversely affected.

The internet industry, including foreign ownership of, and the licencing and permit requirements pertaining to, companies operating in the internet industry need to comply with various PRC laws and regulations. Moreover, evolving laws and regulations for the internet industry in China may lead to the establishment of new regulatory agencies. For example, in May 2011, the State Council announced the establishment of the State Internet Information Office (with the involvement of the State Council Information Office, MIIT, and the Ministry of Public Security). The primary role of the State Internet Information Office is to facilitate the policy-making and legislative development in this field, to direct and coordinate with the relevant departments in connection with online content administration and to deal with cross-ministry regulatory matters in relation to the internet industry. These internet-related laws and regulations are relatively new and evolving, and their interpretation and enforcement may further develop. As a result, in certain circumstances it may be difficult to determine what actions or omissions may be deemed to be in violation of applicable laws and regulations.

The legality of exiting and future foreign investments in and the business and activities of, internet businesses, including our business is subject to changes in the interpretations and implementations of existing PRC laws, regulations and policies and possible new laws, regulations or policies relating to the internet industry. We cannot assure you that we have obtained all the permits or licences required for conducting our business in China or will be able to maintain our existing licences or obtain new ones.

***It may be difficult to effect service of process upon us or our Directors or executive officers or to enforce against them any judgements obtained from non-PRC courts.***

All of our executive Directors and executive officers reside within China, and substantially all of our assets are located within China. Relevant PRC laws and regulations are applicable to effect service of process upon us or our executive Directors and officers inside China or to enforce against us or them in China any judgements obtained from non-PRC courts. China does not have treaties providing for the reciprocal recognition and enforcement of judgements of courts of the Cayman Islands and many other countries and regions. Therefore, recognition and enforcement in China of judgements of a court in any of these non-PRC jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult.

On 14 July 2006, Hong Kong and China entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court

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Agreements Between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》), or the 2006 Arrangement, and promulgated on 3 July 2008, pursuant to which a party with a final court judgement rendered by a Hong Kong court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of the judgement in China. Similarly, a party with a final judgement rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of the judgement in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the 2006 Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgement rendered by a Hong Kong court in China if the parties in dispute have not agreed to enter into a choice of court agreement in writing. Although the 2006 Arrangement became effective on 1 August 2008, the outcome and effectiveness of any action brought under the 2006 Arrangement may still be uncertain.

On 18 January 2019, the Supreme People’s Court of the PRC and the government of the Hong Kong Special Administrative Region entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》), or the 2019 Arrangement, which seeks to establish a bilateral legal mechanism with further clarity and certainty for recognition and enforcement of judgements in a wider range of civil and commercial matters between Hong Kong and mainland China, based on criteria other than a written choice of court agreement. The 2006 Arrangement will be superseded upon the effectiveness of the 2019 Arrangement. Although the 2019 Arrangement has been signed, it remains unclear as to its effective date and uncertain as to the outcome and effectiveness of any action brought under the 2019 Arrangement.

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

Under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside of the PRC with “de facto management body” within China is considered a “resident enterprise” and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term “de facto management body” as the body that exercises full and substantial control and overall management over the business, productions, personnel, accounts and properties of an enterprise. In 2009, the SAT, issued the Circular of the State Administration of Taxation on Issues Relating to Identification of PRC-Controlled Overseas Registered Enterprises as Resident Enterprises in Accordance with the De Facto Standards of Organisational Management, or SAT Circular 82, which provides certain specific criteria for determining whether the “de facto management body” of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or



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foreigners, the criteria set forth in the circular may reflect SAT’s general position on how the “de facto management body” text should be applied in determining the tax resident status of all offshore enterprises. According to SAT Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its “de facto management body” in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in China; (ii) decisions relating to the enterprise’s financial and human resource matters are made or are subject to approval by organisations or personnel in China; (iii) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in China; and (iv) at least 50% of voting board members or senior executives habitually reside in China.

We believe none of our entities outside of China is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and the term “de facto management body” is still subject to future changes in interpretation.” If the PRC tax authorities determine that TUHU Car Inc. is a PRC resident enterprise for enterprise income tax purposes, we could be subject to PRC tax at a rate of 25% on our worldwide income, which could materially reduce our net income, and we may be required to withhold a 10% withholding tax from dividends we pay to our shareholders that are non-resident enterprises, including the holders of our Shares. In addition, non-resident enterprise shareholders may be subject to PRC tax at a rate of 10% on gains realised on the sale or other disposition of Shares, if such income is treated as sourced from within China. Furthermore, if we are deemed a PRC resident enterprise, dividends payable to our non-PRC individual shareholders and any gain realised on the transfer of Shares by such shareholders may be subject to PRC tax at a rate of 10% in the case of non-PRC enterprises or a rate of 20% in the case of non-PRC individuals unless a reduced rate is available under an applicable tax treaty. It is subject to future interpretation on whether non-PRC shareholders of TUHU Car Inc. would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your [REDACTED] in the Shares.

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

We face uncertainties regarding the reporting on and consequences of previous private equity financing transactions involving the transfer and exchange of shares in our company by non-resident investors. In February 2015, the State Administration of Taxation, or SAT, issued the Announcement on Several Issues Concerning the Enterprise Income Tax on Indirect Transfer of Assets by Non-Resident Enterprises, or the SAT Circular 7. Pursuant to the SAT Circular 7, an “indirect transfer” of PRC assets, including a transfer of equity interests in an unlisted non-PRC holding company of a PRC resident enterprise, by non-PRC resident enterprises may be re-characterised and treated as a direct transfer of the underlying PRC assets, if such arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC

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enterprise income tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a rate of 10% for the transfer of equity interests in a PRC resident enterprise. On 17 October 2017, the SAT issued the Announcement on Issues Relating to Withholding at Source of Income Tax of Non-Resident Enterprises, or the SAT Circular 37, which came into effect on 1 December 2017. The SAT Circular 37 further clarifies the practise and procedure of the withholding of nonresident enterprise income tax.

We face uncertainties on the reporting and consequences of future private equity financing transactions, share exchanges or other transactions involving the transfer of shares in our company by [REDACTED] that are non-PRC resident enterprises. The PRC tax authorities may pursue such non-resident enterprises with respect to a filing or the transferees with respect to withholding obligation, and request our PRC subsidiaries to assist in the filing. As a result, we and non-resident enterprises in such transactions may become at risk of being subject to filing obligations or being taxed under the SAT Circular 7 and the SAT Circular 37, and may be required to expend valuable resources to comply with them or to establish that we and our non-resident enterprises should not be taxed under these regulations, which may have a material adverse effect on our financial condition and results of operations.

***If we fail to maintain preferential tax treatments and government subsidies or if the calculation of our tax liability is successfully challenged, we may be required to pay tax, interest and penalties in excess of our tax provisions.***

Our PRC subsidiaries enjoy certain tax incentives pursuant to relevant law and regulations, including reduced enterprise income tax rates. For example, under the Enterprise Income Tax Law and its implementation rules, hereinafter referred to as EIT Law, the statutory enterprise income tax rate is 25%. However, the income tax of an enterprise that has been determined to be a high and new technology enterprise can be reduced to a preferential rate of 15%. One of our PRC subsidiaries was subject to a preferential income tax rate of 15%, as it was qualified as a High-New Technology Enterprises (the “HNTE”) during Track Record Period. In 2019, 2020, 2021 and 2022 and the three months ended 31 March 2023, we recognised government grants of RMB4.7 million, RMB6.6 million, RMB71.4 million, RMB111.7 million and RMB13.6 million, respectively, which were awarded by the local governments to support our operations. Any increase in the enterprise income tax rate applicable to our PRC subsidiaries in China, or any discontinuation, retroactive or future reduction or refund of any of the preferential tax treatments and local government subsidies currently enjoyed by our PRC subsidiaries in China, could adversely affect our business, financial condition and results of operations.

Further, in the ordinary course of our business, we are subject to complex income tax and other tax regulations, and significant judgement is required in the determination of a provision for income taxes. Although we believe our tax provisions are reasonable, if the PRC tax authorities successfully challenge our position and we are required to pay tax, interest and penalties in excess of our tax



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provisions, our financial condition and results of operations would be materially and adversely affected.

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

The M&A Rules and some other regulations and rules concerning mergers and acquisitions established procedures and requirements for some acquisitions of Chinese companies by foreign investors, including requirements in some instances that the Ministry of Commerce of the PRC be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. Moreover, the Anti-Monopoly Law promulgated by the Standing Committee of the NPC which became effective in 2008 requires that transactions which are deemed concentrations and involve parties with specified turnover thresholds must be cleared by the Ministry of Commerce before they can be completed. In addition, the security review rules issued by the Ministry of Commerce that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise “national defence and security” concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise “national security” concerns are subject to strict review by the Ministry of Commerce, and the rules prohibit any activities attempting to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement.

In March 2018, the SAMR was formed as a new governmental agency to take over, among other things, the anti-monopoly enforcement functions from the relevant departments under the Ministry of Commerce, the NDRC and the SAIC, respectively. Since its inception, the SAMR has continued to strengthen anti-monopoly enforcement. On 7 February 2021, the Anti-monopoly Commission of the State Council issued the Anti-monopoly Guide of the Anti-monopoly Commission of the State Council for the Platform Economy Sector, which regulates the abuse of a dominant position and other anti-competitive practises of online platforms. Stricter anti-monopoly and anti-unfair competition enforcement by the PRC regulatory authorities, especially enforcement actions focused on platform economy, may, among other things, prohibit us from future acquisitions, divestitures, or combinations we plan to make, impose fines or penalties, require divestiture of certain of our assets, or impose other restrictions on us. For more information, see “Regulatory Overview — Regulations Relating to Competition and Anti-Monopoly.”

In the future, we may pursue potential strategic acquisitions that are complementary to our business and operations. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval or clearance from the Ministry of Commerce, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

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

In February 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company, replacing earlier rules promulgated in 2007. Pursuant to these rules, PRC citizens and non-PRC citizens who reside in China for a continuous period of not less than one year and participate in any stock incentive plan of an overseas publicly listed company, subject to a few exceptions, are required to register with SAFE through a domestic qualified agent, which could be the PRC subsidiaries of such overseas-listed company, and complete certain other procedures. In addition, an overseas-entrusted institution must be retained to handle matters in connection with the exercise or sale of stock options and the purchase or sale of shares and interests. We and our executive officers and other employees who are PRC citizens or who reside in China for a continuous period of not less than one year and who have been granted options will be subject to these regulations when our company becomes an overseas-listed company upon the completion of the [REDACTED]. Failure to complete SAFE registrations may subject them to fines, and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiaries and limit our PRC subsidiaries’ ability to distribute dividends to us. In light of the above, we can not assure you that we will continuously adopt additional incentive plans for our directors, executive officers and employees under PRC law. See “Regulatory Overview — Regulations on Stock Incentive Plans.”

In addition, SAT has issued certain circulars concerning employee share options and restricted shares. Under these circulars, our employees working in China who exercise share options or are granted restricted shares will be subject to PRC individual income tax. Our PRC subsidiaries have obligations to file documents related to employee share options or restricted shares with relevant tax authorities and to withhold individual income taxes of those employees who exercise their share options. If our employees fail to pay or we fail to withhold their income taxes according to relevant laws and regulations, we may face sanctions imposed by the tax authorities or other PRC governmental authorities. See “Regulatory Overview — Regulations on Stock Incentive Plans.”

*Our PRC subsidiaries’ ability to change their registered capital or distribute profits to us is subject to PRC regulations relating to offshore investment activities by PRC residents or we and our PRC resident beneficial owners may be subject to liability and penalties due to non-compliance of relevant laws and regulations.*

In July 2014, SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents’ Offshore Investment and Financing and Roundtrip Investment Through Special Purpose Vehicles, or SAFE Circular 37, which replaced the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents Engaging in Financing and Roundtrip Investments via Overseas Special Purpose Vehicles, or SAFE Circular 75. SAFE Circular

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37 requires PRC residents (including PRC individuals and PRC corporate entities as well as foreign individuals that are deemed as PRC residents for foreign exchange administration purpose) to register with SAFE or its local branches in connection with their direct or indirect offshore investment activities. SAFE Circular 37 further requires amendment to the SAFE registrations in the event of any changes with respect to the basic information of the offshore special purpose vehicle, such as change of a PRC individual shareholder, name and operation term, or any significant changes with respect to the offshore special purpose vehicle, such as increase or decrease of capital contribution, share transfer or exchange, or mergers or divisions. SAFE Circular 37 is applicable to our shareholders who are PRC residents.

If our shareholders who are PRC residents or entities do not complete their registration with the local SAFE branches, our PRC subsidiaries may be prohibited from distributing its profits and proceeds from any reduction in capital, share transfer or liquidation to us, and we may be restricted in our ability to contribute additional capital to our PRC subsidiaries. In February 2015, SAFE promulgated a Circular on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment, or SAFE Circular 13, effective in June 2015. Under SAFE Circular 13, applications for foreign exchange registration of inbound foreign direct investments and outbound overseas direct investments, including those required under SAFE Circular 37, will be filed with qualified banks instead of SAFE. The qualified banks will directly examine the applications and accept registrations under the supervision of SAFE.

Mr. Chen Min had completed the initial registrations as required by SAFE Circular 37. However, we may not be informed of the identities of all the PRC residents holding direct or indirect interest in our company, nor can we compel our beneficial owners who are PRC individuals to comply with SAFE registration requirements. We cannot assure you that all shareholders or beneficial owners of ours who are PRC residents have complied with, and will in the future make, obtain or update any applicable registrations or approvals required by, SAFE regulations.

The failure or inability of such shareholders or beneficial owners to comply with SAFE regulations, or failure by us to amend the foreign exchange registrations of our PRC subsidiaries, could subject us to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit our PRC subsidiaries’ ability to make distributions or pay dividends to us or affect our ownership structure. As a result, our business operations and our ability to distribute profits to you could be materially and adversely affected.

***We may be materially adversely affected if our shareholders and beneficial owners who are PRC entities fail to comply with the relevant PRC overseas investment regulations.***

On 26 December 2017, the NDRC promulgated the Administrative Measures on Overseas Investments by Enterprises, or NDRC Order No. 11, which took effect as of 1 March 2018. According to NDRC Order No. 11, non-sensitive overseas investment projects are subject to record-filing requirements with the local branch of the NDRC. On 6 September 2014, the Ministry of

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Commerce promulgated the Administrative Measures on Overseas Investments, which took effect as of 6 October 2014. According to this regulation, overseas investments of PRC enterprises that involve non-sensitive countries and regions and non-sensitive industries are subject to record-filing requirements with a local the Ministry of Commerce branch. According to the Circular of the State Administration of Foreign Exchange on Issuing the Regulations on Foreign Exchange Administration of the Overseas Direct Investment of Domestic Institutions, which was promulgated by SAFE on 13 July 2009 and took effect on 1 August 2009, PRC enterprises must register for overseas direct investment with a local SAFE branch.

We may not be fully informed of the identities of all our shareholders or beneficial owners who are PRC entities, and we cannot provide any assurance that all of our shareholders and beneficial owners who are PRC entities will comply with our request to complete the overseas direct investment procedures under the aforementioned regulations or other related rules in a timely manner, or at all. If they fail to complete the filings or registrations required by the overseas direct investment regulations, the relevant authorities may order them to suspend or cease the implementation of such investment and make corrections within a specified time, which may adversely affect our business, financial condition and results of operations.

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

We are a Cayman Islands holding company and we may rely principally on dividends and other distributions on equity from our PRC subsidiaries for our cash requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders for services of any debt we may incur. If any of our PRC subsidiaries incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. Under PRC laws and regulations, our PRC subsidiaries may pay dividends only out of their respective accumulated profits as determined in accordance with PRC accounting standards and regulations. In addition, our PRC subsidiaries are required to set aside at least 10% of its accumulated after-tax profits each year, if any, to fund a certain statutory reserve fund, until the aggregate amount of such fund reaches 50% of its registered capital. Such reserve funds cannot be distributed to us as dividends.

Our PRC subsidiaries generate essentially all of their revenue in Renminbi, which is subject to certain foreign exchange regulations. As such, we may not have sufficient foreign exchange to meet our foreign exchange needs under certain exchange rates.

It is possible that more restrictions and substantial vetting process may be put forward by SAFE for cross-border transactions falling under both the current account and the capital account. Any limitation on the ability of our PRC subsidiaries to pay dividends or make other kinds of payments to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business.

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In addition, the Enterprise Income Tax Law and its implementation rules provide that a withholding tax rate of up to 10% will be applicable to dividends payable by Chinese companies to non-PRC resident enterprises unless otherwise exempted or reduced according to treaties or arrangements between the PRC central government and governments of other countries or regions where the non- PRC resident enterprises are incorporated.

***Relevant regulation of loans to and direct investment in PRC entities by offshore holding companies and regulatory requirements over foreign currency conversion may delay or prevent us from using the [REDACTED] of the [REDACTED] to make loans to our PRC subsidiaries in China, which could materially and adversely affect our liquidity and our ability to fund and expand our business.***

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

Any loans to our wholly foreign-owned subsidiaries in China, which are treated as foreign-invested enterprises under PRC law, are subject to PRC regulations and foreign exchange loan registrations. For example, loans by us to our wholly foreign-owned subsidiaries in China to finance their activities cannot exceed statutory limits and must be registered with the local counterpart of SAFE. In addition, a foreign-invested enterprise shall use its capital pursuant to the principle of authenticity and self-use within its business scope. The capital of a foreign-invested enterprise shall not be used for the following purposes: (i) directly or indirectly used for payment beyond the business scope of the enterprises or the payment prohibited by relevant laws and regulations; (ii) directly or indirectly used for investment in securities or investments other than banks' principal-secured products unless otherwise provided by relevant laws and regulations; (iii) the granting of loans to non-affiliated enterprises, except where it is expressly permitted in the business licence; and (iv) paying the expenses related to the purchase of real estate that is not for self-use (except for the foreign-invested real estate enterprises).

SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises, or SAFE Circular 19, effective on 1 June 2015, in replacement of the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises, the Notice from the State Administration of Foreign Exchange on Relevant Issues Concerning Strengthening the Administration of Foreign Exchange Businesses, and the Circular on Further Clarification and Regulation of the Issues Concerning the Administration of Certain Capital Account Foreign Exchange Businesses. According to SAFE Circular 19, the flow and use of RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company is regulated such that RMB capital may not be used for the issuance of RMB entrusted loans (unless otherwise permitted in the business licence), the repayment of inter-enterprise loans or the repayment of banks

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loans that have been transferred to a third party. Although SAFE Circular 19 allows RMB capital converted from foreign currency-denominated registered capital of a foreign-invested enterprise to be used for equity investments within China, it also reiterates the principle that RMB converted from the foreign currency-denominated capital of a foreign-invested company may not be directly or indirectly used for purposes beyond its business scope. Thus, it is unclear whether SAFE will permit such capital to be used for equity investments in China in actual practise. SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardising the Foreign Exchange Settlement Management Policy of Capital Account, or SAFE Circular 16, effective on 9 June 2016, which reiterates some of the rules set forth in SAFE Circular 19, but changes the prohibition against using RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company to issue RMB entrusted loans to a prohibition against using such capital to issue loans to non-associated enterprises. Violations of SAFE Circular 19 and SAFE Circular 16 could result in administrative penalties, and our ability to transfer any foreign currency we hold might be limited, including the net [REDACTED] from the [REDACTED], to our PRC subsidiaries, which may adversely affect our liquidity and our ability to fund and expand our business in China.

Conversion and remittance of foreign currencies are subject to certain foreign exchange regulations, we cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans to our PRC subsidiaries or future capital contributions by us to our wholly foreign-owned subsidiaries in China. As a result, uncertainties exist as to our ability to provide prompt financial support to our PRC subsidiaries when needed. If we fail to complete such registrations or obtain such approvals, our ability to use the [REDACTED] we expect to receive from the [REDACTED] and to capitalise or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

***Fluctuations in exchange rates could have a material and adverse effect on our results of operations and the value of your [REDACTED].***

The conversion of RMB into foreign currencies, including Hong Kong dollars and U.S. dollars, is based on rates set by the People’s Bank of China. It is difficult to predict how market forces or government policies may impact the exchange rate between the RMB and the Hong Kong dollars, the U.S. dollar or other currencies in the future. We cannot assure you that RMB will not appreciate or depreciate significantly in value against Hong Kong dollars and the U.S. dollar in the future.

Any significant appreciation or depreciation of RMB may materially and adversely affect our revenues, earnings and financial position, and the value of, and any dividends payable on, our Shares. For example, to the extent that we need to convert Hong Kong dollars into Renminbi for capital expenditures and working capital and other business purposes, appreciation of the Renminbi against the Hong Kong dollar would have an adverse effect on the Renminbi amount we would receive from the conversion. Conversely, a significant depreciation of the Renminbi against the



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Hong Kong dollar may significantly reduce the Hong Kong dollar equivalent of our earnings, which in turn could adversely affect the price of our Shares, and if we decide to convert Renminbi into Hong Kong dollars for the purpose of making payments for dividends on our Shares, strategic acquisitions or investments or other business purposes, appreciation of the Hong Kong dollar against the Renminbi would have a negative effect on the Hong Kong dollar amount available to us.

We recorded other comprehensive income on exchange differences on translation of foreign operations of RMB77.1 million, RMB472.6 million, RMB264.8 million and RMB259.7 million in 2019, 2020 and 2021 and the three months ended 31 March 2023, respectively and other comprehensive loss on exchange differences on translation of foreign operations of RMB1.6 billion in 2022.

Very limited hedging options are available for us to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to adequately hedge our exposure or at all. In addition, our currency exchange losses may be magnified by relevant PRC exchange regulations, and our ability to convert RMB into foreign currency may be restricted. As a result, fluctuations in exchange rates may have a material adverse effect on your [REDACTED].

***The current tension in international trade, particularly with regard to U.S. and China trade policies, may adversely impact our business, financial condition, and results of operations.***

Although cross-border business may not be an area of our focus, if we plan to expand our business internationally in the future, any unfavourable government policies on international trade, such as capital controls or tariffs, may affect the demand for our services, impact our competitive position, or prevent us from being able to conduct business in certain countries. If any new tariffs, legislation, or regulations are implemented, or if existing trade agreements are renegotiated, such changes could adversely affect our business, financial condition, and results of operations. Recently, there have been heightened tensions in international economic relations, such as the one between the United States and China, but also as a result of the war in Ukraine and sanctions on Russia. The U.S. government has recently imposed, and has recently proposed to impose additional, new, or higher tariffs on certain products imported from China to penalise China for what it characterises as unfair trade practises. China has responded by imposing, and proposing to impose additional, new, or higher tariffs on certain products imported from the United States. Following mutual retaliatory actions for months, on 15 January 2020, the United States and China entered into the Economic and Trade Agreement Between the United States of America and the People’s Republic of China as a phase one trade deal, effective on 14 February 2020.

Although the direct impact of the current international trade tension, and any escalation of such tension, on the industries in which we operate is uncertain, the negative impact on general,

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economic, political and social conditions may adversely impact our business, financial condition and results of operations.

### **Risks Related to the WVR Structure**

*The concentration of our Share ownership limits our shareholders’ ability to influence corporate matters.*

Our Company will be controlled through weighted voting rights upon completion of the [REDACTED]. Each Class B Share has 10 votes per share and each Class A Share has one vote per share except with respect to voting on resolutions with respect to a very limited number of Reserved Matters, in relation to which, each share is entitled to one vote. Immediately after the completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no Shares are issued under the Equity Incentive Schemes), Mr. Chen Min will be the WVR Beneficiary and will collectively beneficially own all of our issued and outstanding Class B Shares, and will be entitled to approximately [REDACTED] of the voting power of our outstanding share capital, for resolutions in relation to matters other than the Reserved Matters, in relation to which each Share carries one vote. Mr. Chen Min therefore has significant influence over management and affairs of our Company, and over all matters requiring shareholder approval, including the election of directors (excluding the appointment, election or removal of any independent non-executive Director) and significant corporate transactions, such as a merger or other sale of our Company or our assets, for the foreseeable future. For further details about our shareholding structure, see the section headed “Share Capital — Weighted Voting Rights Structure.”

This concentrated control limits or severely restricts our Shareholders’ ability to influence corporate matters and, as a result, we may take actions that our Shareholders do not view as beneficial. As a result, the [REDACTED] of our [REDACTED] could be adversely affected.

*Holders of our Class B Shares may exert substantial influence over us and may not act in the best interests of our independent Shareholders.*

Following the completion of the [REDACTED], the WVR Beneficiary will be in a position to exert significant influence over the affairs of our Company and will be able to influence the outcome of any shareholders’ resolutions, irrespective of how other shareholders vote. The interests of the holders of our Class B Shares may not necessarily be aligned with the interests of our Shareholders as a whole, and this concentration of voting power may also have the effect of delaying, deferring or preventing a change in control of our Company.



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### Risks Related to the [REDACTED]

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

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

*The [REDACTED] of our Shares may be volatile, which could result in substantial losses to you.*

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

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

Future sales of a substantial number of our Shares, especially by our Directors, executive officers and substantial shareholders, or the perception or anticipation of such sales, could negatively

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impact the [REDACTED] of our Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate.

The Shares held by our substantial shareholders are subject to certain lock-up periods beginning on the date on which trading in our Shares commences on the Stock Exchange. While we currently are not aware of any intention of such persons to dispose of significant amounts of their Shares after the expiry of the lock-up periods, we cannot assure you that they will not dispose of any Shares they may own now or in the future. Market sale of Shares by such shareholders and the availability of these Shares for future sale may have negative impact on the [REDACTED] of our Shares.

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

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

*If securities or industry analysts cease to publish research or reports about our business, or if they adversely change their recommendations regarding our Shares, the [REDACTED] for our Shares and trading volume could decline.*

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

*We have no experience operating as a public company.*

We have no experience conducting our operations as a public company. After we become a public company, we may face enhanced administrative and compliance requirements, which may result in substantial costs.

In addition, since we are becoming a public company, our management team will need to develop the expertise necessary to comply with the numerous regulatory and other requirements applicable to public companies, including requirements relating to corporate governance, listing standards and securities and investor relationships issues. As a public company, our management will have to evaluate our internal controls system with new thresholds of materiality, and to implement necessary changes to our internal controls system. We cannot guarantee that we will be able to do so in a timely and effective manner.

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*We have not determined a specific use for a portion of the net [REDACTED] from the [REDACTED] and we may use these [REDACTED] in ways with which you may not agree.*

We have not determined a specific use for a portion of the net [REDACTED] of the [REDACTED], and our management will have considerable discretion in deciding how to apply these [REDACTED]. You will not have the opportunity to assess whether the [REDACTED] are being used appropriately before you make your [REDACTED] decision. You must rely on the judgement of our management regarding the application of the net [REDACTED] of the [REDACTED]. We cannot assure you that the net [REDACTED] will be used in a manner that would improve our results of operations or increase the Share price, nor that these net [REDACTED] will be placed only in investments that generate income or appreciate in value.

*We currently do not expect to pay dividends in the foreseeable future after this [REDACTED] and you must rely on price appreciation of our Shares for return on your [REDACTED].*

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

Our board of directors has complete discretion as to whether to distribute dividends, subject to certain requirements of Cayman Islands law. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our directors. Under Cayman Islands law, a Cayman Islands exempted company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. Even if our board of directors decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors. Accordingly, the return on your [REDACTED] in our Shares will likely depend entirely upon any future price appreciation of our Shares. There is no guarantee that our Shares will appreciate in value after this [REDACTED] or even maintain the price at which you purchased the Shares. You may not realise a return on your [REDACTED] in our Shares and you may even lose your entire [REDACTED] in our Shares.

*There can be no assurance of the accuracy or completeness of certain facts, forecasts and other statistics contained in this document.*

This document, particularly the section headed “Industry Overview,” contains information and statistics relating to the automotive service industry. Certain information and statistics have been derived from various government publications, other third-party reports, either commissioned by us

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or publicly accessible, and other publicly available sources. We believe that the sources of the information are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. However, the information from official government sources has not been independently verified by us, the Joint Sponsors, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED] or any other party involved in the [REDACTED], and no representation is given as to its accuracy. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practise, which may result in the statistics being inaccurate or not comparable to statistics produced for other economies. Accordingly, the information from official government sources contained herein should not be unduly relied upon. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In any event, you should consider carefully the importance placed on such information or statistics.

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

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

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

***Waivers have been granted from compliance with certain requirements of the Listing Rules.***

Shareholders will not have the benefit of the Listing Rules that are so waived. These waivers could be revoked, exposing us and our Shareholders to additional legal and compliance obligations. We have applied for[, and the Hong Kong Stock Exchange and SFC has granted to us,] a number of waivers from strict compliance with the Listing Rules. See “Waivers and Exemptions.” There is no assurance that the Hong Kong Stock Exchange or SFC will not revoke any of these waivers granted

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or impose certain conditions on any of these waivers. If any of these waivers were to be revoked or to be subject to certain conditions, we may be subject to additional compliance obligations and incur additional compliance costs, all of which could materially and adversely affect us and our Shareholders.

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

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

***There will be a time gap of several business days between pricing and [REDACTED] of our Shares [REDACTED] in the [REDACTED]. Holders of our Shares are subject to the risk that [REDACTED] of our Shares could fall during the period before [REDACTED] of our Shares begins.***

The [REDACTED] of our Shares is expected to be determined on the [REDACTED]. However, our Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be five Hong Kong business days after the [REDACTED] date. As a result, [REDACTED] may not be able to sell or deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall before [REDACTED] begins as a result of unfavourable market conditions, or other adverse developments, that could occur between the time of sale and the time [REDACTED] begins.

## WAIVERS AND EXEMPTIONS

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In preparation for the [REDACTED], we have sought the following waivers from strict compliance with the Listing Rules and exemptions from the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

### WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong. This will normally mean that at least two of its executive directors must be ordinarily residents in Hong Kong. We do not have sufficient management presence in Hong Kong for the purposes of Rule 8.12 of the Listing Rules.

Our Group’s management headquarters, senior management, business operations and assets are primarily based outside Hong Kong. The Directors consider that the appointment of executive directors who will be ordinarily residents in Hong Kong would not be beneficial to, or appropriate for, our Group and therefore would not be in the best interests of our Company or the Shareholders as a whole.

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

- (a) pursuant to Rule 3.05 of the Listing Rules, we have appointed and will continue to maintain two authorised representatives who shall act at all times as the principal channel of communication with the Stock Exchange. Each of our authorised representatives will be readily contactable by the Stock Exchange by telephone and/or e-mail to deal promptly with enquiries from the Stock Exchange. Both of our authorised representatives are authorised to communicate on our behalf with the Stock Exchange. At present, our two authorised representatives are Mr. Chen Min, our co-founder, chairman of the Board, chief executive officer and executive Director, and Mr. Lee Chung Shing (“**Mr. Lee**”), our joint company secretary;
- (b) pursuant to Rule 3.20 of the Listing Rules, each Director will provide his or her contact information to the Stock Exchange and to the authorised representatives. This will ensure that the Stock Exchange and the authorised representatives have the means for contacting all Directors promptly at all times as and when required;
- (c) we will endeavour to ensure that each Director who is not an ordinary resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period; and
- (d) pursuant to Rules 3A.19 and 8A.33 of the Listing Rules, we have retained the services of Guotai Junan Capital Limited as compliance advisor, who will act as an additional channel of communication with the Stock Exchange.

## WAIVERS AND EXEMPTIONS

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### WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the company secretary must be an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

Pursuant to Note 1 to Rule 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (i) a member of The Hong Kong Institute of Chartered Secretaries;
- (ii) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and
- (iii) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing “relevant experience”, the Stock Exchange will consider the individual’s:

- (i) length of employment with the issuer and other issuers and the roles he played;
- (ii) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;
- (iii) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (iv) professional qualifications in other jurisdictions.

Our Company appointed Mr. Lee of Computershare Hong Kong Investor Services Limited and Mr. Chen Zhe, head of investor relations centre of the Company, as joint company secretaries. See the section headed “Directors and Senior Management — Joint Company Secretaries” for their biographies.

Mr. Lee is a member of the Hong Kong Institute of Certified Public Accountants, and therefore meets the qualification requirements under Note 1 to Rule 3.28 of the Listing Rules and is in compliance with Rule 8.17 of the Listing Rules.

The Company’s principal business activities are outside Hong Kong. The Company believes that it would be in the best interests of the Company and the corporate governance of the Group to have as its joint company secretary a person such as Mr. Chen Zhe, who is an employee of the



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Company and who has day-to-day knowledge of the Company’s affairs. Mr. Chen Zhe has the necessary nexus to the Board and close working relationship with management of the Company in order to perform the function of a joint company secretary and to take the necessary actions in the most effective and efficient manner.

Accordingly, we have applied for, and the Stock Exchange [has granted,] a waiver from strict compliance with Rules 3.28 and 8.17 of the Listing Rules for a three-year period from the [REDACTED] on the conditions that: (i) Mr. Lee is appointed as a joint company secretary to assist Mr. Chen Zhe in discharging his functions as a company secretary and in gaining the relevant experience under Rule 3.28 of the Listing Rules; the waiver will be revoked immediately if Mr. Lee, during the three-year period, ceases to provide assistance to Mr. Chen Zhe as the joint company secretary; and (ii) the waiver can be revoked if there are material breaches of the Listing Rules by our Company. In addition, Mr. Chen Zhe will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance his knowledge of the Listing Rules during the three-year period from the [REDACTED]. Our Company will further ensure that Mr. Chen Zhe has access to the relevant training and support that would enhance his understanding of the Listing Rules and the duties of a company secretary of an issuer listed on the Stock Exchange. Before the end of the three-year period, the qualifications and experience of Mr. Chen Zhe and the need for on-going assistance of Mr. Lee will be further evaluated by our Company. We will liaise with the Stock Exchange to enable it to assess whether Mr. Chen Zhe, having benefited from the assistance of Mr. Lee for the preceding three years, will have acquired the skills necessary to carry out the duties of a company secretary and the relevant experience within the meaning of Rule 3.28 Note 2 of the Listing Rules so that a further waiver will not be necessary.

### WAIVER IN RESPECT OF CONTINUING CONNECTED TRANSACTIONS

We [have entered into, and] expect to continue, certain transactions under the Tencent Group Framework Agreement that will constitute partially-exempt and non-exempt continuing connected transactions of our Company under the Listing Rules upon [REDACTED]. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted,] waivers from strict compliance with Chapter 14A of the Listing Rules. See the section headed “Connected Transactions” for further details.

### WAIVER AND EXEMPTION IN RESPECT OF THE 2019 SHARE INCENTIVE PLAN

Under Rule 17.02(1)(b) of the Listing Rules, our Company is required to disclose in this [REDACTED] full details of all outstanding options and their potential dilution effect on the shareholdings upon [REDACTED] as well as the impact on the earnings per Share arising from the exercise of such outstanding options.

Under paragraph 27 of Appendix 1A to the Listing Rules, our Company is required to disclose in this [REDACTED] particulars of any capital of any member of the Group which is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which

## WAIVERS AND EXEMPTIONS

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the option was or will be granted and the price and duration of the option, and the name and address of the grantees, or an appropriate negative statement.

Under paragraph 10 of Part I of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance, our Company is required to disclose in this [REDACTED] the number, description and amount of any Shares which any person has, or is entitled to be given, an option to subscribe for, together with certain particulars of the option, namely the period during which it is exercisable, the price to be paid for the Shares subscribed for under it, the consideration (if any) given or to be given for it and the names and addresses of the persons to whom it was given.

As of the Latest Practicable Date, our Company had granted outstanding options under the 2019 Share Incentive Plan to [919] grantees to subscribe for an aggregate of [43,246,892] Class A Shares (“**2019 Plan Options**”), representing approximately [REDACTED] of the total number of Shares in issue immediately after completion of the [REDACTED] (assuming neither the [REDACTED] nor any outstanding 2019 Plan Options are exercised), on the terms set out in the section headed “Statutory and General Information — D. Equity Incentive Schemes” in this [REDACTED]. Our Company will not grant further options under the 2019 Share Incentive Plan after the [REDACTED]. The grantees of the outstanding 2019 Plan Options include current employees, former employees and external consultants of our Group. As of the date of this [REDACTED], [7] grantees of 2019 Plan Options were Directors, senior management or connected persons of our Company.

Our Company has applied (i) to the Stock Exchange a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules; and (ii) to the SFC a certificate of exemption from strict compliance with the disclosure requirements under paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the ground that strict compliance with the above requirements would be unduly burdensome for our Company and the exemption and waiver would not prejudice the interest of the [REDACTED] for the following reasons:

- (a) given that [919] grantees are involved, strict compliance with such disclosure requirements would be costly and unduly burdensome for our Company in light of a significant increase in cost and timing for information compilation, [REDACTED] preparation and seeking consent from each grantee to disclose his/her personal information (including residential address) in this [REDACTED];
- (b) the disclosure of key information of the 2019 Share Incentive Plan and the outstanding 2019 Plan Options in this [REDACTED], has provided potential [REDACTED] with sufficient information to make an informed assessment of the potential dilution effect and impact on earnings per Share of the outstanding 2019 Plan Options in their [REDACTED] decision making process; and
- (c) the lack of full compliance with the above disclosure requirements would not prevent potential [REDACTED] from making an informed assessment of the activities, assets,

## WAIVERS AND EXEMPTIONS

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liabilities, financial position, management and prospects of the Group and will not prejudice the interest of potential **[REDACTED]**.

The Stock Exchange [has granted us] a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules subject to the following conditions:

- (a) the grant of a certificate of exemption from strict compliance with the disclosure requirements under paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
- (b) on an individual basis, full details of all the outstanding 2019 Plan Options granted by the Company under the 2019 Share Incentive Plan to each of the Directors, senior management, connected persons of the Company (if any), including all the particulars required under Rule 17.02(1)(b) of the Listing Rules, paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, be disclosed in the **[REDACTED]**;
- (c) disclosure in this **[REDACTED]** of a summary of the principal terms of the 2019 Share Incentive Plan;
- (d) disclosure in this **[REDACTED]** of the aggregate number of Class A Shares underlying the outstanding 2019 Plan Options and the percentage of the Company's total issued share capital represented by such number of Class A Shares as of the Latest Practicable Date;
- (e) in respect of the outstanding 2019 Plan Options granted by our Company to the remaining grantees other than those referred to in sub-paragraph (b) above, disclosure will be made on aggregate basis, categorised into lots based on the number of Shares underlying the outstanding 2019 Plan Options granted to each individual grantee, being (1) 1 to 49,999 Class A Shares, (2) 50,000 to 99,999 Class A Shares, (3) 100,000 to 149,999 Class A Shares, (4) 150,000 or more Class A Shares. For each lot, the following disclosure will be made on an aggregated basis: (1) the aggregate number of grantees and number of Shares underlying the outstanding 2019 Plan Options as of the Latest Practicable Date, (2) the exercise period and the exercise price of the outstanding 2019 Plan Options and (3) the approximate percentage of the total number of Shares in issue immediately after completion of the **[REDACTED]** (assuming neither the **[REDACTED]** nor any outstanding 2019 Plan Options are exercised);
- (f) disclosure in this **[REDACTED]** of the dilution effect and impact on earnings per Share upon full exercise of the outstanding 2019 Plan Options;
- (g) the following details of the outstanding 2019 Plan Options be disclosed in this **[REDACTED]**:
  - (i) the aggregate number of the grantees, (ii) the number of Shares underlying the

## WAIVERS AND EXEMPTIONS

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outstanding 2019 Plan Options, (iii) the consideration paid for the grant of the outstanding 2019 Plan Options, and (iv) the exercise period and exercise price of the outstanding 2019 Plan Options;

- (h) a full list of all the grantees with outstanding 2019 Plan Options containing all the particulars as required under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules be made available for public inspection in accordance with “Documents Delivered to the Registrar of Companies and Available on Display — Document Available for Inspection” in Appendix V to this [REDACTED]; and
- (i) the particulars of the waiver and exemption be disclosed in this [REDACTED].

The SFC [has granted us] a certificate of exemption from strict compliance with the disclosure requirements under paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance subject to the following conditions:

- (a) full details of the 2019 Plan Options granted by our Company to each of the Directors, senior management, connected persons of our Company and other grantees who has been granted Options to subscribe for 300,000 Class A Shares of the Company or more are disclosed in the [REDACTED], such details to include all the particulars required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
- (b) the following details of the 2019 Plan Options granted under the 2019 Share Incentive Plan be disclosed in the [REDACTED]: (i) the aggregate number of the grantees, (ii) the number of Class A Shares underlying 2019 Plan Options, (iii) the consideration paid for the grant of the 2019 Plan Options, and (iv) the exercise period and exercise price of the 2019 Plan Options;
- (c) in respect of the 2019 Plan Options granted by the Company to the remaining grantees other than those referred to in sub-paragraph (a) above, disclosure will be made on aggregate basis, categorised into lots based on the number of Class A Shares underlying the options granted under the 2019 Share Incentive Plan granted to each individual grantee, being (1) 1 to 49,999 Class A Shares, (2) 50,000 to 99,999 Class A Shares, (3) 100,000 to 149,999 Class A Shares, (4) 150,000 or more Class A Shares. For each lot, the following disclosure will be made on an aggregated basis: (1) the aggregate number of grantees and number of Class A Shares underlying the 2019 Plan Options as of the Latest Practicable Date, (2) the exercise period and the exercise price of the 2019 Plan Options and (3) the approximate percentage of the total number of Class A Shares in issue immediately after completion of the [REDACTED] (assuming neither the [REDACTED] nor any outstanding 2019 Plan Options are exercised);
- (d) a full list of all the grantees (including the persons referred to sub-paragraph (a) above) who have been granted Options to subscribe for Class A Shares under the 2019 Share

## WAIVERS AND EXEMPTIONS

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Incentive Plan, containing all the details as required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance be made available for public inspection in accordance with “Documents Delivered to the Registrar of Companies and Available on Display — Document Available for Inspection” in Appendix V to this [REDACTED]; and

- (e) the particulars of the exemption be disclosed in this [REDACTED], and this [REDACTED] will be issued on or before [REDACTED].

### WAIVER IN RELATION TO THE DISCLOSURE REQUIREMENTS WITH RESPECT TO CHANGES IN SHARE CAPITAL

We have applied for, and the Stock Exchange [has granted,] a waiver from strict compliance with the requirements of paragraph 26 of Part A of Appendix 1 to the Listing Rules in respect of disclosing the particulars of any alterations in the capital of any member of our Group within two years immediately preceding the issue of this document.

We have identified six entities that we consider are the major subsidiaries primarily responsible for the track record results of our Group (the “**Principal Entities**”, and each a “**Principal Entity**”). For further details, see the section headed “History, Reorganisation, and Corporate Structure — Corporate Development of Our Group — Our Major Subsidiaries”. Our Group has a total of 255 subsidiaries as of the date of this document. It would be unduly burdensome to disclose particulars of any alternations in the share capital of all our subsidiaries, which would not be material or meaningful to [REDACTED]. By way of illustration, for each of the four years ended 31 December 2019, 2020, 2021 and 2022, and the three months ended 31 March 2023, respectively, the aggregate revenue of the Principal Entities represented approximately 96.77%, 96.82%, 96.52%, 95.33% and 96.27% of our Group’s total revenues, for each of the four years ended 31 December 2019, 2020, 2021 and 2022 the aggregate net loss of the Principal Entities represented approximately 103.63%, 15.65%, 21.31%, and 23.00% of our Group’s total net loss, and the aggregate assets of the Principal Entities represented approximately 55.74%, 61.16%, 48.72%, 56.68% and 56.32% of our Group’s total asset as at 31 December 2019, 2020, 2021 and 2022, and 31 March 2023, respectively. In addition, for the three months ended 31 March 2023, the Principal Entities, in aggregate, recorded net profit while the Group recorded net loss, and the aggregate gross profit of the Principal Entities represented approximately 95.40% of our Group’s total gross profit for the same period. The reason for the aggregate net loss of the Principal Entities represented low ratios to our Group’s total net loss over the four years ended 31 December 2022 is that the fair value changes of convertible redeemable preferred shares were recorded at our Company after the completion of the Reorganisation, but not at the Principal Entities. Further, the reason for the aggregate assets of the Principal Entities represented moderately lower ratios to our Group’s total asset over the Track Record Period is that certain cash and bank balances and financial assets at fair value through profit or loss are kept at the offshore level of our Group. The funds in connection with the Pre-[REDACTED] Investments after the completion of the Reorganisation were received by our Company and such funds will be transferred to the Principal Entities or other subsidiaries within our Group at the onshore level when needs arise.

## WAIVERS AND EXEMPTIONS

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Accordingly, the remaining subsidiaries in our Group are not significant to the overall operations and financial results of our Group. Additionally, our non-Principal Entities do not hold any major or material assets (save for passive financial products and equity investments of our Group), intellectual property rights or other major proprietary technologies or major research and development functions of our Group.

Particulars of the changes in the share capital of our Company and the Principal Entities have been disclosed in the section headed “Statutory and General Information — A. Further Information about Our Group — 2. Changes in the share capital of our Company” and “Statutory and General Information — A. Further Information about our Group — 3. Changes in the share capital of our major subsidiaries” in Appendix IV to this document.

### **WAIVER IN RESPECT OF INVESTMENTS AND ACQUISITIONS AFTER THE TRACK RECORD PERIOD**

Pursuant to Rules 4.04(2) and 4.04(4)(a) of the Listing Rules, the accountants’ report to be included in a listing document must include the income statements and balance sheets of any subsidiary or business acquired, agreed to be acquired or proposed to be acquired since the date to which an issuer’s latest audited accounts have been made up in respect of each of the three financial years immediately preceding the issue of the listing document.

Pursuant to Rule 4.02A of the Listing Rules, acquisitions of business include acquisitions of associates and any equity interest in another company. Pursuant to Note 4 to Rule 4.04 of the Listing Rules, the Stock Exchange may consider granting a waiver of the requirements under Rules 4.04(2) and 4.04(4) on a case-by-case basis, and having regard to all relevant facts and circumstances and subject to certain conditions set out thereunder.



## WAIVERS AND EXEMPTIONS

### Investments since 31 March 2023

#### Background

Since 31 March 2023 (being the date to which our latest audited accounts in the final [REDACTED] have been made up as at the date of the final [REDACTED]) and up to the Latest Practicable Date, our Group proposes to make a number of investments (the “Investments”), details of which are set out below.

<u>Target company</u>	<u>Approximate investment amount</u>	<u>Expected date of completion of the investment</u>	<u>Percentage of shareholding / equity interest<sup>(1)</sup></u>	<u>Principal business activities</u>
Company A <sup>(2)</sup> . . . . .	RMB26 million	September 2023	83%	Operate regional aftermarket chain stores
Company B <sup>(3)</sup> . . . . .	RMB0.4 million	Completed	20%	Operate regional aftermarket chain stores
Company C <sup>(3)</sup> . . . . .	RMB2.9 million	June 2024	20%	Operate regional aftermarket chain stores

#### Notes:

- (1) The percentage of shareholding/equity interest represents our Company’s total pro forma shareholding in each of the target companies after the completion of Investments.
- (2) Company A is a company established in the PRC in 2014 which principally engages in the operation of regional aftermarket chain stores, such as in Southern China region in the PRC. Company A currently runs approximately 50 self-operated and franchised stores, and it has strong offline store operation experience. After the completion of the proposed investment, our Company will own 83% of equity interest in Company A. We became acquainted with Company A through our market knowledge in the automobile aftermarket industry. Our Directors believe that the investment in Company A will further grow our store network in tier 2 and below cities and expand the scale of our integrated platform. The sellers in respect of Company A are individuals, investment firms and corporate entities.
- (3) Company B and Company C are companies established in the PRC in September 2022, which principally engage in the operation of regional aftermarket chain stores. Company B and Company C are building their store network in Northern China region in the PRC, and our Directors believe that by investing in Company B and Company C, our Group will build a store network with a higher density of stores covering a wider range of cities as they will become our franchised stores. We became acquainted with Company B and Company C through our market knowledge in the automobile aftermarket industry. The fellow shareholders of Company B and Company C are corporate entities, and there is no seller in the Investment since the Company subscribes for the equity interest of Company B and Company C through equity increase.

The consideration for the Investments are the result of commercial arm’s length negotiations, based on factors including market dynamics, mutually agreed valuation, and/or capital required for the target companies’ operations. To the best of the knowledge, information and belief of the Directors, all of the target companies set out above and their ultimate beneficial owners are third parties independent from our Group and our connected persons. The consideration has been or will be paid by instalments. Our Group intends to use internal resources to satisfy the consideration for



## WAIVERS AND EXEMPTIONS

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the Investments. As of the Latest Practicable Date, we have signed a sale and purchase agreement with the shareholders of Company A, and have signed equity increase agreement with Company C, respectively.

According to the unaudited management accounts of Company A, as at and for the two years ended 31 December 2021 and 2022, (i) its revenue was approximately RMB72,998,000 and RMB61,336,000, respectively; (ii) its net loss was approximately RMB2,846,000 and RMB7,942,000, respectively; and (iii) its net asset was approximately RMB36,703,000 and RMB28,704,000, respectively.

Since both Company B and Company C were established in September 2022, neither of their management account for the year ended 31 December 2022 is available as of the Latest Practicable Date.

Our Company has applied to the Stock Exchange for, [and the Stock Exchange has granted,] a waiver from strict compliance with Rules 4.04(2) and 4.04(4)(a) of the Listing Rules in respect of the Investments on the following grounds:

### *Ordinary and usual course Investment since 31 March 2023*

During the Track Record Period, we have made equity investments in sectors relating to our business in our ordinary and usual course of business to further our strategic objectives. Since 31 March 2023 and up to the Latest Practicable Date, we have made and intend to make equity investment in companies that engage in sectors relating to our business. Our Directors confirm that the investment amount for such Investments is the result of commercial arm’s length negotiations, based on factors including market dynamics, mutually agreed valuation, and/or capital need of the relevant target companies’ operations.

### *The percentage ratio of the Investments is less than 5% by reference to the most recent fiscal year of our Company’s Track Record Period*

Based on the financial information of the target companies available to us, each of the assets ratio, revenue ratio and profits ratio (if applicable) pursuant to Rule 14.07 of the Listing Rules in relation to the Investments is, individually or in aggregate, below 5%.

Accordingly, our Company considers that the Investments, individually and in aggregate, are immaterial and does not expect them to have any material effect on the business, financial condition or operations of our Group. As such, an exemption from compliance with the requirements under Rules 4.04(2) and 4.04(4) of the Listing Rules would not prejudice the interests of the investing public.

## WAIVERS AND EXEMPTIONS

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*Historical financial information is not available and it will be unduly burdensome to prepare audited financial information*

In respect of target companies set out above, as the proposed investments have yet to be consummated, it is not reasonably practicable to complete the audit work before the Latest Practicable Date. None of the target companies in respect of the Investments has available financial statement which is readily available for disclosure in this document or for our Company's reporting accountants to conduct audit before the issue of this document in accordance with the Listing Rules. Given the immateriality of the target companies (individually and in aggregate) to the business, financial condition or operations of our Group, it would also be unduly burdensome and would require considerable time and resources for our Company and our reporting accountants to prepare the necessary information and supporting documents for the purpose of audit and disclosure of their audited financial information in this document as required under Rules 4.04(2) and 4.04(4)(a) of the Listing Rules.

*We are not able to exercise any control over certain underlying company or business*

Our Company only holds a minority equity interest in Company B and Company C set out above, has minority shareholder rights which are proportionate to its shareholding interests in Company B and Company C, does not control the board of directors of Company B and Company C and therefore, is not able to exercise any control, nor have any significant influence, over Company B or Company C. Given that our Group is not able to exercise any control, or have any significant influence, over Company B or Company C, our Company is not able to compel or it is not reasonably practicable to request Company B or Company C to cooperate with the audit work in order for our Company to comply with the relevant requirements under Rules 4.04(2) and 4.04(4)(a) of the Listing Rules.

*Alternative disclosure of the Investments in this document*

We have provided in this section alternative information in connection with the Investments. Such information includes, where applicable, those which would be required for a disclosable transaction under Chapter 14 of the Listing Rules including, for example, reasons for the Investments and a confirmation that the counterparties and the ultimate beneficial owners of the counterparties are Independent Third Parties of our Company and our connected persons, the basis for determining the considerations of the Investments, how the consideration of the Investments will be satisfied by our Group, and the reasons for and the benefits of the Investments. For the avoidance of doubt, the names of the target companies that are the subject of the Investments and the respective sellers are not disclosed in the waiver application or this document because (i) we have entered into a confidentiality undertaking in connection with the investment in Company A, (ii) we do not have consent from the target companies or the respective sellers for such disclosure, (iii) given the competitive nature of the industry in which we operate, it is commercially sensitive for our Company to disclose the identity of such companies that we acquire an interest as such disclosure may allow our competitors to anticipate our plans of business growth and (iv) the disclosure of the identities of

## WAIVERS AND EXEMPTIONS

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the target companies (to the extent applicable) may jeopardize the Company’s ability to consummate the Investments. Our Directors believe that the non-disclosure of these information will not impact [REDACTED] to form and make decisions.

Our Company will not use any [REDACTED] from the [REDACTED] to fund such Investments.

**THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT**

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**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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**[REDACTED]**

**THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT**

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**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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**[REDACTED]**

**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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[REDACTED]

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**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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**[REDACTED]**



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**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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**[REDACTED]**

## DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

### DIRECTORS

<u>Name</u>	<u>Address</u>	<u>I.D. issuing countries / territories</u>
<b><u>Executive Directors</u></b>		
Mr. Chen Min (陳敏)	Room 502, No. 7, Lane 540 Wuding Road, Jing’an District Shanghai, PRC	PRC
Mr. Hu Xiaodong (胡曉東)	Room 1107, No. 4, Lane 93 Haichao Road Shanghai, PRC	PRC
<b><u>Non-executive Director</u></b>		
Mr. Yao Leiwen (姚磊文)	FIYTA High-tech Building Gaoxin Avenue One South Nanshan District, Shenzhen Guangdong, PRC	PRC
<b><u>Independent non-executive Directors</u></b>		
Ms. Yan Huiping (顏惠萍)	No. 1685 Huazhi Road, Qingpu District Shanghai, PRC	United States
Mr. Feng Wei (奉璋)	No. 900 Yan’an West Road Changning District Shanghai, PRC	PRC
Mr. Wang Jingbo (王靜波)	Hampton Place Tai Kok Tsui Kowloon, Hong Kong	Hong Kong

See the section headed “Directors and Senior Management” for further details.

### PARTIES INVOLVED IN THE [REDACTED]

#### Joint Sponsors

**Goldman Sachs (Asia) L.L.C.**  
68/F, Cheung Kong Centre,  
2 Queen’s Road Central, Hong Kong

**China International Capital Corporation Hong Kong Securities Limited**  
29/F, One International Finance Centre,  
1 Harbour View Street, Central, Hong Kong

**DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]**

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**Merrill Lynch (Asia Pacific) Limited**

55/F, Cheung Kong Centre,  
2 Queen’s Road Central, Central, Hong Kong

**UBS Securities Hong Kong Limited**

52/F, Two International Finance Centre,  
8 Finance Street, Hong Kong

[REDACTED]

**DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]**

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[REDACTED]

**Legal advisors to our Company**

*As to Hong Kong and U.S. laws*

**Skadden, Arps, Slate, Meagher & Flom and affiliates**

42/F, Edinburgh Tower, The Landmark

15 Queen’s Road Central, Central, Hong Kong

*As to PRC law*

**CM Law Firm**

Room 2805, Plaza 66 Tower 2,

1366 West Nanjing Rd, Shanghai, China

*As to Cayman Islands law*

**Maples and Calder (Hong Kong) LLP**

26/F, Central Plaza,

18 Harbour Road, Wan Chai, Hong Kong

**Legal advisors to the Joint**

**Sponsors and the [REDACTED]**

*As to Hong Kong and U.S. laws*

**Kirkland & Ellis**

26th Floor, Gloucester Tower, The Landmark

15 Queen’s Road Central, Hong Kong

*As to PRC law*

**Jingtian & Gongcheng**

34/F, Tower 3, China Central Place

77 Jianguo Road, Beijing, China

**DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]**

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**Reporting accountants and  
independent auditor**

**Ernst & Young**  
*Certified Public Accountants*  
*Registered Public Interest Entity Auditor*  
27/F, One Taikoo Place  
979 King’s Road  
Quarry Bay  
Hong Kong

**Industry consultant**

**China Insights Industry Consultancy Limited**  
10/F Block B, Jingan International Centre,  
88 Puji Road, Jingan District, Shanghai, China

[REDACTED]

## CORPORATE INFORMATION

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<b>Headquarters</b>	9/F, Building 1, 166 Minhong Road, Minhang District, Shanghai, PRC
<b>Principal place of business in Hong Kong</b>	46/F, Hopewell Center 183 Queen’s Road East Wan Chai Hong Kong
<b>Registered office in the Cayman Islands</b>	PO Box 309, Ugland House Grand Cayman KY1-1104 Cayman Islands
<b>Company website</b>	www.tuhu.cn <i>(the information contained on this website does not form part of this document)</i>
<b>Joint company secretaries</b>	Mr. Chen Zhe 9/F, Building 1, 166 Minhong Road, Minhang District, Shanghai, PRC  Mr. Lee Chung Shing <i>(CPA of HKICPA, FCCA of ACCA)</i> 46/F, Hopewell Centre, 183 Queen’s Road East Wan Chai, Hong Kong
<b>Authorised representatives</b>	Mr. Chen Min 9/F, Building 1, 166 Minhong Road, Minhang District, Shanghai, PRC  Mr. Lee Chung Shing <i>(CPA of HKICPA, FCCA of ACCA)</i> 46/F, Hopewell Centre, 183 Queen’s Road East Wan Chai, Hong Kong
<b>Audit committee</b>	Ms. Yan Huiping <i>(Chairperson)</i> Mr. Feng Wei Mr. Wang Jingbo
<b>Remuneration committee</b>	Ms. Yan Huiping <i>(Chairperson)</i> Mr. Wang Jingbo Mr. Chen Min

## CORPORATE INFORMATION

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<b>Nomination committee</b>	Mr. Wang Jingbo ( <i>Chairperson</i> ) Mr. Feng Wei Mr. Hu Xiaodong
<b>Corporate governance committee</b>	Mr. Feng Wei ( <i>Chairperson</i> ) Ms. Yan Huiping Mr. Wang Jingbo
<b>Principal share registrar and transfer office</b>	<b>Maples Fund Services (Cayman) Limited</b> PO Box 1093, Boundary Hall Cricket Square, Grand Cayman KY1-1102 Cayman Islands  [REDACTED]
<b>Compliance Advisor</b>	<b>Guotai Junan Capital Limited</b> 27/F, Low Block Grand Millennium Plaza 181 Queen’s Road Central Hong Kong
<b>Principal banks</b>	<b>China CITIC Bank</b> 1088 Gubei Road, Changning District Shanghai PRC  <b>China Merchants Bank</b> 1088 Lujiazui Ring Road, Pudong New District Shanghai PRC



## INDUSTRY OVERVIEW

The information and statistics set out in this section and other sections of this [REDACTED] were extracted from the report prepared by CIC, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged CIC to prepare the CIC Report, an independent industry report, in connection with the [REDACTED]. The information from official government sources has not been independently verified by us, or any of our directors and advisors, or any other persons or parties involved in the [REDACTED], and no representation is given as to its accuracy. For discussions of risks relating to our industries, see “Risk Factors — Risks Related to Our Business and Industry.”

### SOURCES OF INFORMATION

We commissioned CIC, an independent market research and consulting company that provides industry consulting services, commercial due diligence, and strategic consulting to conduct a detailed research on and analysis of the automotive service market in China. We have agreed to pay a fee of RMB1,450,000 to CIC in connection with the preparation of the CIC Report. We have extracted certain information from the CIC Report in this section, as well as in “Summary,” “Risk Factors,” “Business,” “Financial Information,” and elsewhere in this document to provide our potential [REDACTED] with a more comprehensive presentation of the industries where we operate.

During the preparation of the CIC Report, CIC performed both primary and secondary research, and obtained knowledge, statistics, information, and industry insights on the industry trends of the automotive service market in China. Primary research was conducted via interviews with key industry experts and leading industry participants. Secondary research involved analysing data from various publicly available data sources, such as the PRC National Bureau of Statistics and various industry associations. The information and data collected by CIC has been analysed, assessed, and validated using CIC’s in-house analysis models and techniques.

The CIC Report was compiled based on the following assumptions: (i) the overall social, economic, and political environment in China is expected to remain stable during the forecast period, (ii) related key industry drivers are likely to continue driving growth in automotive service market during the forecast period, including the continually climbing car parc, gradually ageing vehicles, and the changing consumer behaviour, and (iii) there will be no extreme force majeure or unforeseen industry regulations in which the market may be affected in either a dramatic or fundamental way during the forecast period.

### OVERVIEW OF CHINA’S PASSENGER VEHICLE INDUSTRY

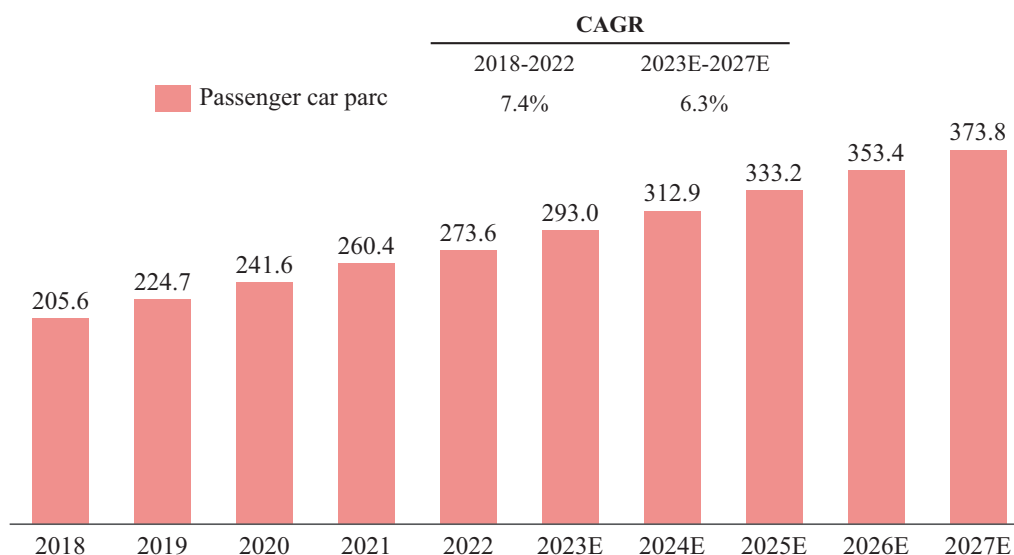
China has become the largest automotive market in the world in terms of car ownership, with passenger car parc reaching 273.6 million as of 31 December 2022. However, passenger car parc was only recorded as 194 per thousand capita, lower than that of developed countries such as the United States (769 per thousand capita) and EU member countries (563 per thousand capita), indicating substantial growth upsides. According to the CIC Report, China has achieved the highest new

## INDUSTRY OVERVIEW

vehicle sales globally for over 10 consecutive years. China’s passenger car parc is expected to continue to increase, and further to reach 373.8 million by 2027.

### Passenger car parc, China, 2018-2027E

Million Units



Source: CIC Report

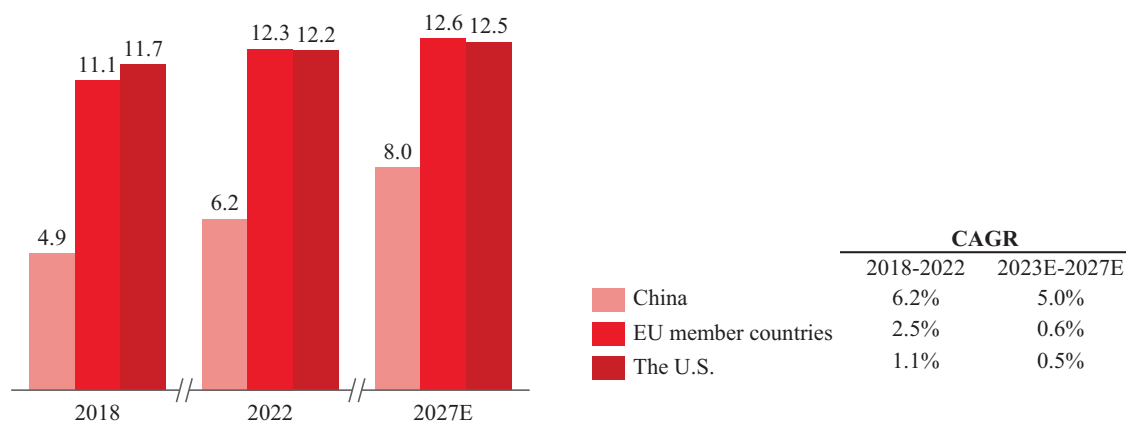
With the steady growth of the total parc of passenger vehicles in China, the composition of passenger cars by vehicle age has been gradually changing. Aged vehicles generally require relatively more automotive services, especially repair and maintenance services, compared to new vehicles. The average vehicle age in China has increased from 4.9 years in 2018 to 6.2 years in 2022, and is expected to reach 8.0 years by 2027, compared to 12.5 years in the United States and 12.6 years in EU member countries in the same year, indicating further room for the growth of vehicle age in China. The growing parc of passenger vehicles and average vehicle age in China indicates a rising demand for automotive services.

Currently, according to the Provisions on the Standards for Compulsory Retirement of Motor Vehicles (《機動車強制報廢標準規定》), there is no compulsory retirement age for private passenger vehicles including ICEVs. Private passenger vehicle aged over 15 years but within 600 thousand kilometres in total mileage, is allowed to operate on the road as long as it is in good condition and is qualified through annual vehicle inspection. Moreover, the issue of Notice on Several Measures to Realise Automobile Circulation and Expand Automobile Consumption (《關於搞活汽車流通擴大汽車消費若干措施的通知》) in July 2022, demonstrates the government’s efforts in boosting the vitality of used car market, which further supports the proper circulation and use of aged cars.

## INDUSTRY OVERVIEW

### Average vehicle age of passenger car, China/the U.S./EU member countries, 2018-2027E

Years



Source: CIC Report

Car ownership in China is fast growing especially in tier-2 and below cities and counties, with total car parc growing at 7.4% CAGR from 2018 to 2022. Nonetheless, tier-2 and below cities and counties still has the lowest car ownership penetration of 179 per 1,000 people as of 31 December 2022, compared with 217 and 279 per 1,000 people respectively in tier-1 and new tier-1 cities. Further, the majority of passenger cars in China is located in tier-2 and below cities and counties. With 273.6 million total car parc as of 31 December 2022, tier-2 and below cities and counties accounted for 75.5% of total passenger cars in China, representing huge market potential for automotive service market.

	Car parc <sup>(1)</sup> (mm)	Car parc per 1,000 persons <sup>(1)</sup>	Car parc 2018-22 CAGR
<b>Tier-1 cities</b> .....	16.5	217	6.0%
<b>New Tier-1 cities</b> .....	50.6	279	9.8%
<b>Tier-2 and below cities and countries</b> .....	206.5	179	7.0%
<b>Total</b> .....	<b>273.6</b>	<b>194</b>	<b>7.4%</b>

Note:

(1) As of 31 December 2022.

Source: CIC Report

## OVERVIEW OF CHINA’S AUTOMOTIVE SERVICE INDUSTRY

### Definition and Categorisation of Automotive Service

Automotive service is a pivotal part of consumer’s demand throughout a vehicle’s lifecycle, which includes auto repair and maintenance, car wash and detailing, and installation-required accessories. The automotive service market in China includes services provided to all passenger

## INDUSTRY OVERVIEW

vehicles in operation, and the total market demand of automotive services is directly related to factors such as total passenger car parc and average vehicle age. The diagram below illustrates the definition and categorisation of automotive service industry in China:

### Categorisation of Automotive Service in China

<b><i>Auto repair and maintenance service</i></b>	<p>Refers to the process of using technical methods to restore the normal function of vehicles or to prolong the useful life of vehicles through preventive maintenance:</p> <ul style="list-style-type: none"> <li>• Regular maintenance, including air and fuel filters replacement, motor oil and coolant replacement and headlights replacement.</li> <li>• Major maintenance, including spark plug and coil replacement, timing belt and accessory belt maintenance, and transmission repair.</li> <li>• Maintenance for tire and chassis parts such as brake pad and shock absorbers and wheel alignment.</li> <li>• Dent repair and painting services.</li> </ul>
<b><i>Car wash and detailing service</i></b>	<p>Refers to systematically performing operations to keep the interior and exterior body of the vehicle in better conditions, mainly cosmetic with no mechanical effect, primarily including:</p> <ul style="list-style-type: none"> <li>• Exterior cleaning and detailing services, including car wash, waxing and polishing.</li> <li>• Interior cleaning and detailing services, including undercarriage wash and interior waxing and air conditioning unit cleansing.</li> <li>• Exterior modification services, including paint protection films and spray paint, as well as performance trim.</li> </ul>
<b><i>Installation-required accessories</i></b>	<p>Refer to auto interior accessories that require installation service, which include, amongst others, windshield wiper replacement, car ornaments and in-vehicle electronic products such as car DVR (Digital Video Recorder), GPS navigator and speaker system.</p>

*Source: CIC Report*

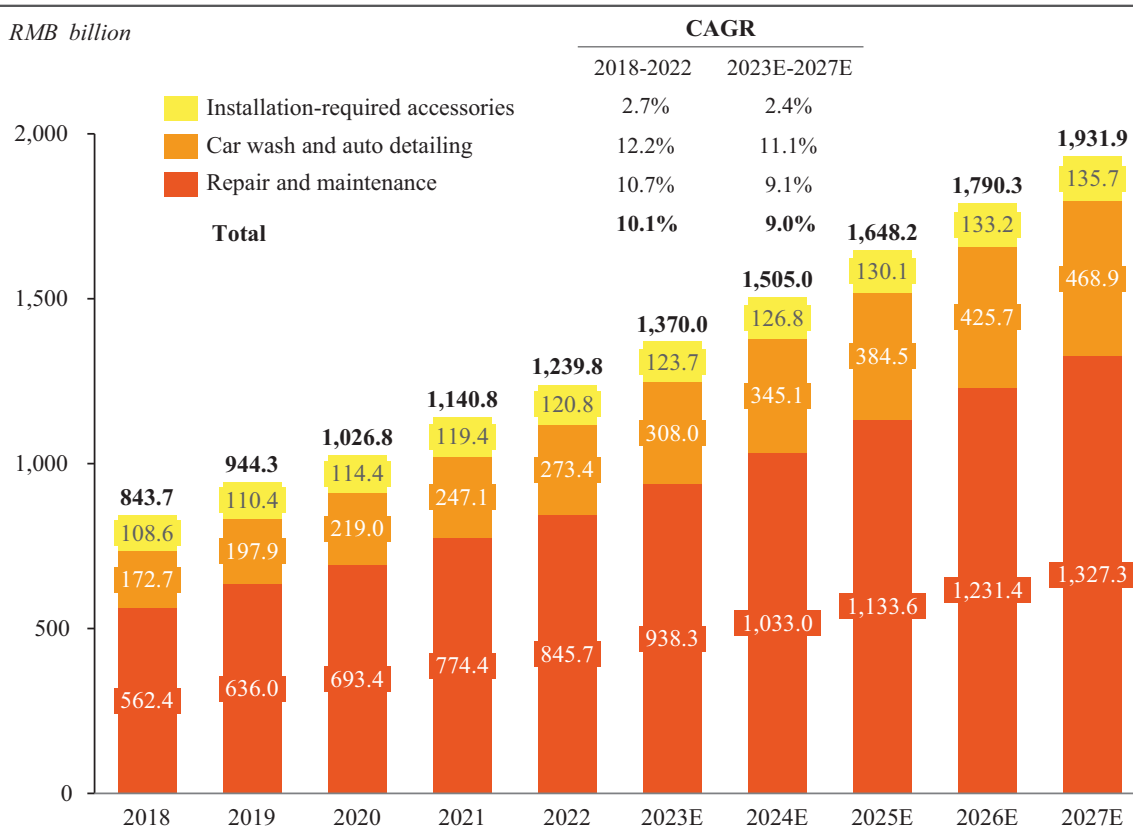
### ***Market Size of Automotive Service in China***

Driven by the large and continually increasing car parc as well as the ageing fleet, China’s automotive service market grew at a CAGR of 10.1% from 2018 to 2022 and has become one of the fastest growing auto service markets globally. According to the CIC Report, China’s automotive service market size in terms of GMV was RMB1,239.8 billion in 2022, and is forecasted to reach

## INDUSTRY OVERVIEW

RMB1,931.9 billion in 2027, with a CAGR of 9.0% from 2023 to 2027. The chart below presents the market size of China’s automotive service for the periods indicated.

**Market size of automotive service market, in terms of GMV, by service type, China, 2018-2027E**



Source: CIC Report

### Characteristics of China’s Automotive Service Market

China’s automotive service market enjoys high growth potential and presents unique characteristics, calling for a more efficient, convenient, and differentiated automotive service model:

- **China is reaching a “tipping point” of automotive service demand**

Generally, expenditure on automotive service starts to increase significantly when the vehicle age rises to above 6 years, which is the tipping point in a vehicle’s typical lifecycle. In 2022, the average vehicle age in China reached 6.2 years, significantly less than 12.2 years for United States and 12.3 years for EU member countries. Meanwhile, annual average expenditure of car owners on automotive service in China was approximately US\$650.6 per car, lower than US\$1,349.1 in the United States and US\$875.1 in EU member countries. Together with the growing car parc, the automotive services market in China has significant potential for future growth.

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- ***Do-It-For-Me is the mainstream in China’s automotive service market***

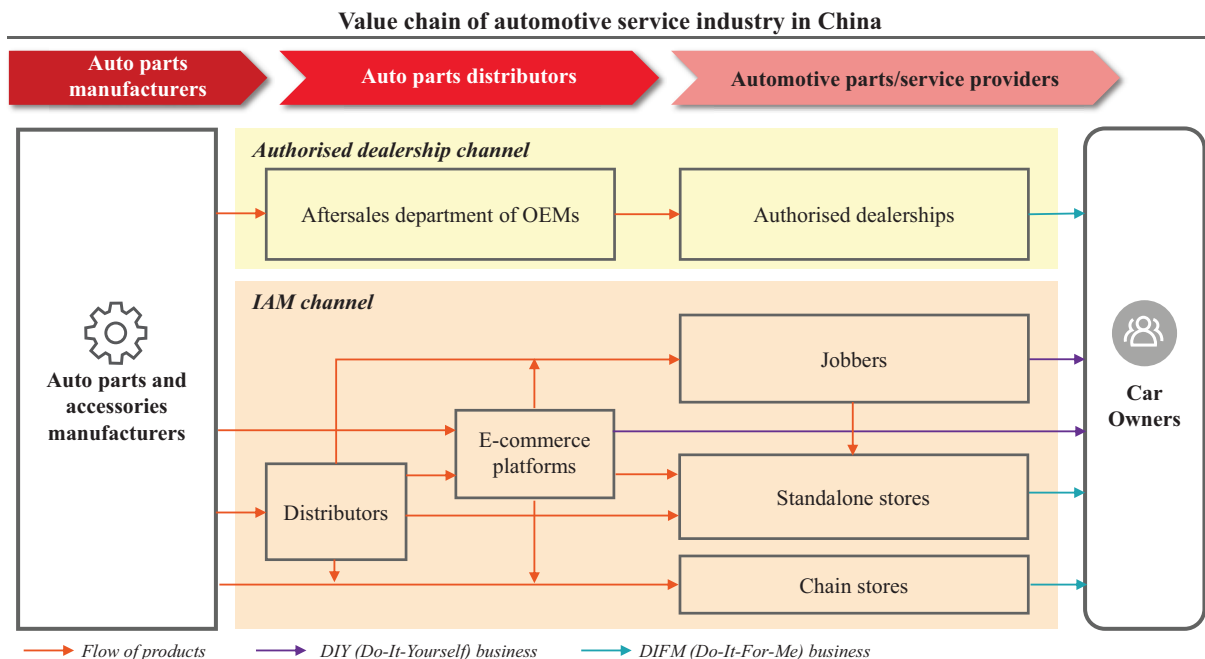
The automotive service business can be divided into Do-It-For-Me, or DIFM, and Do-It-Yourself, or DIY, models. In the DIY business, consumers purchase auto parts from auto parts retailers and install auto parts themselves. While in the DIFM business, consumers go to outlets of automotive service providers and pay for auto parts and their professional services. Due to high population density and lack of necessary resources, including garage space and tools, as well as basic knowledge on automobile and auto repair, Chinese car owners are more predisposed to using one-stop-shop DIFM services to address their automotive service needs. As a result, Chinese customers heavily rely on the installation services and expertise provided by auto repair stores.

- ***Low store productivity in China implies ample room for efficiency improvement***

As of 31 December 2022, there were approximately 896 thousand automotive service stores in China, and only 7.8% of them were chain operated. On average, an automotive service store in China only served 336 passenger cars in 2021, much lower than its counterparts in the United States and in EU member countries which served 1,205 and 726 passenger cars on average in 2021, respectively. The inefficiency of China’s automotive service stores implies high potential in terms of improvement of operational efficiency and associated value creation.

### ***Value Chain of Automotive Service and Overview of Service Providers in China***

The value chain of automotive service in China consists of two channels, the authorised dealership channel and the independent aftermarket service provider channel, or the IAM channel, as illustrated below:



Source: CIC Report

## INDUSTRY OVERVIEW

Authorised dealerships and IAM stores are the main DIFM service providers in China’s automotive service markets. In 2022, there were approximately 34 thousand authorised dealerships and 862 thousand IAM stores in China, accounting for 53.6% and 46.4% of China’s automotive service market in terms of GMV, respectively. Auto parts that authorised dealerships procured from car OEM’s aftersales department generally have higher ex-factory price from manufacturers and are marked up in price by car OEMs. In addition, considering the higher operational cost and expenses to maintain a dealership store, in order to maintain its profitability, authorised dealerships often charge premium price for both auto parts and associated installation services. According to the CIC report, the price of the auto parts and service fee charged by authorised dealerships is approximately 30% and 80% higher, respectively, compared to the parts and service fee charged by IAM stores. Therefore, IAMs with strong supply chain capability that can provide authentic and high-quality automotive products and services with more attractive pricing and are preferred by car owners as compared to authorised dealerships. Warranty is one of the key factors for a car owner to decide whether to go to authorised dealerships or IAM stores. The warranty period from OEMs typically covers three years after the sales of new passenger vehicles, after which, car owners will be more likely to choose IAM stores for more convenient location choices and affordable services. According to the CIC Report, passenger cars with expired warranties in China accounted for 73.6% of the total car parc as of the end of 2022, and the figure is expected to reach 79.1% by the end of 2027. Therefore, the GMV of IAM stores is expected to grow at a higher growth rate than that of authorised dealerships, and account for 58.1% of the automotive service market in terms of GMV by 2027.

The following diagram compares the two types of automotive service providers in China:

<b>Comparison of authorised dealerships and IAM stores</b>		
<b>Dimensions</b>	<b>Authorised Dealerships</b>	<b>Traditional IAM stores</b>
<i>Definition</i>	<ul style="list-style-type: none"> <li>• Auto dealers authorised by OEM to provide 4S services (i.e., sales, service, spare parts and survey) of new car and used car for car owners/buyers</li> </ul>	<ul style="list-style-type: none"> <li>• Automotive service providers who are independent of OEMs and provide various automotive services including auto repair and maintenance, car wash and detailing services, and installation-required accessories</li> </ul>
<i>Products and services</i>	<ul style="list-style-type: none"> <li>• Cover automotive services including warranty claim and insurance claim</li> <li>• Single authorised dealership may specialise only in limited vehicle brands of an OEM</li> </ul>	<ul style="list-style-type: none"> <li>• Provide automotive services to car owners of various car makes and models, and tend to have more SKUs</li> </ul>

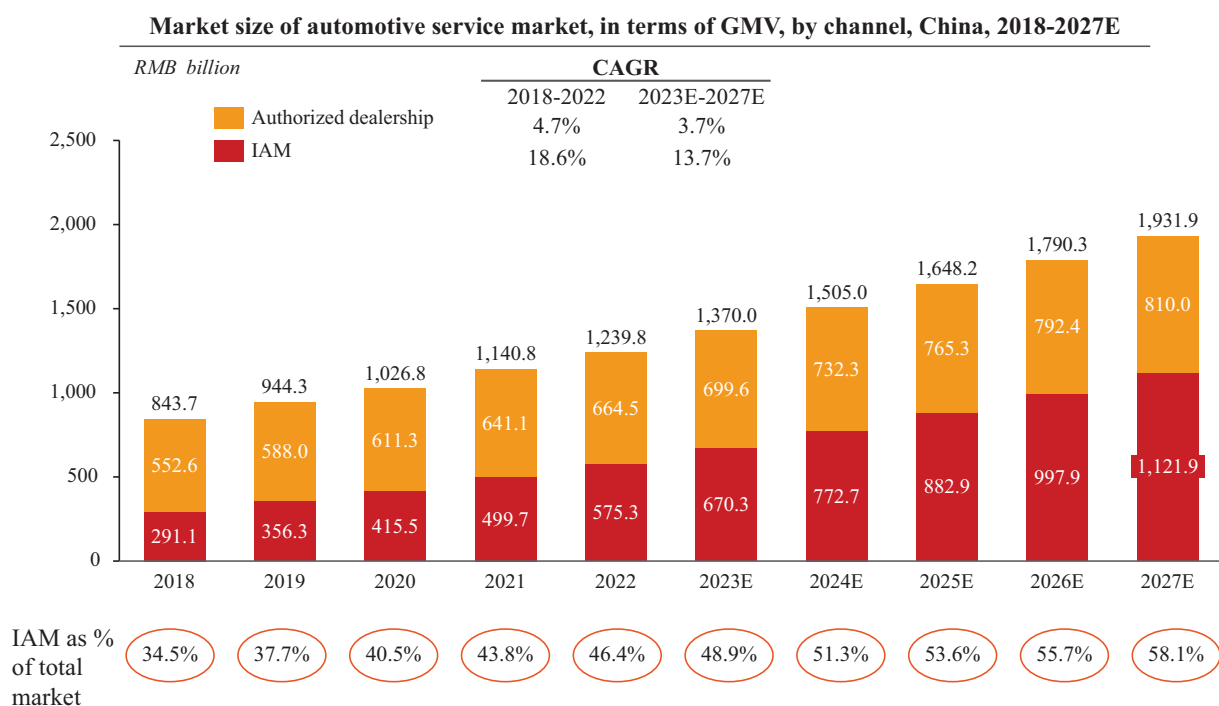
## INDUSTRY OVERVIEW

### Comparison of authorised dealerships and IAM stores

Dimensions	Authorised Dealerships	Traditional IAM stores
<i>Service quality and price</i>	<ul style="list-style-type: none"> <li>Provide better service experience from trained and qualified technicians</li> <li>Charge relatively higher prices</li> </ul>	<ul style="list-style-type: none"> <li>Relatively lower service standardisation</li> <li>Charge more reasonable prices</li> </ul>
<i>Coverage</i>	<ul style="list-style-type: none"> <li>Around 34 thousand stores in China</li> <li>Lower store density and usually located in the suburban areas</li> </ul>	<ul style="list-style-type: none"> <li>Around 862 thousand stores in China</li> <li>Higher store density covering both urban and suburban areas, widely spread nationwide</li> </ul>

Source: CIC Report

The following diagram presents the market size of China’s automotive service by channel:



Source: CIC Report

### Market Drivers of China’s Automotive Service Market

- Large and continually increasing car parc.** With increasing purchasing power and overall consumption upgrade, China’s passenger car parc is expected to continue to increase to 373.8 million in 2027. The increasing car parc, especially in tier 2 and below cities and



## INDUSTRY OVERVIEW

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counties where public transportation is less developed, leads to increasing vehicle use frequency, as well as total mileage travelled and automotive wear and tear.

- ***Gradually ageing fleet and rising expenditure per car on automotive services.*** With passenger cars gradually ageing in China, the average expenditure per vehicle on automotive service is expected to continue to rise, and there will be an increasing number of passenger vehicles out of OEM warranty coverage, which will drive the demand for automotive services from IAM stores. The annual expenditure per car on automotive service from IAM stores in China is expected to increase from RMB2,102.3 in 2022 to RMB3,001.0 in 2027, representing a CAGR of 7.4%.
- ***The need for a more diversified, omni-channel approach to automotive service.*** Given the rapid development of automotive service market in China, there will be increasing demands for more personalised and customised needs, which will drive the growth of segments including decorative products and car detailing services. In addition, with the share of the young car owners (30 years of age or lower) increasing from approximately 20% in 2010 to over 40% in 2020, car owners in China are increasingly tech savvy and prefer omni-channel approaches to make purchases throughout their ownership journey. As such, more diversified DIFM service is expected to play a more prominent role in China’s automotive service market. Expertise and experience in the automotive repair and installation is also sought after.

### ***Challenges in China’s Automotive Service Market***

Despite the enormous growth potential, various challenges exist in China’s automotive service market:

#### **Pain points of car owners:**

- ***Undersupply of quality service stores.*** The selection of automotive service providers that offer a combination of convenient, trustworthy and affordable products and services for car owners in China is limited. For instance, when having their cars serviced, car owners may face long waiting time for service completion or have to pay a premium for products they need. The service stores may lack skilled technicians to address the specific car problems and may take an extended amount of time to address and may not be able to address the issue in one go.
- ***Limited service coverage.*** Authorised dealerships could only offer a limited range of services covering one or several brands of a single OEM at a price premium. Moreover, due to the limited number of stores, especially in the tier 2 and below cities and counties, authorised dealership stores in China are sparsely distributed, and some are located in suburbs, making the service process more inconvenient for car owners.

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- ***Low degree of trust.*** There is lack of customer trust in the products and services offered by IAM stores, despite their numerous stores. Only 4.8% of the IAM stores in China are chain operated. IAM stores typically feature an undersupply of authentic auto parts and inconsistent service standards. IAM stores and technicians tend to maximise short-term sale of services and products, given the lack of continuous feedback and deep customer relationships. Often times, the demand for service is non-discretionary, and customers do not have good knowledge of the products needed. Such information asymmetry may result in customers’ distrust and unpleasant experience.
- ***Lack of seamless and integrated online and offline service.*** Given the proliferation and reliance on local e-commerce channel, Chinese customers are generally more accustomed to internet service that can connect their online and offline experience seamlessly when addressing their various daily needs. However, most automotive services providers only offer offline services without convenient online accesses such as online booking, online diagnosis, bringing subpar user experience for car owners.
- ***Insufficient supply in lower tier cities.*** With increasing level of disposable income, consumption upgrade, and extension of highway network, there is increasing demand for standardised and quality automotive services in lower tier cities. Specifically, the authorised dealership stores are often sparsely located in lower-tier cities which makes them less accessible for car owners, while the small local IAMs suffer from certain players’ offering of counterfeit products and subpar services.

### **Pain points related to the supply chain:**

- ***Multi-layered distribution network combined with information asymmetry.*** Massive SKUs and numerous automotive service stores nationwide have resulted in a multi-layered and inefficient distribution network in China. Such long and inefficient distribution network leads to opaque pricing, inauthentic products, and numerous unmet customer needs. Given the distance to customers, manufacturers may not receive the most accurate demand picture of their products.
- ***Inefficient and complex infrastructure.*** The supply chain of the automotive service market in China is characterised by delivery inefficiencies and low inventory turnover. Automotive service generally involves vast, complicated and heavy auto part SKUs with low levels of digitalisation. Paired with scattered warehouse locations, it is not uncommon for auto part products to circulate nationwide for extended periods of time before reaching the end customer.

### ***Integrated Online and Offline (O&O) Automotive Service Model***

Integrated online and offline automotive service model combines the best of both the online platforms and offline stores to deliver service to car owners. In China, online interfaces and offline

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## INDUSTRY OVERVIEW

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footprint are fundamental to creating loyal and satisfied customer base. Online automotive service refers to a situation in which customers purchase the products from online channels and then go to offline stores for professional services. Online platforms provide large customer traffic and data insights to offline operations. Offline stores cooperate with the centralised supply chain system, adopt a uniform digitalised customer management and order system. The online and offline integrated model also enables rigorous and consistent standards in technician training to provide better customer experience.

### Integrated O&O automotive service model

<i>Online</i>	<i>Offline</i>
<ul style="list-style-type: none"><li>• Abundant selection of products with transparent pricing</li><li>• Accurate matching for auto parts and car models</li><li>• Convenient online searching, booking, purchase and payment experience</li><li>• Comprehensive maintenance reports and detailed quotations</li><li>• Ability to manage the whole lifecycle of vehicles through the online channel</li><li>• Ability to live monitor repair process</li></ul>	<ul style="list-style-type: none"><li>• Standardised process</li><li>• Transparent and trustworthy service</li><li>• Wide store coverage of locations with close proximity to customers</li><li>• Efficient supply chain</li><li>• Well-qualified technicians</li><li>• Strictly controlled store management</li></ul>

## INDUSTRY OVERVIEW

### *Competitive Landscape of China’s Automotive Service Market*

Among approximately 680 thousand automotive service providers in China, the Company ranked first in terms of number of stores as of 31 December 2022. Among IAM stores in China, the Company ranked first in terms of both number of stores as of 31 December 2022 and annual automotive service revenue in 2022. The following tables set forth the ranking of automotive service providers in China:

#### *Ranking of all automotive service providers in terms of number of stores*

Ranking <sup>(1)</sup>	Automotive service providers	Positioning	Number of stores <sup>(2)</sup> as of 31 December 2020	Number of stores <sup>(2)</sup> as of 31 December 2021	Number of stores <sup>(2)</sup> as of 31 December 2022
1	TUHU	Integrated O&O automotive service provider	2,488	3,853	4,653
2	Shell Helix Auto Care <sup>(3)</sup>	Traditional IAM	~2,000	~2,800	~4,000
3	Tmall Auto Care <sup>(4)</sup>	Integrated O&O automotive service provider	~550	~1,800	~2,000
4	Tyreplus <sup>(5)</sup>	Traditional IAM	~1,600	~1,700	~1,600
5	Autoyong <sup>(6)</sup>	Traditional IAM	~1,200	~1,500	~1,500
6	JD Auto Care <sup>(7)</sup>	Integrated O&O automotive service provider	~1,200	~1,480	~850

*Note:*

- (1) In terms of number of stores. Data of the non-listed companies in this table was estimated by CIC based on expert interviews, industry public articles and other reputable third party’s sources.
- (2) Including self-operated stores and franchised stores
- (3) Shell Helix Auto Care belongs to a public multinational energy and petrochemical company and provides automotive fuel and motor oil in China and adopts franchise model providing automotive services
- (4) Tmall Auto Care is an integrated O&O automotive service provider launched in late 2019 and adopts a franchise model
- (5) Tyreplus is an automotive service provider established in 2008 and adopts a franchise model
- (6) Autoyong is an automotive service provider established in 2015 and adopts a franchise model
- (7) JD Auto Care is an integrated O&O automotive service provider launched in 2018 and adopts a franchise model

*Source: CIC Report*

## INDUSTRY OVERVIEW

*Ranking of all automotive service providers in China, in terms of automotive service revenue in 2022*

<b>Ranking<sup>(1)</sup></b>	<b>Automotive service providers</b>	<b>Positioning</b>	<b>Automotive service revenue<sup>(3)</sup> in 2022 (RMB billion)</b>	<b>Market share<sup>(4)</sup></b>
1 .....	Zhongsheng Group (00881.HK)	Authorised dealership	24.6	2.0%
2 .....	China Grand Auto (600297.SH)	Authorised dealership	~14.2	1.1%
<b>3 .....</b>	<b>TUHU</b>	<b>Integrated O&amp;O automotive service provider</b>	<b>11.5</b>	<b>0.9%</b>
4 .....	Yongda Auto (03669.HK)	Authorised dealership	~10.1	0.8%
5 .....	LSH Auto China <sup>(2)</sup>	Authorised dealership	~10.0	0.8%

*Notes:*

- (1) In terms of automotive service revenue in 2022 (including authorised dealerships and IAM). Data of the non-listed companies in this table was estimated by CIC based on expert interviews, industry public articles and other reputable third party’s sources.
- (2) A privately owned auto dealership group, establishing its automotive business in mainland in 1993
- (3) Revenue from automotive services includes auto maintenance and repair, car wash and detailing, installation-required accessories and excludes auto finance and insurance
- (4) Automotive service revenue as % of the total automotive service market in China in 2022

*Source: CIC Report*

*Ranking of IAM stores in China’s automotive service market in terms of automotive service revenue in 2022*

<b>Ranking<sup>(1)</sup></b>	<b>IAM</b>	<b>Positioning</b>	<b>Automotive service revenue in 2022 (RMB billion)</b>	<b>Market share<sup>(2)</sup></b>
<b>1 .....</b>	<b>TUHU</b>	<b>Integrated O&amp;O automotive service provider</b>	<b>11.5</b>	<b>0.9%</b>
2 .....	Shell Helix Auto Care	Traditional IAM	~3.2	0.3%
3 .....	Tyreplus	Traditional IAM	~2.3	0.2%
4 .....	Tmall Auto Care	Integrated O&O automotive service provider	~1.6	0.1%
5 .....	JD Auto Care	Integrated O&O automotive service provider	~1.3	0.1%

*Note:*

- (1) In terms of automotive service revenue in 2022. Data of the non-listed companies in this table was estimated by CIC based on expert interviews, industry public articles and other reputable third party’s sources.
- (2) Automotive service revenue as % of the total automotive service market in China in 2022

*Source: CIC Report*

## INDUSTRY OVERVIEW

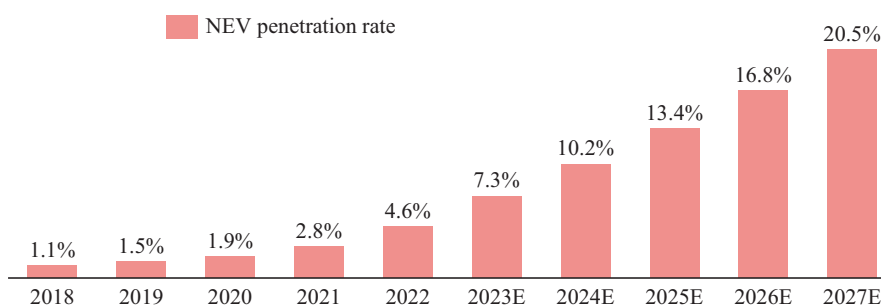
### NEV TRENDS IN THE AUTOMOTIVE SERVICE MARKET IN CHINA

#### *Gradually rising NEV parc in China*

Driven by the growing environmental awareness of consumers, favourable government policies, rapid advancement of NEV technology and the increasing acceptance of NEVs, China’s NEV market has been developing quickly in recent years. In 2022, the annual sales volume of NEVs in China has reached 6.5 million, compared to 3.3 million in 2021. According to the CIC Report, penetration rate of NEV in total sales of new passenger vehicle is expected to continue rise in the forthcoming years.

Nevertheless, the NEV passenger car parc in China remains a relatively small portion of the total passenger car parc. NEV passenger car parc in China reached 12.6 million in 2022 and accounted for 4.6% of the total passenger car parc. By 2027, the penetration rate of NEV passenger car parc in the total passenger car parc is expected to reach 20.5%, according to the CIC Report. NEVs can be categorised into Battery Electric Vehicles (BEVs) and Plug-in Hybrid Electric Vehicles (PHEVs), while non-NEVs are typically called Internal Combustion Engine Vehicles (ICEVs). The following diagram presents the NEV penetration rate in China and the breakdown of passenger car parc by ICEV and NEV for the periods indicated.

**NEV penetration rate in passenger car parc, China, 2018-2027E**



In millions	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E
<b>Passenger car parc</b>	205.6	224.7	241.6	260.4	273.6	293.0	312.9	333.2	353.4	373.8
<b>ICEV</b>	203.3	221.3	237.1	253.0	261.0	271.6	281.0	288.7	294.0	297.2
<b>NEV</b>	2.3	3.4	4.5	7.4	12.6	21.4	31.9	44.5	59.4	76.6
BEV	1.9	2.8	3.7	6.1	10.4	17.2	25.8	36.4	48.8	63.0
PHEV	0.4	0.6	0.8	1.3	2.2	4.2	6.1	8.1	10.6	13.6

Note: figures may not add up to the total number after roundoff. PHEV segment includes plug-in hybrid electric vehicles and extended range electric vehicles.

Source: CIC Report

#### *The NEV trend is bringing opportunities for automotive service market*

Among NEVs, PHEVs require maintenance of both engine and battery as they use both as the power system, while BEVs require less maintenance work on its power systems compared to ICEVs

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as BEVs fully replace the internal combustion engine with the battery power system. The following table illustrates the maintenance and repair services required for NEVs and ICEVs.

**Comparison of maintenance and repair services for NEV and ICEV**

Categories		Battery capacity test and servicing	Electrical system replacement	Motor oil change	Oil/fuel/air filter replacement	Spark plug replacement	Brake callipers replacement	Chassis maintenance	Tire replacement	Other wearing parts
		NEV	BEV	✓	✓	×	×	×	✓	✓
	PHEV	✓	✓	✓	✓	✓	✓	✓	✓	✓
ICEV	ICEV	×	×	✓	✓	✓	✓	✓	✓	✓

Source: CIC Report

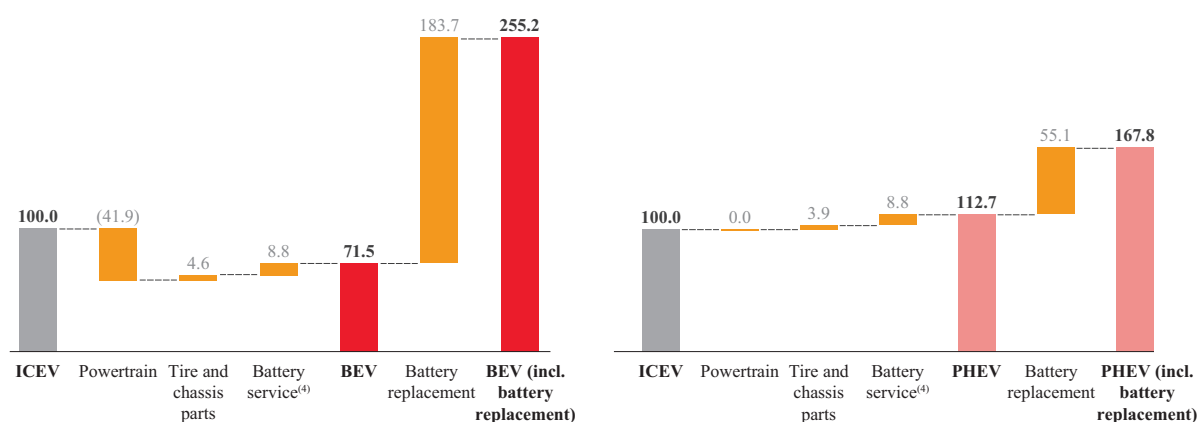
Compared to ICEVs, other than maintenance for engine, PHEVs require additional maintenance services for battery power system including battery capacity test and servicing and electrical system replacement. Therefore, the annualised expenditure on regular maintenance and repair for a PHEV is approximately 13% higher than that for an ICEV according to the CIC Report.

Unlike ICEVs and PHEVs, BEVs do not require maintenance and repair services for the engine, such as motor oil change, filter replacement, and spark plug replacement. However, as an offsetting factor, with the large battery packs, the average weight of a BEV is usually higher than that of an ICEV, leading to more wear and tear of tires and the suspension, both of which are key products and services that we offer across our network of stores. Furthermore, given battery packs account for 30-40% of BOM costs, it is expected that additional services will be created, including but not limited to battery inspection, balancing, and testing.

With regular maintenance, the lifecycle of battery packs in NEVs is around eight years, after which the battery packs may need to be replaced. Therefore, from the perspective of the entire lifecycle for NEVs, the cost for battery pack replacement will become considerably significant compared to the total expenditure on maintenance and repair services.

## INDUSTRY OVERVIEW

Comparison of annualised expenditure on regular maintenance and repair services over the entire lifecycle of a vehicle, by ICEV/PHEV/BEV (Assume the annualised expenditure for an ICEV to be 100)<sup>(1),(2),(3)</sup>



*Note:*

- (1) Regular maintenance and repair services include maintenance and repair for powertrain, braking system, tires and other wearing parts, and exclude collision repair;
- (2) Annualised expenditure is measured based on a typical ICEV/PHEV/BEV with an average MSRP of approximately RMB200 thousand during the first five years of the vehicle life;
- (3) Annualised battery replacement expenditure is calculated as battery pack replacement expenditure divided by the entire lifecycle of a vehicle (12 years).
- (4) Battery services refer to battery inspection and testing services, such as battery balancing, battery capacity testing and servicing.

Source: CIC Report

The NEV trend is bringing new opportunities to the automotive service market in China, however, the current authorised dealership model of traditional OEMs and the direct sales and servicing model of emerging NEV brands are still insufficient to serve the promising automotive service market for NEVs. Given the current low NEV parc penetration, NEV brands have been exploring more practical and economical solutions to provide automotive services for NEVs. Traditional OEMs with NEV brands tend to revamp some of their existing authorised dealership stores into NEV service stores, and to collaborate with leading IAM stores with a nationwide network and high level of service standardisation to further enhance their service capabilities, while emerging NEV brands may also collaborate with or fully outsource their automotive services to leading IAM stores to ensure service quality and customer experience, which provides a unique opportunity for leading IAM stores in the backdrop of the NEV trend.

In recent years, the PRC government has promulgated a series of policies in favour of the growth of NEVs, such as government subsidies, exemption from vehicle purchase tax, exemption from license plate restrictions in certain cities and more. To some extent, these policies may affect customer’s willingness to purchase and use of ICEVs and as a result, affect the demands for the automotive services for ICEVs. See “Risk Factors — Our business may be affected by advances in automotive technology, such as new energy vehicles, autonomous driving and shared mobility.” The



## **INDUSTRY OVERVIEW**

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emerging NEV industry represents an important market to us and we are actively exploring opportunities to provide dedicated automotive services that are tailored for NEVs. See “Business — NEV New Initiatives” for details.

## HISTORY, REORGANISATION, AND CORPORATE STRUCTURE

### OVERVIEW

We are one of the leading integrated online and offline platforms for automotive service in China. According to the CIC Report, our Company ranked first in terms of the number of stores in the PRC among all automotive service providers as of 31 December 2022, and in terms of automotive service revenue among IAM players in 2022 in the PRC. By providing a digitalised and on-demand service experience underpinned by our customer-centric model and streamlined supply chain, we directly address car owners’ diverse products and service needs, creating an automotive service platform consisting of car owners, suppliers, automotive service stores and other participants.

We commenced our business operations in 2011. Mr. Chen Min, Mr. Hu Xiaodong and Mr. Zhu Yan are our co-founders. Mr. Chen Min is our chairman of the Board, chief executive officer and executive Director, who has more than 18 years of work experience in software development, data management and more than 11 years of experience in automotive service operation. Mr. Hu Xiaodong is our president and an executive Director, who has more than 18 years of experience in software development and more than 11 years of experience in automotive service operation. Please see the section headed “Directors and Senior Management” for more information about our co-founders.

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

Year	Event
2011	TUHU.CN commenced operation
2012	Set up a logistics centre in Shanghai to help facilitate delivery service in Jiangsu and Shanghai regions
2014	Commenced operation of Tuhu Automotive Service (途虎養車) app with the provision of more than 30 types of automotive services
2016	Launched our first Tuhu workshop and established integrated online and offline business model Adopted an asset-light franchise model
2018	Formed strategic partnerships with Exxon Mobil, Bridgestone and Giti Tire
2019	Formed strategic partnerships with BOSCH and Chaoyang Implemented “Unique Parts Code” system to track goods within the store Deployed proprietary AI technology for customised recommendation on our app
2020	Ranked first in terms of number of service stores among all automotive service providers in China
2021	Number of Tuhu workshops in China grew to over 3,000 Partnered with NEV brands and key suppliers of NEV brands to provide dedicated services addressing the NEV market
2022	Formed strategic partnership with multiple NEV battery manufacturers and charging pile service providers, and started to provide battery and charging pile maintenance services to our customers

## HISTORY, REORGANISATION, AND CORPORATE STRUCTURE

### CORPORATE DEVELOPMENT OF OUR GROUP

#### Our major subsidiaries

The principal business activities, place of establishment and date of establishment of each member of our Group that made a material contribution to our results of operations during the Track Record Period are shown below:

<u>Company</u>	<u>Principal business activities</u>	<u>Place of establishment</u>	<u>Date of establishment and commencement of business</u>
Shanghai Lantu Information Technology Co., Ltd. (上海蘭途信息技術有限公司)	Automotive products and services	PRC	26 June 2014
Shanghai Zitu E-Commerce Co., Ltd. (上海紫途電子商務有限公司)	Automotive products and services	PRC	18 April 2014
Shanghai Jida Trade Co., Ltd. (上海驥達貿易有限公司)	Automotive products and services	PRC	16 April 2015
Shanghai Mengfan Trade Co., Ltd. (上海盟帆貿易有限公司)	Automotive products and services	PRC	30 June 2015
Shanghai Tuju Enterprise Management Consulting Co., Ltd. (上海途聚企業管理諮詢有限公司)	Management of store network	PRC	9 October 2018
Shanghai Kanming Advertising Co., Ltd. (上海刊明廣告有限公司)	Provision of advertising services	PRC	23 February 2017

As of the date of this document, the Group has a total of 250 subsidiaries.

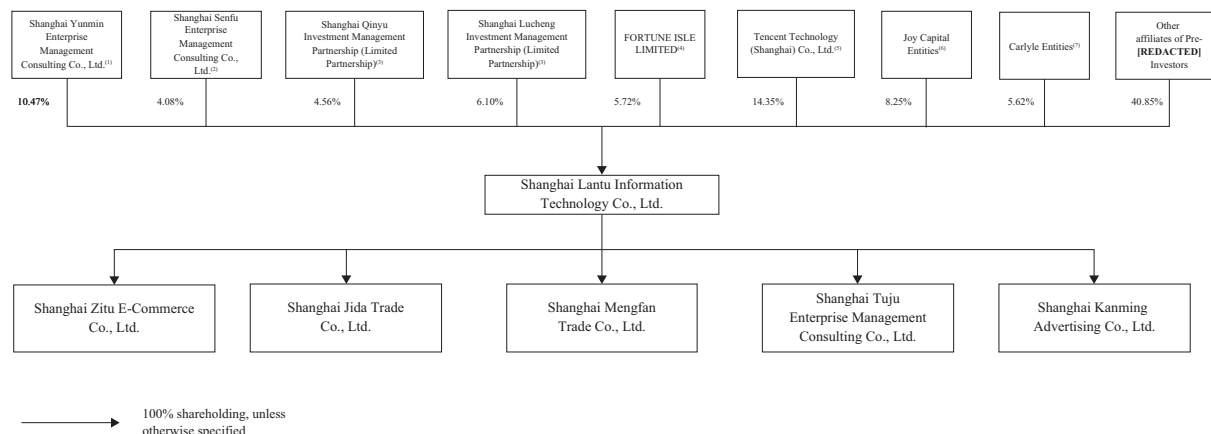
#### Establishment of Shanghai Lantu

Shanghai Lantu was established in the PRC on 26 June 2014, with an initial registered capital of RMB30 million. During the Track Record Period, our business was primarily operated through Shanghai Lantu, which provides automotive products and services, high-quality branded automotive products, and other automotive services to customers through its online interfaces, including “Tuhu Automotive Service (途虎養車)” app, its website and Weixin mini programme.

## HISTORY, REORGANISATION, AND CORPORATE STRUCTURE

### REORGANISATION

The following chart sets forth our Group’s simplified corporate and shareholding structure immediately before the Reorganisation:



#### Notes:

- (1) Shanghai Yunmin Enterprise Management Consulting Co., Ltd. is a limited liability company established in the PRC, and is wholly owned by Mr. Chen Min.
- (2) Shanghai Senfu Enterprise Management Consulting Co., Ltd. is a limited liability company established in the PRC, and is wholly owned by Mr. Hu Xiaodong.
- (3) Shanghai Qinyu Investment Management Partnership (Limited Partnership) and Shanghai Lucheng Investment Management Partnership (Limited Partnership) are both organised in the PRC and are established to hold the equity interests in Shanghai Lantu on behalf of our employees.
- (4) See subsection headed “— Information on the Pre-[REDACTED] Investors” for details of FORTUNE ISLE LIMITED.
- (5) Tencent Technology (Shanghai) Co., Ltd. (騰訊科技(上海)有限公司) is a limited liability company established in the PRC and a subsidiary of Tencent.
- (6) Please refer to the subsection headed “— Information on the Pre-[REDACTED] Investors” for details of Joy Capital Entities.
- (7) Please refer to the subsection headed “— Information on the Pre-[REDACTED] Investors” for details of Carlyle Entities.

In preparation for the [REDACTED], our Group took the following principal steps of the Reorganisation:

#### Incorporation of our Company

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on 8 July 2019. The authorised share capital of our Company was US\$50,000.00 divided into 500,000,000 shares with a par value of US\$0.0001 each upon incorporation. On the date of incorporation, one share was allotted and issued to the initial subscriber and was subsequently transferred to Nholresi Investment Limited, a company with limited liability incorporated in the British Virgin Islands, which was wholly ultimately owned by Mr. Chen Min. As of 8 July 2019, our Company was wholly owned by Nholresi Investment Limited and TroisUnis.HU Investment Limited, which were respectively wholly owned by Mr. Chen Min and Mr. Hu Xiaodong. Our Company became the ultimate holding company of our Group after the completion of the Reorganisation.

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## HISTORY, REORGANISATION, AND CORPORATE STRUCTURE

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### Offshore Shareholding Restructuring

The Group’s business operations are primarily conducted through its PRC subsidiary, Shanghai Lantu.

On 31 October 2019, in contemplation of the [REDACTED] and to reflect the shareholding structure of Shanghai Lantu at the level of our Company, affiliates of the then registered shareholders and investors of Shanghai Lantu entered into a reorganisation framework agreement with, among others, our Company, to restructure our Group into the corporate structure as shown in the subsection headed “— Corporate and Shareholding Structure — Corporate structure before the [REDACTED]”. To reflect the onshore shareholding structure of Shanghai Lantu, on 31 October 2019, our Company allotted and issued Preferred Shares to certain Pre-[REDACTED] Investors, and issued certain warrants to certain Pre-[REDACTED] Investors to purchase Preferred Shares. We had also historically issued certain warrants to certain management and employees to purchase ordinary shares. All of these warrants while they were outstanding, were entitled to the equivalent rights and obligations as the underlying ordinary shares or Preferred Shares (as the case may be) as if they had been exercised. These warrants were transitional arrangements to facilitate the reorganisation of our Group and were in substance ordinary shares or Preferred Shares (as the case may be). These warrants were accounted the same as the underlying ordinary shares or Preferred Shares (as the case may be) as if the warrants had been exercised upon the initial grant of such warrants considering the equivalent cash consideration were historically received by the onshore subsidiaries of our Group. All of the warrants have been fully exercised or have been cancelled for immediate reissuance to subsequent holders and subsequently exercised for ordinary shares and Preferred Shares, as of the Latest Practicable Date. Similarly, we had historically issued senior convertible promissory notes to certain investors that are convertible into Preferred Shares. All of the senior convertible promissory notes were fully converted into Preferred Shares shortly after their respective issuances. On 25 November 2020, the entire equity interest in Shanghai Lantu was transferred from its then registered shareholders and investors to Shanghai Xirang, an indirect wholly-owned subsidiary of our Company.

For the corporate structure after our reorganisation, please see section headed “— Corporate and Shareholding Structure — Corporate structure before the [REDACTED]”.

### SHARE SUBDIVISION

Pursuant to a shareholders’ resolution passed on 8 March 2022, a Share Subdivision of the Company has been approved. Each share in our then issued and unissued share capital was split into five shares of the corresponding class with a par value of US\$0.00002 each. Upon completion of the Share Subdivision, the authorised share capital of our Company consisted of: (i) 1,815,549,650 Class A ordinary shares, (ii) 68,949,580 Class B ordinary shares, (iii) 11,211,980 Series Seed Preferred Shares, (iv) 41,666,390 of Series A Preferred Shares, (v) 34,367,565 of Series B Preferred Shares, (vi) 12,897,840 of Series C-1 Preferred Shares, (vii) 35,088,345 of Series C-2 Preferred Shares, (viii) 50,248,035 of Series C-3 Preferred Shares, (ix) 31,685,500 of Series D-1 Preferred

## HISTORY, REORGANISATION, AND CORPORATE STRUCTURE

Shares, (x) 38,329,815 of Series D-2 Preferred Shares, (xi) 61,444,480 of Series E-1 Preferred Shares, (xii) 34,592,430 of Series E-2 Preferred Shares, (xiii) 90,866,055 of Series E-3 Preferred Shares, (xiv) 4,970,150 of Series E-4 Preferred Shares, (xv) 91,030,500 of Series F Preferred Shares, (xvi) 53,964,305 of Series F-2 Preferred Shares and (xvii) 23,137,380 of Series F-3 Preferred Shares.

### PRE-[REDACTED] INVESTMENTS

From 2013 to 2021, our Group conducted 16 rounds of financings, pursuant to which certain Pre-[REDACTED] Investors invested in our business. For the capital structure of our Company after such Pre-[REDACTED] Investments and as of the Latest Practicable Date, please refer to the sub-section headed “— Capitalisation of our Company”.

#### Principal terms of the Pre-[REDACTED] Investment

The table below summarises the principal terms of the Pre-[REDACTED] Investments:

Series	Date of investment	Date settled	Approximate amount raised (in thousand)	Cost per share paid <sup>(1)</sup>	Discount to the [REDACTED] <sup>(2)</sup>
Series Seed . . . . .	20 April 2013	18 June 2013	RMB929	RMB[REDACTED]	[REDACTED]
Series A. . . . .	3 June 2014	16 June 2014	US\$5,000	US\$[REDACTED]	[REDACTED]
Series B-1. . . . .	22 September 2014	5 August 2014	US\$4,490	US\$[REDACTED]	[REDACTED]
Series B-2. . . . .	22 September 2014	25 September 2014	US\$14,500	US\$[REDACTED]	[REDACTED]
Series C-1. . . . .	25 May 2015	28 February 2015	US\$10,000	US\$[REDACTED]	[REDACTED]
Series C-2. . . . .	25 May 2015	17 July 2015	US\$33,000	US\$[REDACTED]	[REDACTED]
Series C-3. . . . .	12 October 2015	10 November 2015	US\$57,000	US\$[REDACTED]	[REDACTED]
Series D-1. . . . .	18 July 2016	28 September 2016	RMB420,000	RMB[REDACTED]	[REDACTED]
Series D-2. . . . .	26 September 2016	18 October 2016	RMB486,865	RMB[REDACTED]	[REDACTED]
Series E-1. . . . .	31 October 2017	6 July 2018	RMB882,925	RMB[REDACTED]	[REDACTED]
Series E-2. . . . .	8 December 2017	26 December 2017	RMB497,075	RMB[REDACTED]	[REDACTED]
Series E-3. . . . .	23 August 2018	1 November 2018	RMB1,400,000	RMB[REDACTED]	[REDACTED]
Series E-4. . . . .	23 August 2018	3 September 2018	RMB80,000	RMB[REDACTED]	[REDACTED]
Series F. . . . .	18 November 2019	19 June 2020	US\$300,348	US\$[REDACTED]	[REDACTED]
Series F-2. . . . .	8 February 2021	26 February 2021	US\$275,944	US\$[REDACTED]	[REDACTED]
Series F-3. . . . .	29 June 2021	29 November 2021	US\$126,708	US\$[REDACTED]	[REDACTED]

Note:

(1) As adjusted to reflect the Share Subdivision.

(2) Assuming the [REDACTED] is fixed at HK\$[REDACTED], being the mid-point of the indicative [REDACTED] range.

**Basis of consideration** The basis of consideration of each tranche of the Pre-[REDACTED] Investments was determined by the relevant Pre-[REDACTED] Investors through arm’s length negotiations between the parties based on the valuation of our Company at the time of the investment, taking into account the timing of the investment, the then status of

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## HISTORY, REORGANISATION, AND CORPORATE STRUCTURE

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the businesses carried out by our Group, the outlook and growth potential of our Group and the industry in which we operate in.

**Use of proceeds from the Pre-[REDACTED] Investments**

We utilised the proceeds from the Pre-[REDACTED] Investments for the operations of our Company and in accordance with the business plan or budget as approved by the Board. As of the Latest Practicable Date, approximately 67% of the proceeds from Pre-[REDACTED] Investments had been utilised.

**Lock-up**

Each Shareholder agrees, if so required by the [REDACTED] and to the extent necessary for a successful [REDACTED], that it will not during the period commencing on the date of this document and ending on the date specified by our Company and the [REDACTED] (such period not to exceed one hundred eighty (180) days from the date of this document) (i) lend, offer, pledge, hypothecate, hedge, sell, make any short sale of, loan, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any equity securities of our Company owned at the time of the [REDACTED] (other than those included in such [REDACTED]), or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such equity securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of equity securities of our Company or such other securities, in cash or otherwise; provided that, among others, the lock-up agreements shall permit a Shareholder to transfer their equity securities to their respective affiliates so long as the transferees enter into the same lock-up agreement.

All the Pre-[REDACTED] Investors that are sophisticated investors (i.e., Tencent Entities, Joy Capital Entities, Sequoia China and FountainVest Entity) will retain at least an aggregate of 50% of their investment at the time of [REDACTED] for a period of at least six months following the [REDACTED], in accordance with the Stock Exchange’s Guidance Letter HKEX-GL93-18.<sup>(1)</sup>

**Strategic benefits of the Pre-[REDACTED] Investment**

At the time of the Pre-[REDACTED] Investments, our Directors were of the view that in addition to providing working capital for our Company’s continued growth, our Company could also benefit from the knowledge and experience of our Pre-[REDACTED] Investors. Moreover, our Directors were of the view that our Company could benefit from the Pre-[REDACTED] Investments as the Pre-[REDACTED] Investors’ investments demonstrated their confidence in the operations of our Company and served as an endorsement of our Company’s performance, strengths and prospects. Our Pre-[REDACTED] Investors include renowned companies in relevant industries, which have been helping us achieve business synergies and optimise our operation, and professional strategic investors, which have been providing us with professional advice on our Group’s future development and improve our corporate governance, financial reporting and internal control.

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## HISTORY, REORGANISATION, AND CORPORATE STRUCTURE

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*Note:*

(1) [REDACTED]

### Special rights of the Pre-[REDACTED] Investors

Certain special rights were granted to our Pre-[REDACTED] Investors under the relevant investment agreements and our currently effective articles of association, such as right to appoint directors or observers on the Board, rights of first refusal, rights to dividends, preferential right to distribution in the event of liquidation, winding-up or dissolution of our Company, conversion rights, prior consent for changes in the articles of association, drag-along rights, information and inspection rights and redemption rights. The relevant redemption rights granted to the Pre-[REDACTED] Investors were terminated prior to the first submission of the [REDACTED] by our Company to the Stock Exchange for the purpose of the [REDACTED] in accordance with Stock Exchange’s Guidance Letter HKEX-GL43-12, provided that such rights shall resume to be exercisable if the [REDACTED] is withdrawn, rejected, returned or lapsed. All other special rights shall be automatically terminated upon the completion of the [REDACTED].

In addition, the Company, the Pre-[REDACTED] Investors, Nholresi Investment Limited, among others, entered into a shareholders’ agreement on 20 January 2022, pursuant to which Pre-[REDACTED] Investors who hold 5% or more voting rights in the Company immediately prior to the [REDACTED], namely, Tencent Entities and Joy Capital Entities, shall have an anti-dilution option to purchase and subscribe for additional Shares at the [REDACTED] until their respective aggregate ownership of the then issued and outstanding share capital of our Company immediately after the [REDACTED] is the same as their respective aggregate ownership in our Company (on an as-converted and fully-diluted basis) immediately prior to the [REDACTED].

[REDACTED] shares of our Company held by Nholresi Investment Limited, a wholly-owned company of Mr. Chen Min, are currently Class B ordinary shares, which will be converted into Class B Shares immediately prior to the completion of the [REDACTED]. All other shares of our Company will be converted into Class A Shares immediately prior to the completion of the [REDACTED], at which time our share capital will comprise two classes of shares (i.e. Class A Shares and Class B Shares). See section headed “Share Capital — Weighted Voting Rights Structure” for details of the rights attached to the Class A Shares and Class B Shares.

[REDACTED]



## HISTORY, REORGANISATION, AND CORPORATE STRUCTURE

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[REDACTED]

Save as provided above, upon the completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no Shares are issued under the Equity Incentive Schemes), the other Pre-[REDACTED] Investors and Shareholders collectively hold [REDACTED] Class A Shares or approximately [REDACTED] of the issued share capital of our Company that will count towards the [REDACTED] upon [REDACTED].

Save as disclosed above, no other Pre-[REDACTED] Investor is a core connected person or our Company as defined under the Listing Rules. Therefore, the Class A Shares held by the other Pre-[REDACTED] Investors will count towards the [REDACTED].

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## HISTORY, REORGANISATION, AND CORPORATE STRUCTURE

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### Compliance with Interim Guidance and Guidance Letter

On the basis that (i) the consideration for the Pre-[REDACTED] Investments was settled more than 28 clear days before the date of our first submission of the [REDACTED] form to the Listing Division of the Stock Exchange in relation to the [REDACTED] and (ii) special rights granted to the Pre-[REDACTED] Investors in respect of our Company will be suspended upon filing of a [REDACTED] and/or will be terminated upon [REDACTED], the Joint Sponsors have confirmed that the Pre-[REDACTED] Investments are in compliance with the Interim Guidance on Pre-[REDACTED] Investments issued by the Stock Exchange in January 2012, as updated in March 2017, the Guidance Letter HKEX-GL43-12 issued by the Stock Exchange in October 2012 and as updated in July 2013 and March 2017 and the Guidance Letter HKEX-GL44-12 issued by the Stock Exchange in October 2012 and as updated in March 2017.

### Information on the Pre-[REDACTED] Investors

Set out below is a description of our Pre-[REDACTED] Investors, all of which being Independent Third Parties except otherwise indicated.

#### Tencent

Cool Dragon Holding Limited is an exempted company with limited liability incorporated in the Cayman Islands and Image Frame Investment (HK) Limited is a limited liability company incorporated in Hong Kong; they are collectively referred to as “**Tencent Entities**”. They are ultimately controlled by Tencent Holdings Limited, a global technology company listed on the Stock Exchange (stock code: 0700), one of our Substantial Shareholders. As of the Latest Practicable Date, Tencent Entities held in aggregate approximately [19.61]% of the total issued shares of our Company.

#### Joy Capital

Joy Capital Opportunity, L.P. is a limited partnership incorporated under the laws of Cayman Islands. Each of Joy Jade Limited, Joy Amber Limited, Joy Gem Limited, JOY FLY INVESTMENT MANAGEMENT LIMITED and BOLD HIGHLIGHT HK LIMITED is a private company limited by shares incorporated under the laws of Hong Kong. Joy Capital Opportunity, L.P., Joy Jade Limited, Joy Amber Limited, Joy Gem Limited, JOY FLY INVESTMENT MANAGEMENT LIMITED and BOLD HIGHLIGHT HK LIMITED are collectively referred to as “**Joy Capital Entities**”. Joy Amber Limited, Joy Jade Limited and Joy Gem Limited are ultimately controlled by Mr. Liu Erhai. The remaining Joy Capital Entities are ultimately controlled by the directors of Joy Capital GP, Ltd, the ultimate general partner of such remaining Joy Capital Entities. Mr. Liu Erhai disclaims beneficial ownership of the Class A ordinary shares and Preferred Shares of our Company held by Joy Capital Opportunity, L.P., JOY FLY INVESTMENT MANAGEMENT LIMITED and BOLD HIGHLIGHT HK LIMITED, except to the extent of Mr. Liu Erhai’s pecuniary interest therein, if any. As of the Latest Practicable Date, Joy Capital Entities held in aggregate approximately [9.07]% of the total issued shares of our Company.

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## HISTORY, REORGANISATION, AND CORPORATE STRUCTURE

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### Sequoia China

Max Hope Limited and SCC Growth VI Holdco E, Ltd. are exempted companies with limited liability incorporated under the laws of Cayman Islands, which are collectively referred to as “**Sequoia China**”. SCC Growth VI Holdco E, Ltd. is wholly owned by Sequoia Capital China Growth Fund VI, L.P. The general partner of Sequoia Capital China Growth Fund VI, L.P. is SC China Growth VI Management, L.P., whose general partner is SC China Holding Limited. Max Hope Limited is wholly owned by Beijing Sequoia Jingtū Management Consulting Centre (L.P.), or Jingtū, and ultimately controlled by Jingtū’s general partner, Ningbo Meishan Bonded Port Area Sequoia Huanjia Equity Investment Management Co., Ltd. (寧波梅山保稅港區紅杉桓嘉投資管理有限公司). As of the Latest Practicable Date, Sequoia China held in aggregate approximately [7.64]% of the total issued shares of our Company.

### FountainVest China

Ubiquity Holdings Ltd. (“**FountainVest Entity**”) is a private company limited by shares incorporated under the laws of Cayman Islands. It is 76.84% owned by FountainVest China Capital Partners Fund III, L.P., 22.72% owned by FountainVest China Capital Parallel Fund III, L.P. and 0.44% owned by FountainVest China Capital Parallel-A Fund III, L.P. FountainVest China Capital Partners Fund III, L.P., FountainVest China Capital Parallel Fund III, L.P. and FountainVest China Capital Parallel-A Fund III, L.P. are Cayman Islands limited partnerships. FountainVest China Capital Partners GP3 Ltd., a Cayman Islands company, is the sole general partner of FountainVest China Capital Partners Fund III, L.P., FountainVest China Capital Parallel Fund III, L.P. and FountainVest China Capital Parallel-A Fund III, L.P. FountainVest China Capital Partners GP3 Ltd. is controlled by its directors, Kui Tang and George Jian Chuang, each an Independent Third Party. As of the Latest Practicable Date, Ubiquity Holdings Ltd. held approximately [5.51]% of the total issued shares of our Company.

### Legend Capital

FORTUNE ISLE LIMITED (“**Fortune Isle**”) is a private company limited by shares incorporated in Hong Kong, and is directly owned by LC Fund V, L.P. and LC Parallel Fund V, L.P., exempted limited partnerships organised in the Cayman Islands. LC Fund V GP Limited, an exempted company with limited liability incorporated in the Cayman Islands, is the general partner of LC Fund V, L.P. and LC Parallel Fund V, L.P.. Great Unity Fund I, L.P. (“**Great Unity**”) is an exempted limited partnership organised in the Cayman Islands, and its general partner is LC Fund GP Limited. Fortune Isle and Great Unity are collectively referred to as “**Legend Capital Entities**”. As of the Latest Practicable Date, Legend Capital Entities held approximately [3.89]% of the total issued shares of our Company.

### Starquest Capital

Shanghai Xingli Enterprise Management Partnership (Limited Partnership) (上海星礫企業管理合夥企業(有限合夥)) (“**Shanghai Xingli**”) is a limited partnership organised in the PRC. Starquest

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## HISTORY, REORGANISATION, AND CORPORATE STRUCTURE

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Capital Equity Investment Management (Shenzhen) Co., Ltd. (“**Starquest Capital**”), a limited liability company established in the PRC, is the general partner of Shanghai Xingli. As of the Latest Practicable Date, Shanghai Xingli held approximately [3.64]% of the total issued shares of our Company.

### **Carlyle Group**

Leap Engine Holdings (“**Leap Engine**”) is a private company limited by shares incorporated in Mauritius and is wholly owned by CAP Growth I Mauritius Limited (formerly known as CAGP V Mauritius Limited) (“**CAP Growth**”) and CAP Growth I Coinvest Mauritius Limited (formerly known as CAGP V Coinvest Mauritius Limited) (“**CAP Growth Coinvest**”), each a public company limited by shares incorporated in Mauritius. Hangzhou Kaizhonghu Investment Management Partnership (Limited Partnership) (杭州凱中虎投資管理合夥企業 (有限合夥)) (“**Kaizhonghu**” and, together with Leap Engine, the “**Carlyle Entities**”) is a limited partnership organised in the PRC and is wholly owned by Carlyle Beijing Partners Fund II, L.P. (“**CBPF II**”) and Carlyle (Beijing) Investment Consulting Center, L.P. (“**CBPF GP**”), each a limited partnership organised in the PRC (CBPF II together with CAP Growth and CAP Growth Coinvest, collectively, the “**Carlyle Funds**”). The Carlyle Funds are investment funds managed and advised by affiliate entities of the Carlyle Group Inc. (“**Carlyle**”). The Carlyle Funds, by and through its control affiliates including their respective general partners, including CBPF GP, are ultimately controlled (directly or indirectly) by Carlyle, a company listed on NASDAQ (stock symbol: CG). Carlyle is a global investment firm with US\$373 billion of assets under management across 543 investment vehicles as of 31 December 2022. As of the Latest Practicable Date, Carlyle Entities held approximately [3.19]% of the total issued shares of our Company.

### **Qiming Venture**

Qiming Venture Partners IV, L.P. (“**QVP IV**”) and Qiming Managing Directors Fund IV, L.P. (“**QMD IV**”) are exempted limited partnerships registered under the laws of the Cayman Islands. Qiming GP IV, L.P. (“**QGP IV**”) is the general partner of QVP IV, whereas Qiming Corporate GP IV, Ltd. (“**QCorp IV**”) is the general partner of QGP IV and QMD IV. The voting and investment power of the Shares in the Company held by QVP IV and QMD IV is exercised by QCorp IV, which is 25% owned by each of Mr. Duane Ziping Kuang, Mr. Gary Rieschel, Ms. Nisa Bernice Leung and Mr. Robert Headley, respectively. QVP IV and QMD IV are collectively referred to as “**Qiming Entities**”. As of the Latest Practicable Date, Qiming Entities held approximately [3.12]% of the total issued shares of our Company.

### **Goldman Sachs**

Goldman Sachs Asia Strategic II Pte. Ltd. is a private company limited by shares incorporated in Singapore, and is wholly owned by GLQ International Holdings Ltd, a limited liability company incorporated in Jersey. GLQ International Holdings Ltd is an indirectly wholly-owned subsidiary of The Goldman Sachs Group, Inc., a company listed on the New York Stock Exchange (stock symbol:

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GS). As of the Latest Practicable Date, Goldman Sachs Asia Strategic II Pte. Ltd. held approximately [2.45]% of the total issued shares of our Company.

### CICC

Qilu (Xiamen) Equity Investment Partnership (Limited Partnership) (啓鷺(廈門)股權投資合夥企業(有限合夥)) (“**Qilu Xiamen**”) and CICC Qizhi (Shanghai) Equity Investment Centre (Limited Partnership) (中金祺智(上海)股權投資中心(有限合夥)) (“**CICC Qizhi**”) are limited partnerships organised in the PRC. Autotiger Investment Limited (“**Autotiger Investment**”) is a limited liability company incorporated in the Cayman Islands. CICC Capital Management Co., Ltd. (中金資本運營有限公司) (“**CICC Capital**”), a limited liability company established in the PRC, is the general partner of Qilu Xiamen. CICC Capital is a wholly-owned subsidiary of China International Capital Corporation Limited (中國國際金融股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601995) and the Main Board of the Stock Exchange (stock code: 3908) (“**CICC**”). CICC Private Equity Management Co., Ltd. (中金私募股權投資管理有限公司), a limited liability company established in the PRC, is the general partner of CICC Qizhi, which is ultimately controlled by CICC Capital. Autotiger Investment is indirectly wholly owned by CICC. Qilu Xiamen, CICC Qizhi and Autotiger Investment are collectively referred to as “**CICC Entities**”. As of the Latest Practicable Date, CICC Entities held approximately [2.34]% of the total issued shares of our Company.

### Hillhouse

Hillhouse TH (HK) Holdings Limited is a limited company incorporated under the laws of Hong Kong, which is wholly owned by Hillhouse TH Holdings Limited, an exempted company incorporated in the British Virgin Islands. The sole shareholder of Hillhouse TH Holdings Limited is Hillhouse Technology Holdings Fund, L.P., an exempted limited partnership established in the Cayman Islands. The sole limited partner of Hillhouse Technology Holdings Fund, L.P. is Hillhouse Fund II, L.P., which is managed and controlled by Hillhouse Investment Management, Ltd., an exempted company incorporated in the Cayman Islands. As of the Latest Practicable Date, Hillhouse TH (HK) Holdings Limited held approximately [2.11]% of the total issued shares of our Company.

### Far East

Tianjin Yuanyi Kaiyuan Asset Management Centre (LP) (天津遠翼開元資產管理中心(有限合夥)) (“**Tianjin Yuanyi**”) is a limited partnership organised in the PRC. Tianjin Yuanyi Hongyang Asset Management Co., Ltd. (天津遠翼宏揚資產管理有限公司) is the general partner of Tianjin Yuanyi and is ultimately controlled by Far East Horizon Co., Ltd., a company listed on the Main Board of the Stock Exchange (stock code: 3360) (“**Far East Horizon**”). Grand Flight Investment Management Limited (“**Grand Flight**”) is a limited liability company incorporated in the British Virgin Islands, and is indirectly wholly owned by Far East Horizon. Tianjin Yuanyi and Grand Flight are collectively referred to as “**Far East Entities**”. As of the Latest Practicable Date, Far East Entities held approximately [2.10]% of the total issued shares of our Company.

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### **Baidu**

Baidu (Hong Kong) Limited (百度(香港)有限公司) is a company limited by shares incorporated in Hong Kong, and is indirectly wholly owned by Baidu, Inc., a company listed on the Main Board of the Stock Exchange (stock code: 9888) and on NASDAQ (stock symbol: BIDU). As of the Latest Practicable Date, Baidu (Hong Kong) Limited held approximately [2.03]% of the total issued shares of our Company.

### **Atom Ventures**

Atom Ventures International Ltd is a company limited by shares incorporated in the British Virgin Islands, and is owned as to more than 90% by Shanghai Yuanhe Venture Capital Center (Limited Partnership) (上海原禾創業投資中心 (有限合夥)) (“**Yuanhe Venture**”). The general partner of Yuanhe Venture is Ningbo Meishan Bonded Port Area Original Management Investment Management Partnership (Limited Partnership) (寧波梅山保稅港區原管投資管理合夥企業 (有限合夥)) (“**Ningbo Meishan**”), a limited partnership organised in the PRC. The general partner of Ningbo Meishan is Atom (Shanghai) Investment Co., Ltd. (原子 (上海) 投資股份有限公司), a limited liability company established in the PRC. Atom Tiger Limited is a company limited by shares incorporated in the British Virgin Islands, and is wholly owned by Atom Ventures International Ltd. Atom Ventures International Ltd and Atom Tiger Limited are collectively referred to as “**Atom Entities**”. As of the Latest Practicable Date, Atom Entities held approximately [1.67]% of the total issued shares of our Company.

### **D1 Capital**

D1 SPV TU Master (Hong Kong) Limited is a company limited by shares incorporated in Hong Kong, and is wholly owned by D1 Capital Partners Master LP (“**D1 Master Funds**”), an exempted limited partnership organised in the Cayman Islands. The general partner of D1 Master Funds is D1 Capital Partners GP Sub LLC. As of the Latest Practicable Date, D1 SPV TU Master (Hong Kong) Limited held approximately [1.31]% of the total issued shares of our Company.

### **Skycus China Fund, L.P.**

Skycus China Fund, L.P. is a limited partnership organised in the Cayman Islands. The general partner of Skycus China Fund, L.P. is Parallel Universes Asset Management Limited, which is ultimately controlled by Mr. Eric Li. As of the Latest Practicable Date, Skycus China Fund, L.P. held approximately [1.32]% of the total issued shares of our Company.

### **Fidelity**

Fidelity China Special Situations PLC, a closed-ended investment company incorporated in England and Wales, Fidelity Asian Values PLC, a closed-ended investment company incorporated in England and Wales, Fidelity Investment Funds, an open-ended investment company with variable



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## HISTORY, REORGANISATION, AND CORPORATE STRUCTURE

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capital incorporated in England and Wales, and Fidelity Funds, an open-ended investment company established in Luxembourg as a SICAV, are collectively referred to as “**Fidelity Entities**” and are advised or sub-advised by FIL Investment Management (Hong Kong) Limited and its affiliates, which are ultimately controlled by FIL Limited. FIL Limited is controlled by Pandanus Partners L.P., whose general partner is Pandanus Associates Inc. As of the Latest Practicable Date, Fidelity Entities held approximately [0.94]% of the total issued shares of our Company.

### **MassAve Global**

Mass Ave Global Basket Holdings II, LP is an exempted limited partnership organised in the Cayman Islands, of which Mass Ave Global GP, LLC, a limited liability company incorporated in the Cayman Islands, is the general partner. As of the Latest Practicable Date, Mass Ave Global Basket Holdings II, LP held approximately [0.94]% of the total issued shares of our Company.

### **Welkin Capital**

TREND STAR INVESTMENTS LIMITED (“**Trend Star**”) is a limited liability company incorporated in the British Virgin Islands. THRIVE MATRIX LIMITED (“**Thrive Matrix**”) is a limited liability company incorporated in the British Virgin Islands. Trend Star and Thrive Matrix are collectively referred to as “**Welkin Capital Entities**”. Welkin Capital Entities are wholly owned by Welkin Capital Partners II, L.P. (“**Welkin Capital**”), a limited partnership organised in the Cayman Islands. The general partner of Welkin Capital is WCP II GP Limited, an limited liability company incorporated in the Cayman Islands. As of the Latest Practicable Date, Welkin Capital Entities held approximately [0.83]% of the total issued shares of our Company.

### **Gather Full International Group Limited**

Gather Full International Group Limited is a limited liability company incorporated in the British Virgin Islands, and is wholly owned by Managecorp Limited as trustee of Alliance Capital Trust, which has three individual discretionary beneficiaries. As of the Latest Practicable Date, Gather Full International Group Limited held approximately [0.80]% of the total issued shares of our Company.

### **Yingben**

Ningbo Jinwin Futu Equity Investment Partnership (Limited Partnership) (寧波金贏富途股權投資合夥企業 (有限合夥)) (“**Ningbo Jinwin**”) and Ningbo Jinben Investment Partnership (Limited Partnership) (寧波金犇投資合夥企業 (有限合夥)) (“**Ningbo Jinben**”) are limited partnerships organised in the PRC. Each of their general partner is Tianjin CCB International Jinhe Equity Investment Management Limited (天津建銀國際金禾股權投資管理有限公司) (“**Tianjin Jinhe**”), a limited liability company established in the PRC. Tianjian Jinhe is ultimately controlled by China Construction Bank Corporation, a company listed on the Shanghai Stock Exchange (stock code: 601939). Ningbo Jinwin and Ningbo Jinben are collectively referred to as “**Yingben**”. As of the

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Latest Practicable Date, Yingben held approximately [0.66]% of the total issued shares of our Company.

### **Duckling Fund, L.P.**

Duckling Fund, L.P. is a limited partnership organised in the Cayman Islands. The general partner of Duckling Fund, L.P. is Grandiflora Hook GP Limited, which is ultimately controlled by Mr. Eric Li. As of the Latest Practicable Date, Duckling Fund, L.P. held approximately [0.64]% of the total issued shares of our Company.

### **B Capital Group**

B Capital China I – LLC is an exempted company with limited liability incorporated in the Cayman Islands, and is wholly owned by B Capital Fund II, L.P., an exempted limited partnership organised in the Cayman Islands. The general partner of B Capital Fund II, LP is B Capital Group Partners II, LP, which is in turn managed by B Capital Group Management, L.P., an exempted limited partnership organised in the Cayman Islands that is controlled by Mr. Rajarshi Ganguly and Mr. Eduardo Saverin. As of the Latest Practicable Date, B Capital China I – LLC held approximately [0.64]% of the total issued shares of our Company.

### **FAW Group**

FAW Equity Investment (Tianjin) Company Limited (一汽股權投資(天津)有限公司) is a limited liability company incorporated in the PRC, and is indirectly wholly owned by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (中華人民共和國國務院國有資產監督管理委員會). As of the Latest Practicable Date, FAW Equity Investment (Tianjin) Company Limited held approximately [0.51]% of the total issued shares of our Company.

### **Sunshare Capital**

Shanghai Shangli Investment Center (Limited Partnership) (上海尚隸投資中心(有限合夥)) (“**Shanghai Shangli**”) is a limited partnership organised in the PRC. Sunshare Capital Management Co. Ltd. (尚信資本管理有限公司), a limited liability company established in the PRC, is the general partner of Shanghai Shangli. As of the Latest Practicable Date, Shanghai Shangli Investment Center (Limited Partnership) held approximately [0.51]% of the total issued shares of our Company.

### **Shell**

Shell Ventures B.V. is a limited liability company incorporated in the Netherlands, and is indirectly wholly owned by Shell plc, a company listed on the London Stock Exchange (stock symbol: SHEL). As of the Latest Practicable Date, Shell Ventures B.V. held approximately [0.40]% of the total issued shares of our Company.



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### ZWC Partners

ZWC Tuhu Investment Limited is a company limited by shares incorporated in the British Virgin Islands, and its entire voting rights are controlled by ZWC Fund II General Partners Limited, an exempted company with limited liability incorporated in the Cayman Islands. As of the Latest Practicable Date, ZWC Tuhu Investment Limited held approximately [0.39]% of the total issued shares of our Company.

### Forward Investment

Forward Investment Corporation III is an exempted company with limited liability incorporated in the Cayman Islands, and its entire voting rights are controlled by Forward Investment Holding Limited, a private company with limited liability incorporated in Hong Kong. As of the Latest Practicable Date, Forward Investment Corporation III held approximately [0.33]% of the total issued shares of our Company.

### Greenwoods

AMBER EASY LIMITED is a company limited by shares incorporated in the British Virgin Islands, and is owned as to 90% by Greenwoods Bloom Fund II, L.P. (“**Greenwoods Fund**”), an exempted limited partnership registered in the Cayman Islands, and as to 10% by Greenwoods Bloom II Ltd., an exempted company with limited liability incorporated in the Cayman Islands. The general partner of Greenwoods Fund is Greenwoods Bloom II Ltd.. As of the Latest Practicable Date, AMBER EASY LIMITED held approximately [0.25]% of the total issued shares of our Company.

### PROSPEROUS ROUTE LIMITED

PROSPEROUS ROUTE LIMITED is a company limited by shares incorporated in the British Virgin Islands, and is wholly owned by Hollyview International Limited, an international business company incorporated under the laws of the British Virgin Islands. Hollyview International Limited is wholly owned by Mr. Yebi Hu. As of the Latest Practicable Date, PROSPEROUS ROUTE LIMITED held approximately [0.25]% of the total issued shares of our Company.

### Dai Ying Limited

Dai Ying Limited is a limited liability company incorporated in the British Virgin Islands, and is directly owned by Tianjin Honglian Weida Enterprise Management Consulting Center (Limited Partnership) (天津宏連偉達企業管理諮詢中心(有限合夥)) (“**Honglian Weida**”) and Tianjin Honglian Ruichang Enterprise Management Consulting Center (Limited Partnership) (天津宏連銳昌企業管理諮詢中心(有限合夥)) (“**Honglian Ruichang**”). The general partner of both Honglian Weida and Honglian Ruichang is Shanghai Honglian Investment Management Co., Ltd. (上海宏連投資管理有限公司). As of the Latest Practicable Date, Dai Ying Limited held approximately [0.23]% of the total issued shares of our Company.

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### **YINUO Evergreen Investment Limited Partnership**

YINUO Evergreen Investment Limited Partnership (“**YINUO**”) is a limited partnership organised in the Cayman Islands, of which NORTH BETA INTERNATIONAL ASSET MANAGEMENT LIMITED is the general partner. As of the Latest Practicable Date, YINUO held approximately [0.24]% of the total issued shares of our Company.

### **NIO Capital**

YELLOW SUNSET LIMITED is a limited liability company incorporated in the British Virgin Islands, and is wholly owned by Nio Capital Opportunity Fund L.P. (“**Nio Opportunity**”), an exempted limited partnership organised in the Cayman Islands. The general partner of Nio Opportunity is NIO CAPITAL II LLC, a limited liability company incorporated in the Cayman Islands. As of the Latest Practicable Date, YELLOW SUNSET LIMITED held approximately [0.18]% of the total issued shares of our Company.

### **Astrapto Capital**

Arizona Tower Limited is a BVI business company incorporated under the laws of the British Virgin Islands. An investment decision committee composed of five individuals who are Independent Third Parties controls the decision-making power of Astrapto Capital Partners Limited (“**Astrapto Capital**”), which controls 100% voting rights in Arizona Tower Limited. As of the Latest Practicable Date, Arizona Tower Limited held approximately [0.17]% of the total issued shares of our Company.

### **Cathay Capital**

SINO-FRENCH (INNOVATION) FUND II is a French Alternative Investment Fund (in the form of a Professional Private Equity Investment Fund), of which Cathay Innovation SAS, a simplified joint-stock company incorporated in France, is the portfolio management company. Cathay Innovation SAS is ultimately controlled by Mr. Cai Mingpo. As of the Latest Practicable Date, SINO-FRENCH (INNOVATION) FUND II held approximately [0.13]% of the total issued shares of our Company.

### **GMO CO., LTD**

GMO CO., LTD is a company limited by shares incorporated in the British Virgin Islands, and is directly wholly owned by Mr. Wang Peng. As of the Latest Practicable Date, GMO CO., LTD held approximately [0.11]% of the total issued shares of our Company.

### **APEX SAIL LIMITED**

APEX SAIL LIMITED is a company limited by shares incorporated in the British Virgin Island, and is wholly owned by Apex Holdings Enterprises Limited (“**Apex Holdings**”), a company

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limited by shares incorporated in the British Virgin Islands. The entire issued share capital of Apex Holdings is wholly owned by IQ EQ (Switzerland) Limited as the trustee of the Ye Family Trust under a revocable discretionary trust, with Ye Fan and certain family members as discretionary objects. IQ EQ (Switzerland) Limited is owned and controlled, directly or indirectly, by Saphilux S.a.r.l.. As of the Latest Practicable Date, APEX SAIL LIMITED held approximately [0.09]% of the total issued shares of our Company.

### **Ping An Group**

Yizhi Ventures Limited is a company limited by shares incorporated in the British Virgin Islands, and is wholly owned by Shanghai Dingyu Cheying Equity Investment Fund Partnership (Limited Partnership) (上海鼎瑜車盈股權投資基金合夥企業 (有限合夥)) (“**Dingyu Cheying**”), a limited partnership organised in the PRC. Dingyu Cheying is ultimately controlled by Ping An Insurance (Group) Company of China, Ltd. (中國平安保險 (集團) 股份有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 2318) and on the Shanghai Stock Exchange (stock code: 601318). As of the Latest Practicable Date, Yizhi Ventures Limited held approximately [0.05]% of the total issued shares of our Company.

### **Artisan Partners**

Artisan China Post-Venture Holdings Limited is a private company limited by shares incorporated in Hong Kong, and is wholly owned by Artisan China Post-Venture Master Fund LP (“**Artisan Master Fund**”), an exempted limited partnership registered in the Cayman Islands. The investments made by the Artisan Master Fund are directed by Artisan Partners Limited Partnership, an investment manager registered with the United States Securities and Exchange Commission under the Investment Advisers Act of 1940, as amended. As of the Latest Practicable Date, Artisan China Post-Venture Holdings Limited held approximately [0.05]% of the total issued shares of our Company.

### **CAPITAL TIME AGENTS LIMITED**

CAPITAL TIME AGENTS LIMITED is a company limited by shares incorporated in the British Virgin Islands, and is wholly owned by Mr. Tony Tuo Zheng. As of the Latest Practicable Date, CAPITAL TIME AGENTS LIMITED held approximately [0.04]% of the total issued shares of our Company.

### **NM Strategic Management (HK) Limited**

NM Strategic Management (HK) Limited is a private company limited by shares incorporated in Hong Kong, and is indirectly wholly owned by Mr. Yip Ka Kay. As of the Latest Practicable Date, NM Strategic Management (HK) Limited held approximately [0.03]% of the total issued shares of our Company.

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### CAPITALISATION OF OUR COMPANY

The below table is a summary of the capitalisation of our Company as of the Latest Practicable Date and immediately upon completion of the [REDACTED], assuming the [REDACTED] is not exercised and no Shares are issued under the Equity Incentive Schemes:

Shareholders <sup>(6)</sup>	Class A Ordinary Shares	Class B Ordinary Shares	Series Seed Preferred Shares	Series A Preferred Shares	Series B Preferred Shares	Series C-1 Preferred Shares	Series C-2 Preferred Shares	Series C-3 Preferred Shares	Series D-1 Preferred Shares	Series D-2 Preferred Shares	Series E-1 Preferred Shares	Series E-2 Preferred Shares	Series E-3 Preferred Shares	Series E-4 Preferred Shares	Series F Preferred Shares	Series F-2 Preferred Shares	Series F-3 Preferred Shares	Aggregate number of the Latest Practicable Date	Ownership percentage as of the Latest Practicable Date	Ownership percentage immediately after completion of the [REDACTED] (4)(5)
Niobres Investment Limited	[REDACTED]	68,949,580	—	—	—	—	—	—	—	212,415	—	—	—	—	—	—	—	84,161,995	[10.86]%	[REDACTED]
TroisUns.HU Investment Limited	25,223,685	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	25,223,685	3.26%	[REDACTED]
Management and Employee Holding Companies <sup>(5)</sup>	42,125,175	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	42,125,175	5.44%	[REDACTED]
Atom Entities <sup>(5)</sup>	—	11,211,980	—	—	—	—	—	—	195,295	485,535	1,029,275	—	—	—	—	—	—	12,922,085	1.67%	[REDACTED]
Legend Capital Entities <sup>(3)</sup>	—	—	—	8,635,870	9,762,265	9,028,490	—	—	—	—	—	—	—	—	—	—	—	30,154,380	3.89%	[REDACTED]
Ubiquity Holdings Ltd. <sup>(3)</sup>	—	—	—	6,994,985	—	—	—	—	—	—	—	—	—	2,727,755	4,889,055	1,300,765	—	42,707,045	5.11%	[REDACTED]
Joy Capital Entities <sup>(3)</sup>	4,166,000	—	—	8,996,740	—	—	24,505,905	—	7,872,555	—	16,006,150	1,739,800	—	7,008,495	—	—	—	70,295,645	9.07%	[REDACTED]
Sequoia Entities <sup>(3)</sup>	—	—	—	13,699,350	—	—	3,675,895	789,640	—	—	—	21,693,900	—	3,654,625	15,644,980	—	—	59,158,390	7.64%	[REDACTED]
DI SPV TU Master (Hong Kong) Limited <sup>(5)</sup>	—	—	—	3,639,445	—	—	—	—	—	—	—	—	—	669,205	5,866,865	—	—	10,175,515	1.31%	[REDACTED]
Qiming Entities <sup>(5)</sup>	—	—	—	—	15,310,475	3,869,350	—	2,940,710	—	—	2,291,315	—	—	—	—	—	—	24,411,850	3.15%	[REDACTED]
Gather Full International Group Limited <sup>(5)</sup>	—	—	—	—	6,196,550	—	—	—	—	—	—	—	—	—	—	—	—	6,196,550	0.80%	[REDACTED]
TREND STAR INVESTMENTS LIMITED <sup>(3)</sup>	—	—	—	—	—	—	5,240,040	—	—	—	—	—	—	—	—	—	—	5,240,040	0.68%	[REDACTED]
Tencent Entities <sup>(3)</sup>	—	—	—	—	—	—	1,666,505	—	2,598,015	2,058,550	—	—	88,918,925	43,088,065	11,733,735	1,826,040	151,889,835	19.61%	[REDACTED]	
Hillhouse TH (HK) Holdings Limited <sup>(3)</sup>	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	14,703,550	2.11%	[REDACTED]
AMBER EASY LIMITED <sup>(3)</sup>	—	—	—	—	—	—	—	1,960,480	—	—	—	—	—	—	1,162,505	498,425	—	1,960,480	0.25%	[REDACTED]
Shanghai Xingli Enterprise Management Partnership (Limited Partnership) (上海星隼企业管理合伙企业(有限合伙)) <sup>(5)</sup>	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
CAPITAL TIME AGENTS LIMITED <sup>(3)</sup>	—	—	—	—	—	—	—	24,247,490	3,936,275	—	—	—	—	—	—	—	—	28,183,765	3.64%	[REDACTED]
Shanghai Shangli Investment Center (Limited Partnership) (上海尚隼投资中心(有限合伙)) <sup>(5)</sup>	—	—	—	—	—	—	—	—	—	—	308,785	—	—	—	—	—	—	308,785	0.04%	[REDACTED]
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	3,936,275	0.51%	[REDACTED]

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Shareholders <sup>(6)</sup>	Class A Ordinary Shares	Class B Ordinary Shares	Series Seed Preferred Shares	Series A Preferred Shares	Series B Preferred Shares	Series C-1 Preferred Shares	Series C-2 Preferred Shares	Series C-3 Preferred Shares	Series D-1 Preferred Shares	Series D-2 Preferred Shares	Series E-1 Preferred Shares	Series E-2 Preferred Shares	Series E-3 Preferred Shares	Series E-4 Preferred Shares	Series F Preferred Shares	Series F-2 Preferred Shares	Series F-3 Preferred Shares	Aggregate number of shares of the Practicable Date	Ownership percentage as of the Practicable Date	Ownership percentage immediately after completion of the transaction <sup>(6)(5)</sup>
CICC Entities <sup>(3)</sup>	—	—	—	—	—	—	—	—	7,872,550	3,542,750	1,029,275	2,783,680	—	—	—	2,933,430	—	18,161,685	2.34%	[REDACTED]
Dai Ying Limited 岱盈有限公司 <sup>(5)</sup>	—	—	—	—	—	—	—	—	1,574,510	—	208,775	—	—	—	—	—	—	1,783,285	0.23%	[REDACTED]
Far East Entities <sup>(3)</sup>	—	—	—	—	—	—	—	—	6,298,040	—	8,142,260	—	—	—	—	—	—	16,258,805	2.10%	[REDACTED]
Baidu (Hong Kong) Limited 百 度(香港)有限公司 <sup>(5)</sup>	—	—	—	—	—	—	—	—	—	15,745,550	—	—	—	—	—	—	—	15,745,550	2.03%	[REDACTED]
Goldman Sachs Asia Strategic II Pte. Ltd <sup>(3)</sup>	—	—	—	—	—	—	—	—	—	15,745,550	—	3,228,645	—	—	—	—	—	18,974,195	2.45%	[REDACTED]
Carlyle Entities <sup>(3)</sup>	—	—	—	—	—	—	—	—	—	—	23,473,955	—	—	1,212,335	—	—	—	24,686,290	3.19%	[REDACTED]
Arizona Tower Limited <sup>(3)</sup>	—	—	—	—	—	—	—	—	—	—	1,338,055	—	—	—	—	—	—	1,338,055	0.17%	[REDACTED]
B Capital China I – LLC <sup>(3)</sup>	—	—	—	—	—	—	—	—	—	—	1,029,275	—	—	—	3,911,245	—	—	4,940,520	0.64%	[REDACTED]
SINO-FRENCH (INNOVATION) FUND II <sup>(3)</sup>	—	—	—	—	—	—	—	—	—	—	1,029,275	—	—	—	—	—	—	1,029,275	0.13%	[REDACTED]
APEX SAIL LIMITED 普帆有限公 司 <sup>(5)</sup>	—	—	—	—	—	—	—	—	—	—	205,855	468,585	—	—	—	—	—	674,440	0.09%	[REDACTED]
NM Strategic Management (HK) Limited <sup>(3)</sup>	—	—	—	—	—	—	—	—	—	—	205,855	—	—	—	—	—	—	205,855	0.03%	[REDACTED]
Skycus China Fund, L.P. <sup>(3)</sup>	1,485,180	—	—	—	3,098,275	—	—	5,606,165	—	—	—	—	—	—	—	—	—	10,189,620	1.32%	[REDACTED]
Duckling Fund, L.P. <sup>(3)</sup>	—	—	—	—	—	—	—	—	—	—	2,058,550	—	—	—	—	2,933,435	—	4,991,985	0.64%	[REDACTED]
FAW Equity Investment (Tianjin) Company Limited 一汽股权投资 (天津) 有限公司 <sup>(3)</sup>	—	—	—	—	—	—	—	—	—	—	1,029,275	—	—	—	—	2,933,435	—	3,962,710	0.51%	[REDACTED]
THRIVE MATRIX LIMITED <sup>(3)</sup>	—	—	—	—	—	—	—	—	—	—	—	1,179,660	—	—	—	—	—	1,179,660	0.15%	[REDACTED]
Shell Ventures B.V. <sup>(3)</sup>	—	—	—	—	—	—	—	—	—	—	—	3,082,685	—	—	—	—	—	3,082,685	0.40%	[REDACTED]
Yizhi Ventures Limited <sup>(3)</sup>	—	—	—	—	—	—	—	—	—	—	—	415,475	—	—	—	—	—	415,475	0.05%	[REDACTED]
PROSPEROUS ROUTE LIMITED 奥途有限公司 <sup>(3)</sup>	—	—	—	—	—	—	—	—	—	—	—	—	1,947,130	—	—	—	—	1,947,130	0.25%	[REDACTED]
Yingbei <sup>(3)</sup>	—	—	—	—	—	—	—	—	—	—	—	—	—	4,970,150	—	156,135	—	5,126,285	0.66%	[REDACTED]
ZWC Tuhu Investments Limited <sup>(3)</sup>	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	2,984,895	0.39%	[REDACTED]
Fidelity Entities <sup>(3)</sup>	—	—	—	—	—	—	—	—	—	—	—	—	—	1,029,275	1,955,620	—	—	7,304,155	0.94%	[REDACTED]
Mass Ave Global Basket Holdings II, LP <sup>(3)</sup>	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	7,304,155	0.94%	[REDACTED]
Artisan China Post-Venture Holdings Limited <sup>(3)</sup>	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	365,210	0.05%	[REDACTED]

## HISTORY, REORGANISATION, AND CORPORATE STRUCTURE

Shareholders <sup>(6)</sup>	Class A Ordinary Shares	Class B Ordinary Shares	Series Seed Preferred Shares	Series A Preferred Shares	Series B Preferred Shares	Series C-1 Preferred Shares	Series C-2 Preferred Shares	Series C-3 Preferred Shares	Series D-1 Preferred Shares	Series D-2 Preferred Shares	Series E-1 Preferred Shares	Series E-2 Preferred Shares	Series E-3 Preferred Shares	Series E-4 Preferred Shares	Series F Preferred Shares	Series F-2 Preferred Shares	Series F-3 Preferred Shares	Aggregate number of shares of the Practicable Date	Ownership percentage as of the Practicable Date	Ownership percentage immediately after completion of the transaction [REDACTED] <sup>(6)(5)</sup>
																				[REDACTED]
YINLUO Evergreen Investment Limited	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,826,040	0.24%	[REDACTED]
Partnership <sup>(3)</sup> . . . . .	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	2,556,455	0.33%	[REDACTED]
Forward Investment Corporation	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	814,065	0.11%	[REDACTED]
III <sup>(3)</sup> . . . . .	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,387,035	0.18%	[REDACTED]
GMO CO., LTD <sup>(3)</sup> . . . . .	814,065	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	814,065	0.11%	[REDACTED]
YELLOW SUNSET LIMITED <sup>(3)</sup> . . . . .	1,387,035	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1,387,035	0.18%	[REDACTED]
Other	[REDACTED]	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	[REDACTED]
<b>Total</b> . . . . .	[REDACTED] 68,949,580	41,666,390	12,897,840	35,088,345	50,248,035	31,685,500	38,329,815	61,444,480	34,592,430	90,866,055	4,970,150	91,030,500	55,964,305	23,137,380	774,651,490	100.00%	1,001%			

**Notes:**

- (1) As of the Latest Practicable Date, all the warrants to purchase shares in our Company had been exercised by warrant holders.
- (2) Tiambao Limited, EASONZ Limited, MiddleOne Limited, Machhapuchhre Limited, Guanajuato Limited, Gunung Rinjani Limited, Nyenchen Tanglha Limited, Sosinpopolep Limited, Ultra Leo Limited, ChenyeXinyue Limited, BeauTomo Investment Limited, Namcha Barwa Limited, R&K(Ramon&Kay) Limited, Potato Creative Investment Limited, Dhaulagiri Limited, Sibings J&Y Investment Limited, One to Four Limited, Beginning Of Winter Investment Limited, Mt.Everest Limited, Chomo Tseringma Limited, Abelxie Investment Limited, Little Dream Investment Limited, Mount Kazbek Limited, Star Year Investment Limited, Careycuo Limited, Murray-Darling Limited and TYCXX Investment Limited are all limited liability companies incorporated in the British Virgin Islands, and are collectively referred to as “**Management and Employee Holding Companies**”, details of which are listed below:
  - Tiambao Limited is ultimately beneficially owned by Wang Huijie, an employee of our Company.
  - EASONZ Limited is ultimately beneficially owned by Zhou Keren, a former employee of our Company.
  - MiddleOne Limited is ultimately beneficially owned by Zhu Yan, co-founder of our Company.
  - Machhapuchhre Limited is ultimately beneficially owned by Zhou Lizhi, former chief financial officer of our Company.
  - Guanajuato Limited is ultimately beneficially owned by Zhuang Limin, a former employee of our Company.
  - Gunung Rinjani Limited is ultimately beneficially owned by Wang Tailin, a former employee of our Company.
  - Nyenchen Tanglha Limited is ultimately beneficially owned by Yang Chuguo, a former employee of our Company.
  - Sosinpopolep Limited is ultimately beneficially owned by Xu Yuan, an employee of our Company.
  - Ultra Leo Limited is ultimately beneficially owned by Xu Liyuan, an employee of our Company.
  - ChenyeXinyue Limited is ultimately beneficially owned by Bao Li, an employee of our Company.
  - BeauTomo Investment Limited is ultimately beneficially owned by Xia Hongwei, a senior vice president of our Company.

## HISTORY, REORGANISATION, AND CORPORATE STRUCTURE

- Namcha Barwa Limited is ultimately beneficially owned by Xu Jian, a director of one of our major subsidiaries.
  - R&K(Ramon&Kay) Limited is ultimately beneficially owned by Li Hui, a former employee of our Company.
  - Potato Creative Investment Limited is ultimately beneficially owned by Sun Dengjia, a former employee of our Company.
  - Dhaulagiri Limited is ultimately beneficially owned by Zhang Zhenhui, an employee of our Company.
  - Sibings J&Y Investment Limited is ultimately beneficially owned by Mu Xiaoling, a former employee of our Company.
  - One to Four Limited is ultimately beneficially owned by Zhu Hequn, a director of one of our major subsidiaries.
  - Beginning Of Winter Investment Limited is ultimately beneficially owned by Wang Lidong, an employee of our Company.
  - Mt.Everest Limited is ultimately beneficially owned by Qiao Yong, an employee of our Company.
  - Chomo Tseringma Limited is ultimately beneficially owned by Xiao Zhifei, an employee of our Company.
  - Abelxie Investment Limited is ultimately beneficially owned by Xie Qiming, a former employee of our Company.
  - Little Dream Investment Limited is ultimately beneficially owned by Wang Lingjie, a senior vice president of our Company.
  - Mount Kazbek Limited is ultimately beneficially owned by Yan Zheng, a former employee of our Company.
  - Star Year Investment Limited is ultimately beneficially owned by Xu Jie, a former employee of our Company.
  - Careycao Limited is ultimately beneficially owned by Cao Xunzhi, an employee of our Company.
  - Murray-Darling Limited is ultimately beneficially owned by Zhang Wei, a former employee of our Company.
  - TYCXX Investment Limited is ultimately beneficially owned by Yan Zhen, an employee of our Company.
- (3) Please refer to the subsection headed “— Information on the Pre-**[REDACTED]** Investors”.
- (4) Assuming the **[REDACTED]** is not exercised and no Shares are issued under the Equity Incentive Schemes.
- (5) Our Company will adopt a WVR structure upon completion of the **[REDACTED]** through two classes of Shares, Class A Shares and Class B Shares. Each Class A Share entitles the holder thereof to exercise one vote per share and each Class B Share entitles the holder thereof to exercise ten votes per share, on any resolution tabled at our Company’s general meetings, except for resolutions with respect to a limited number of Reserved Matters, in relation to which each Share is entitled to only one vote. In all respects, Class A Shares and Class B Shares rank *pari passu*.

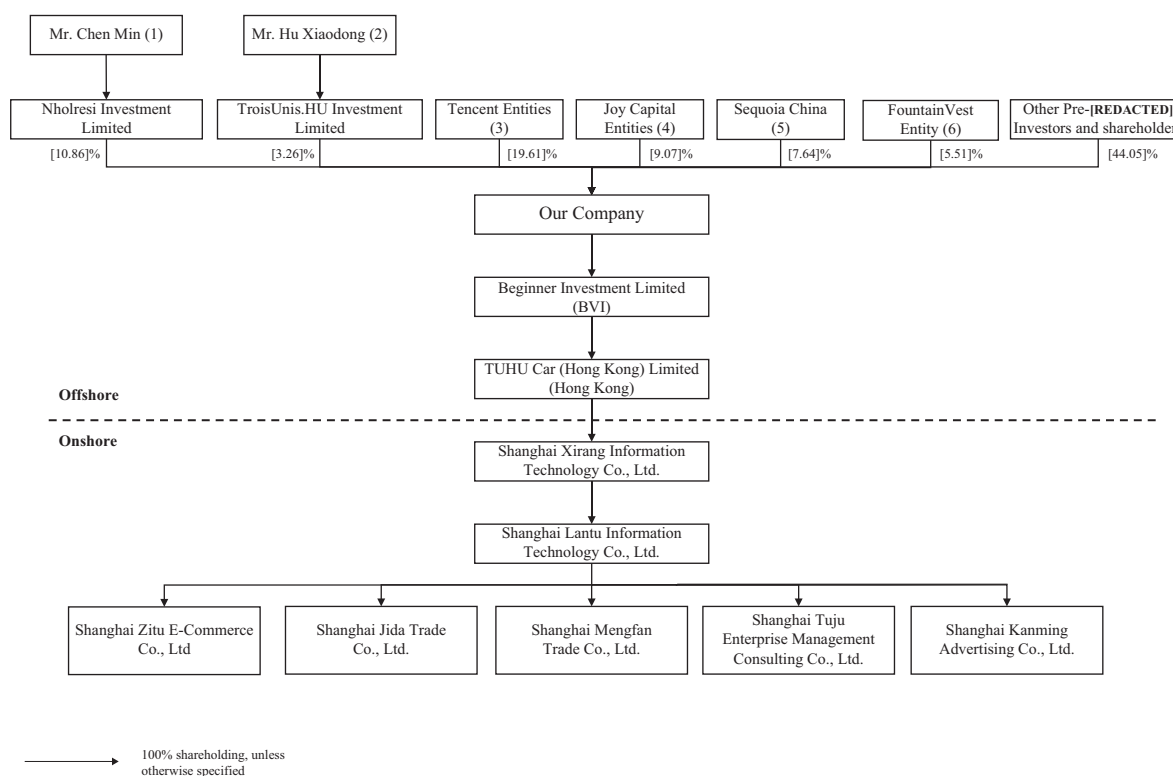


## HISTORY, REORGANISATION, AND CORPORATE STRUCTURE

### CORPORATE AND SHAREHOLDING STRUCTURE

#### Corporate structure before the [REDACTED]

The following diagram illustrates the simplified corporate and shareholding structure of our Group immediately prior to the completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no Shares are issued under the Equity Incentive Schemes):



#### Notes:

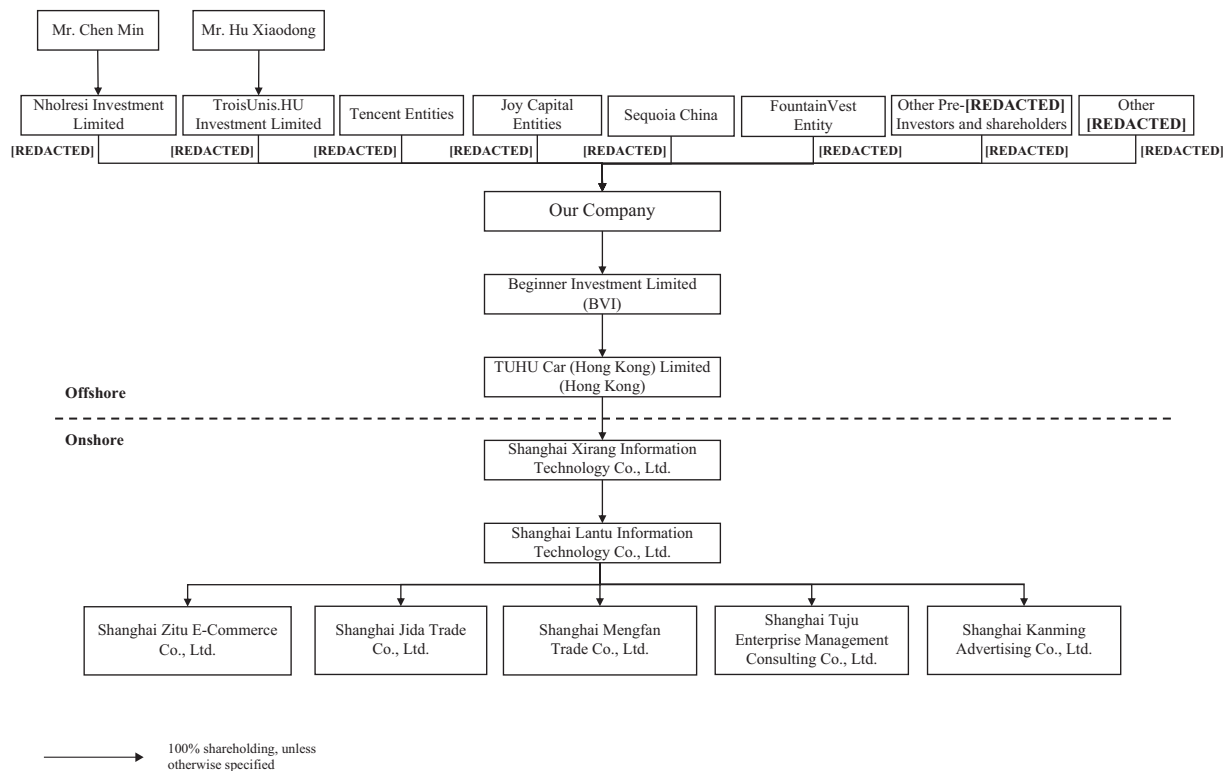
- (1) Nholresi Investment Limited is wholly owned by Ilnewgnay Investment Limited. The entire interest in Ilnewgnay Investment Limited is held by a trust that was established by Mr. Chen Min (as the settlor) with him as the beneficiary. Mr. Chen Min acts as the sole director of Nholresi Investment Limited, and possesses the sole voting power over the shares held by Nholresi Investment Limited.
- (2) TroisUnis.HU Investment Limited is wholly owned by ToUs.HU Investment Limited. The entire interest in ToUs.HU Investment Limited is held by a trust that was established by Mr. Hu Xiaodong (as the settlor) with him as the beneficiary.
- (3) Please refer to the subsection headed “— Information on the Pre-[REDACTED] Investors” for details of Tencent Entities.
- (4) For details of Joy Capital Entities, please refer to the subsection headed “— Information on the Pre-[REDACTED] Investors”.
- (5) Please refer to the subsection headed “— Information on the Pre-[REDACTED] Investors” for details of Sequoia China.
- (6) Please refer to the subsection headed “— Information on the Pre-[REDACTED] Investors” for details of FountainVest Entity.



## HISTORY, REORGANISATION, AND CORPORATE STRUCTURE

### Corporate structure immediately following the [REDACTED]

The following diagram illustrates the simplified corporate and shareholding structure of our Group immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no Shares are issued under the Equity Incentive Schemes):



### MAJOR ACQUISITION AND DISPOSAL

During the Track Record Period, we had not conducted any acquisitions, disposals or mergers that we consider to be material to us.

### COMPLIANCE WITH PRC LAWS

Our PRC Legal Advisor has confirmed that all requisite approvals or filings have been obtained or made in accordance with the PRC laws and regulations in all material aspects regarding our Reorganisation as set out above in the section headed “— Reorganisation”.

### SAFE REGISTRATION IN THE PRC

Pursuant to the SAFE Circular No. 37 promulgated by SAFE and which became effective on 4 July 2014, (i) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas SPV that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (ii) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major

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## HISTORY, REORGANISATION, AND CORPORATE STRUCTURE

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change in respect of the overseas SPV, including, among other things, a change of the overseas SPV’s PRC resident shareholder(s), the name of the overseas SPV, terms of operation, or any increase or reduction of the overseas SPV’s capital, share transfer or swap, and merger or division. Pursuant to SAFE Circular No. 37, failure to comply with these registration procedures may result in penalties.

Pursuant to the SAFE Circular No. 13 issued by SAFE and which became effective on 1 June 2015, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interest in the domestic entity was located.

Our PRC Legal Advisor has advised that Mr. Chen Min, who is a PRC resident, has completed his initial foreign exchange registration of overseas investments as required under SAFE Circular No. 37.

### M&A RULES

Under the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “M&A Rules”), a foreign investor is required to obtain necessary approvals when:

- i. a foreign investor acquires equity in a domestic non-foreign invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity in a domestic enterprise via an increase of registered capital thereby converting it into a foreign-invested enterprise; or
- ii. a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise.

The M&A Rules, among other things, further purport to require that an overseas SPV, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such SPV’s securities on an overseas stock exchange, especially in the event that the SPV acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies.

Given that Shanghai Xirang was established as a wholly foreign-owned enterprise by means of direct investment rather than by merger or acquisition by our Company under the M&A Rules, and Shanghai Lantu was a sino-foreign joint venture at the time of the acquisition of its 100% equity interest by Shanghai Xirang, our PRC Legal Advisor is of the opinion that the establishment of Shanghai Xirang and the abovementioned acquisition of Shanghai Lantu by Shanghai Xirang were not subject to the M&A Rules and no approvals from CSRC or MOFCOM under the M&A Rules are required. However, our PRC Legal Advisor further advises that there is uncertainty as to how the M&A Rules will be interpreted or implemented.

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### OVERVIEW

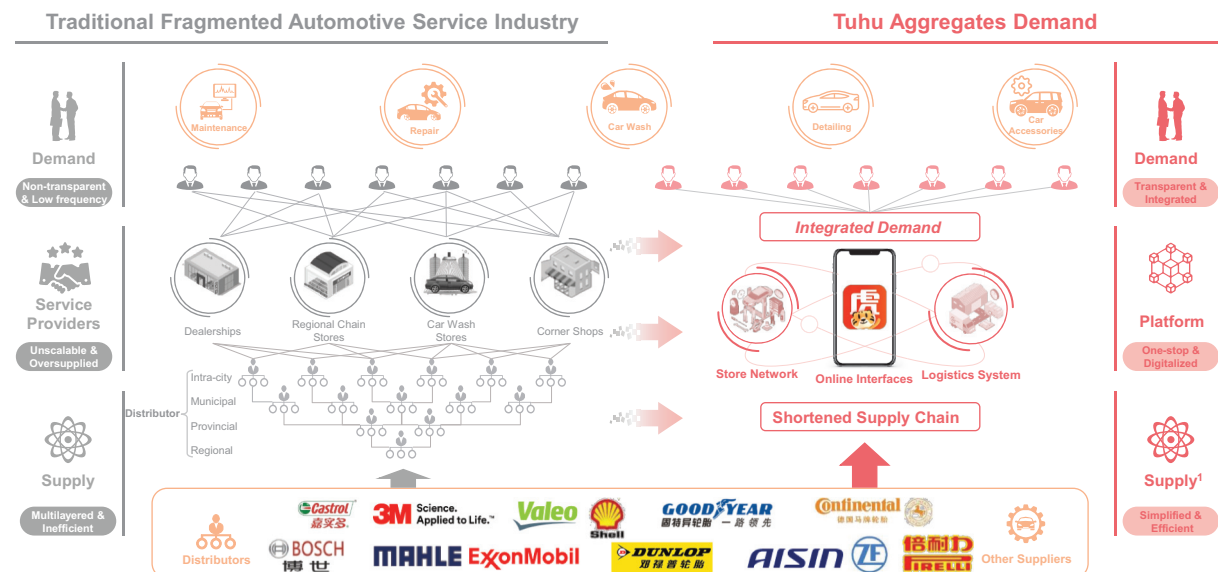
#### Our Mission

Our mission is to innovate simple and easy automotive service.

#### Who We Are

We are one of the leading integrated online and offline platforms for automotive service in China. By providing a digitalised and on-demand service experience underpinned by our customer-centric model and streamlined supply chain, we directly address car owners’ diverse product and service needs, creating an automotive service platform consisting of car owners, suppliers, automotive service stores and other participants. As of 31 March 2023, we had 100.2 million registered users on our flagship “Tuhu Automotive Service (途虎養車)” app and online interfaces. We had 17.1 million transacting users in the last twelve months ended 31 March 2023, which increased by 9.9% from 15.5 million for the same period ended 31 March 2022. Our average MAU reached 10.2 million in the three months ended 31 March 2023, making our platform the largest car owner community amassed by automotive service providers in China, according to the CIC Report. As of 31 March 2023, our growing service network of over 4,700 Tuhu workshops and over 19,000 partner stores spans across the entire country, covering a majority of prefecture-level cities. According to the CIC Report, Tuhu is the leading independent automotive service brand in China in terms of the number of automotive service stores operated and brand recognition.

Our platform serves most of the passenger vehicle models sold in China, fulfilling a wide spectrum of automotive service demands ranging from tires and chassis parts replacement to auto maintenance, repair, detailing, and more. By bringing sporadic automotive service demands onto one platform, customer engagement is significantly increased as compared to the traditional offline automotive service model that is highly dependent on localised service demands.



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*Note:*

- (1) Company logos represent third-party auto parts suppliers with whom Tuhu has entered into contractual relationships. Auto parts suppliers on Tuhu platform consist of manufacturing brands and wholesalers of various auto parts and equipment. See “— Our Supply Chain Capabilities — Our Suppliers”.

We aim to provide our customers high-quality services and attractive pricing for authentic automotive products on our platform. Our purpose-built digitalised industry solutions optimise each key step of the entire supply and services chain, from merchandise sourcing, inventory management, fulfilment management to service rendering, resulting in high customer loyalty to our platform. Our repeat purchase ratio was 62.3% in March 2022.

### **China’s Massive Yet Fragmented Automotive Service Market**

According to the CIC Report, China’s automotive service market, comprising auto repair and maintenance, car wash and detailing, and auto accessories, reached RMB1.2 trillion in 2022, and is expected to grow at a CAGR of 9.0% from 2023 to 2027 to reach RMB1.9 trillion by 2027. The steadily growing and recession-resilient aspects of China’s automotive service market are driven by a number of factors, including:

- *Continued growth of China’s car parc.* China has the largest passenger car parc in the world with 273.6 million passenger car parc as of 31 December 2022. Despite the scale, China’s passenger car parc per thousand capita was only 194 as of 31 December 2022, significantly lower than that of 769 passenger cars per thousand capita in the United States and 563 passenger cars per thousand capita in EU member countries, leaving ample room for future growth.
- *Growing mileage travelled.* The total mileage travelled by passenger vehicles in China reached 1.8 trillion miles in 2022, which is lower than the 2.8 trillion miles travelled by passenger vehicles in the United States. The number is expected to grow to 2.7 trillion miles by 2027.
- *Ageing car parc.* China’s average vehicle age was 6.2 years in 2022, much lower than the 12.2 years of vehicle age in the United States and 12.3 years in EU member countries. The average vehicle age is expected to reach 8.0 years by 2027. Ageing car parc generally leads to more frequent maintenance and repair needs, as well as car owners’ preference for value-for-money products and services.

Car owners in China are highly reliant on DIFM services provided by various types of automotive service stores. The DIY market only accounts for less than 5% of the automotive service market in China. Although China has experienced a rapid growth of car parc, private ownership of passenger vehicles only became prevalent in the past 10 years. Car owners in China often lack the requisite knowledge and workmanship to fix their own vehicles. Meanwhile, as the majority of

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China’s car owners live in urban areas with limited access to private garages, DIY remains impractical for most car owners in China.

Currently, automotive service stores in China are operated by either authorised dealerships or IAM service providers. Traditionally, authorised dealership stores are often well recognised for product authenticity and service standardisation but represent a more costly option to car owners due to their pricing premium and limited geographical reach. Meanwhile, although traditional IAM stores offer a more convenient option for cost-conscious car owners, they often lack the ability to scale, and have difficulty in fostering strong customer loyalty due to certain players’ offering of counterfeit products and subpar service that taint the overall market. Authorised dealership stores accounted for approximately 53.6% of the total automotive service market as measured by GMV in 2022, according to the CIC Report. However, along with the ageing car parc and the increased proportion of passenger vehicles that are out of warranty or with expiring warranty, customers are increasingly shifting to IAM stores. As a result, IAM stores are expected to outgrow authorised dealership and account for 58.1% of the automotive service market by 2027.

The automotive service market in China is highly fragmented. In 2022, there were approximately 34 thousand authorised dealership stores and 862 thousand IAM stores in China. The automotive service market in China has long been facing the following pain points:

- *Underwhelming customer experience:* Due to the highly fragmented and complex nature of the automotive service market, car owners in China often face a predicament of choice in which they have to sacrifice certain service needs for others. These considerations include convenience, service quality, product quality and authenticity, and affordability.
- *Complex supply chain:* Each car make and model has thousands of different parts that are often incompatible to other models, thus the automotive service market is flooded with a vast number of SKUs. Unauthorised manufacturers produce generic products, adding undesirable complexities to the market. The traditional supply chain of auto parts in China is typically multilayered and inefficient. Manufacturing brands have to rely on different wholesalers and distributors in different regions to maximise sales. This creates additional costs and results in an opaque market inherently difficult for customers to make informed decisions in choosing auto parts and suppliers.
- *Inefficient fulfilment process:* The massive number of SKUs in the automotive service market also imposes pressure on the fulfilment process. Mismatches between supply and demand make forecasts under the traditional centralised fulfilment model extremely difficult. Therefore, inventory stocking for stores and distributors under traditional model is inevitable, hampering the overall efficiency of the industry.

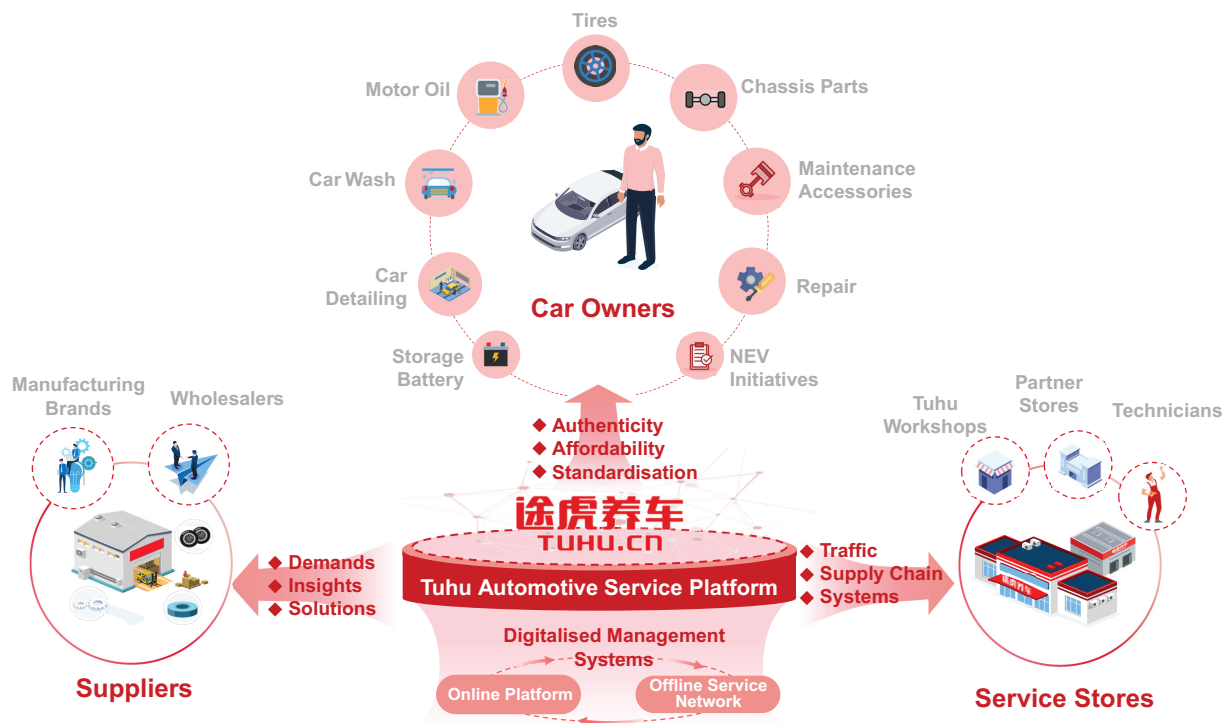
As China’s leading integrated online and offline platform for automotive service, we have innovatively brought technological solutions and integrated online and offline model into the equation. With our well-recognised brand, large customer base, broad and authentic products

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offerings, standardised services and strong digitalisation capabilities, we believe we are well-positioned to capture the massive addressable market and growth opportunities in China’s automotive service market.

### Our Automotive Service Platform

Since our inception, we have been striving to address the key pain points faced by China’s automotive service industry. Started as a pure online retail platform providing customers with a wide selection of authentic automotive products with transparent prices, we evolved over time to build an offline network of well-managed stores and technicians to deliver high-quality and standardised services in-store. We also directly engage with auto parts suppliers to offer authentic and affordable products efficiently through our strong supply chain and nationwide logistics system. We have created an automotive service platform consisting of car owners, suppliers, service stores and other participants:



- **Car owners:** We serve the diversified and evolving needs of a large and fast-growing population of car owners who have found us through either online interfaces or offline service network.
- **Suppliers:** Auto parts suppliers on our platform consist of manufacturing brands and wholesalers of various auto parts and equipment. We directly procure merchandise from the manufacturing brands where possible, and engage with a diverse pool of other supply channels to ensure the comprehensiveness and reliability of our supply chain. We engaged with a total of over 3,000 suppliers as of 31 March 2023.

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- **Service stores:** Service stores function as the offline touch points for our end customers and are at the frontline of customer engagement. We have built an extensive service store network across China and follow a win-win philosophy in managing our store network. We strive to satisfy the needs of our stores by providing various solutions to improve their performance and efficiency.
- **Tuhu workshops:** As of 31 March 2023, our Tuhu workshop network consisted of 160 self-operated stores and 4,610 franchised Tuhu workshops operated by 2,298 franchisees. All Tuhu workshops are strategically located and carry our Tuhu brands, serving as the core of our services store network and speaking for our high-quality services. Franchised Tuhu workshop is our strategic focus and enables us to expand efficiently through an asset-light model. The majority of our products and services revenue is generated through Tuhu workshops.
- **Partner stores:** We also have a large number of partner stores delivering installation and maintenance services for the products sold from our platform. Partner stores, as a supplement to our workshops, allow us to broaden our geographic coverage, while accumulating customer insights to further increase the efficiencies of the overall supply chain. As of 31 March 2023, we had 19,624 partner stores across China.
- **Other participants:** Our platform connects many other participants that are instrumental to our industry. For example, our technicians serve a critical role in our endeavour to deliver high-quality automotive service to our customers. Leveraging our technician support and management system, we provide comprehensive online training and real-time online guidance designed to improve the operational efficiency of our technicians through our Blue Tiger system. We also provide auto parts trading services and supply our inventories through Qipeilong, an auto part trading platform we built to connect third-party auto part suppliers with automotive service providers, including stores within and outside of our store network. As we grow in scale, we actively monitor the latest industry and technology trends and draw more participants to our platform. For instance, anticipating the trend of sustainable development and increasing popularity of new energy vehicles, we are actively exploring opportunities to work with new energy vehicle brands in the field of automotive services.

Our platform is highly scalable. We have developed a well-established, standardised store management system that allows us to scale our network through an asset-light franchise model, which in turn will expand our platform to serve more customers. Through our online interfaces, our portfolio of high-quality automotive products and services provided by offline stores are available to online customers. Across our online interfaces, in particular, our flagship mobile app, we had accumulated a large and engaged customer base. The large customer base attracts new platform participants to join our platform, which enables us to offer additional products and implement new services initiatives, creating a positive-feedback loop and flywheel effects.



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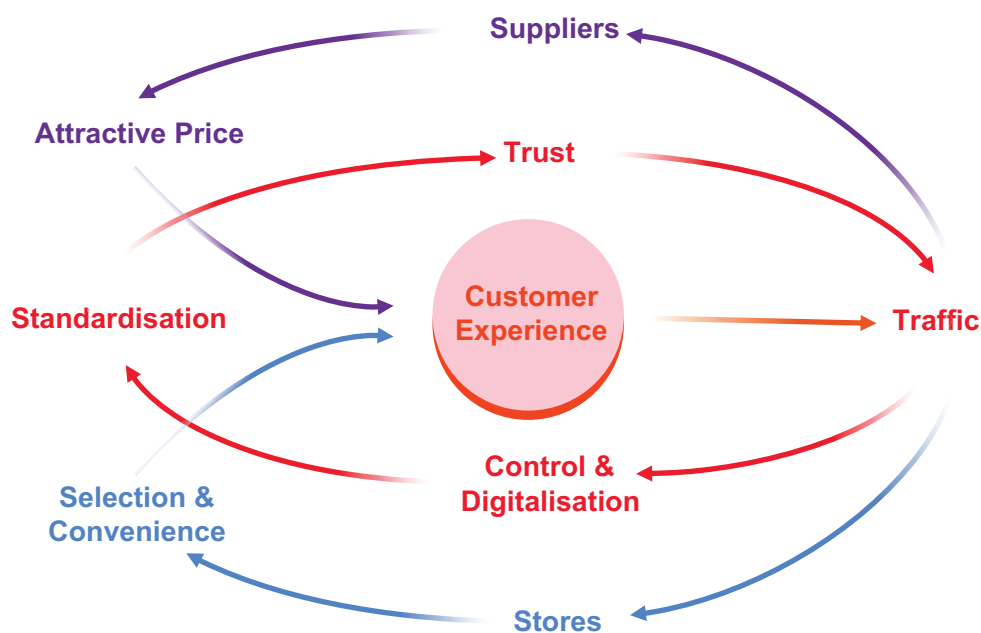
### **Flywheel Effects Driven by Our Customer-centric Business Model**

Making automotive service an on-demand experience is the reason we started our business online, and is the initiation of our flywheels. We firmly believe that customer experience is the key to success, hence we adopt a customer-centric business model and relentlessly focus on improving customer experience both online and offline, which further accelerates the flywheels:

- Improving customer experience brings more user traffic onto our platform and drives multiple virtuous cycles.
- Our ability to direct increased user traffic enables us to implement strong control and digitalised management system over our offline stores. Such control and digitalised management leads to consistent and standardised service quality, and therefore enhances customers’ trust in our platform and drives user traffic.
- Increased user traffic provides us with the leverage in merchandise sourcing, which enables us to provide attractive prices to customers and further improve customer experience.
- Increased user traffic also attracts more stores to join our store network. The store network with higher density and wider geographic coverage provides our customers with more products and services selection and greater convenience for services which creates a further improved customer experience.
- Deep industry know-how and data insights from these flywheels enable us to continuously optimise and standardise product and service offerings on our platform and improve our digitalised store and technician management systems. The data insights also help us better understand the needs of car owners, which have been valuable to us and the manufacturing brands.



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We believe that a customer-centric, integrated online and offline platform will better serve the massive automotive service market in China. Through the flywheel effects, we are able to achieve economies of scale and accelerated growth of our business.

### Our Technology Capabilities

We believe our data insights and technology capabilities are our key edges. We are committed to using technological innovation, efficient operation management system and data insights to revolutionise how automotive service is planned, managed and rendered. As of 31 March 2023, we had over 800 R&D personnel in our team, led by experts in their respective fields, including data analytics, industrial digitisation solutions and intelligent store management. Based on our strong in-house R&D capabilities and industry insights, we have developed a full suite of proprietary technologies tailored to China’s automotive service industry.

We have developed an automotive service technical support system along the automotive service industry chain that includes parts-matching big-data platform, warehouse management system, transportation management system, order management system, store management system, and technicians support and management system. As of 31 March 2023, our auto parts database is the largest and most accurate in China, covering over 66,000 car models under 286 makes and with a 99.99% of matching accuracy, according to the CIC Report. Blue Tiger, our proprietary store and technician management system, is also the largest in China in terms of DAU, according to the CIC Report.

On the customer-facing front, our self-developed business intelligence system leverages our industry know-how to offer both a broad SKU selection of auto parts and data-driven recommendation of services and stores via our online interfaces. During offline service rendering

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process, our mobile app offers an interactive and convenient experience, allowing customers to review instantaneous analysis reports after inspections, and offering live video monitoring of the service process.

### **Our Fulfilment Infrastructure**

A flexible and extensive fulfilment infrastructure is critical to the success of our platform. We have constructed a nationwide warehousing and logistics system with a combination of self-operated infrastructure and third-party service providers. As of 31 March 2023, we operated 39 regional distribution centres, or RDCs, and 267 front distribution centres, or FDCs. Our logistics solutions covered more than 300 cities in China as of 31 March 2023 and our RDCs supported a monthly average of 2.7 million tires and 13.1 million other auto parts received and shipped in the three months ended 31 March 2023, respectively.

### **Our NEV-related Efforts**

The emerging NEV market represents a change in automotive service demands and a massive potential market to us. We have been actively exploring business opportunities related to NEV. In addition to the automotive services we currently provide to ICEVs, we are exploring the products and services that are more tailored for NEVs, including NEV sales and aftersales services, battery and charging pile maintenance and repair services. Leveraging our extensive service network across the country, we are exploring partnership with NEV brands to help them with vehicle sales and aftersales services. For example, we have established business cooperation with leading NEV brands, such as Leapmotor and BAIC Arcfox, to offer automotive services to NEV owners and will continue to explore opportunities for further cooperation in the future. We have also established cooperative relationships with several mainstream NEV battery manufacturers and battery solution providers, who entrust us to provide battery-related service, such as battery capacity testing and servicing, battery recycling and electrical system replacement to their customers. In 2022, we have completed approximately 20,000 battery and charging pile maintenance and repair service orders. For details of our NEV new initiatives, please refer to “— Our Product and Service Offerings — NEV New Initiatives.”

## **OUR COMPETITIVE STRENGTHS**

We believe that the following strengths contribute to our success and differentiate us from our competitors.

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### *Largest independent automotive service platform in China with an extensive spectrum of services*

According to the CIC Report, we are the largest independent automotive service platform in China in terms of both revenues in 2022 and number of automotive service stores operated as of 31 December 2022. We are the largest tire and motor oil retailer in China in terms of sales volume in 2022, according to the CIC Report.

- We had 100.2 million registered users as of 31 March 2023 and 17.1 million transacting users in the last twelve months ended 31 March 2023. Our average MAU increased from 5.5 million in 2019 to 10.2 million in the three months ended 31 March 2023.
- We had 4,770 Tuhu workshops and 19,624 partner stores as of 31 March 2023. As of 31 March 2023, our Tuhu workshops are well-equipped to serve car owners’ needs with an average of 6.0 car lifts per store, much higher than the industry average of 4.3 car lifts per store as of 31 December 2022, according to the CIC report. As of 31 March 2023, we operated 39 RDCs and 267 FDCs.

As a result of our integrated online and offline presence, we are able to offer a wide spectrum of services spanning the entire automotive service value chain, be it services facing car owners, or industry solutions and platform services customised to improve the overall efficiency of suppliers and stores.

### *Trusted brand with great customer loyalty*

After ten years of operation, Tuhu has become a well-trusted brand in the automotive service industry with great customer loyalty, and is widely recognised for trustworthy products and services. According to the CIC Report, we are the most renowned independent automotive service brand in China.

Our brand and customer loyalty is built on high customer satisfaction, broad selection of reliable and authentic products and technology-enabled convenience. Our repeat purchase ratio was 62.3% in March 2022.

Our brand recognition and the satisfying customer experience we offer help us attract and retain customers, franchisees, suppliers and platform partners.

### *Digitalised industry solutions enabling superior operational efficiencies*

We implemented a suite of digitalised end-to-end industry solutions that cover all aspects of the automotive service value chain, which aim at improving not only ours, but also the overall efficiency of the automotive service industry.

We have built our Blue Tiger system, China’s largest automotive service store and technician management system in terms of DAU that digitalises and streamlines the process of store

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management, according to the CIC Report. Blue Tiger system recorded an average DAU of over 46,000 in the three months ended 31 March 2023 and connected over 98,000 technicians in March 2023.

In order to navigate through the vast number of SKUs in the automotive service market, we have built a comprehensive parts-matching big-data platform, which could intelligently identify auto parts and accessories suitable to the customer’s car model from approximately 5.4 million SKUs of auto parts as of 31 March 2023, according to the CIC Report. Leveraging our parts-matching big-data platform, we are able to instantaneously recommend products to customers based on our data insights, effectively improving the purchase conversion rate and life-time value of our customers.

We have also introduced automation and other technology-driven toolkits to stores on our platform, such as our in-house designed automated car wash machines and digital diagnosis database. Leveraging our integrated solutions, we have achieved superior operational efficiencies and high utilisation of stores and technicians. For example, our service turnover per car lift per day in the three months ended 31 March 2023 was 2.2, substantially higher than the industry average of approximately 1.1 per car lift per day as of 31 December 2022, according to the CIC Report.

### *Partner of choice for brands and suppliers*

We have developed trusting relationships and in-depth cooperation with manufacturing brands and suppliers. We procure most products from manufacturers directly, and sell them to customers via our integrated online and offline platform. By flattening and simplifying the distribution chain, we not only ensure the authenticity and quality of our products, but also improve the efficiency of the entire supply chain.

We have been the business partner of choice in China for several major international brands. In particular, we have cooperated with most of the best-selling tire and motor oil brands in China and established strong and long-standing relationships with a diverse base of suppliers.

Our long-term relationship with the brands and suppliers and market insights help us offer standardised branded products to customers with attractive value for money, while leaving sufficient room for us to develop our exclusive products that generally have higher profit margins. As we continue to enhance our strategic cooperation with brands and suppliers, we have started to jointly develop private label products leveraging our deep market know-how.

We have also formed strategic alliances with partners that go beyond the supply of products. Leveraging our strong research and development capabilities, and the unique and in-depth data insights we have accumulated over time, we work with major auto parts brands to provide them with SaaS solutions such as warehouse management system, or WMS, transportation management system, or TMS, order management system, or OMS, and store management system, or SMS. For instance, we offered comprehensive system-wide support to an affiliate of ExxonMobil, which undertakes omni-channels initiatives and improves management of the Mobil 1 Car Care Outlets in China.

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### *Effective and scalable store network to ensure standardised service and fast expansion*

We put tremendous focus on maintaining strong control over our Tuhu workshops and the supply chain of stores to ensure consistent service quality and product authenticity. With these established attributes attached to our brand, we and all Tuhu workshops in our store network build customer loyalty and attract more business over time, which allows us and the franchisees in our network to further scale and achieve win-win results.

All Tuhu workshops employ our proprietary system for operational standardisation and financial and transaction management. We have also established standard operational procedures including step-by-step instructions used to guide and monitor store operations and assist stores in training and evaluating technicians. In addition, we have created an online technician support system to facilitate senior technicians in providing real-time training and guidance to junior technicians, and a comprehensive know-how database encompassing operating guideline for a diversified portfolio of automotive service. The support system and the database were frequently used by more than 60% of our technicians in March 2023. We also have a technician experience sharing programme, where a group of experienced senior technicians provide guidance online to resolve issues encountered in our stores. The experience sharing helps improve the quality, efficiency and standardisation of services provided in our stores.

The franchise model adopted for a majority of Tuhu workshops allows us to scale up rapidly while maintaining service quality and consistency. We engage franchisees to build and operate Tuhu workshops and empower them with comprehensive store management and information system, access to our online traffic, and full supply chain support. As our franchisees generate promising economic returns, they often open more than one Tuhu workshops. As of 31 March 2023, 39.9% of our franchisees had opened two or more Tuhu workshops with us.

### *Significant flywheel effects and high entry barriers driven by our innovative automotive service platform*

With our relentless effort across the value chain, we create flywheel effects among our platform participants, creating significant entry barriers.

- *Customers and stores.* Our online interfaces continuously attract massive user traffic and distributes such traffic to our stores to expand their customer base. Our control of and support to our stores enhance service consistency and operational efficiency, which in turn improves customer experience, strengthens brand recognition, promotes customer loyalty, and attracts user traffic.
- *Customers, stores and suppliers.* Our customer base and store network generate enormous demand for merchandise and incentivise suppliers to collaborate closely with us. Our direct cooperation with suppliers ensures product authenticity and low procurement costs for our stores. Our unique and in-depth data insights and AI-based data analytics capabilities help us optimise supply chain efficiency, enabling us to build exclusive partnership with

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suppliers and customer-to-manufacturer operation capability and to provide private label products. These capabilities allow us to swiftly adjust store positioning and product category to best address customer’s need while driving profitability for our stores.

- *Customers, stores, suppliers and other stakeholders.* Our broad store network and customer base create cross-selling opportunities for various automotive service providers, attracting more participants to join our platform and creating room for more platform services, including advertising opportunities for merchants. Our customers also benefit from more automotive service options brought by the new joiners.

The flywheel effect enables our platform to grow rapidly. The number of Tuhu workshops increased from 1,423 as of 31 December 2019 to 4,770 as of 31 March 2023 and our average MAU increased from 5.5 million in 2019 to 10.2 million in the three months ended 31 March 2023.

### *Visionary management team with solid technology background*

We have a visionary, seasoned management team with technology in their DNA. Our co-founders and most of our management team have been with us since our inception. All core members of our management team came from reputable internet or IT companies, which resulted in our continuous commitment to technology advancement. Under the leadership of our management team, we have continuously invested in research and development, driving operational efficiency improvement and better decision-making through technology. As of 31 March 2023, we had a team of 830 research and development personnel.

Our management team is also business savvy. Acting on profound industry insights, they have led us to ride the waves of innovation in the automotive service industry.

## OUR STRATEGIES

We will focus on the following key growth strategies to realise our vision:

### *Expand the scale of platform*

We will further expand the scale of our integrated platform both online and offline in order to capture a bigger market share. For the store network, we will further penetrate into tier 2 and below cities and counties and expand the network of franchisees. In cities where we already have a strong presence, we will continue to optimise the location and density of stores to make it more convenient for our customers, ultimately to increase user scale and enhance engagement. On a per store basis, we plan to optimise store layout to expand business coverage, attract more customers, and provide high quality service. For our online interfaces, we will continue to follow our customer-centric approach and improve customer experience in order to enlarge customer base.

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### *Further improve fulfilment capabilities*

We will also improve our fulfilment capabilities, including the capabilities of warehousing, transportation and last mile delivery. We plan to further expand the geographic coverage of our warehouses to tier 2 and below cities and counties to support the geographic expansion of our Tuhu workshops. Through improving the mission-critical logistics infrastructure and route design, we will try to simplify fulfilment nodes and links. We also plan to reduce logistics costs through deeper and broader cooperation with third-party logistics partners.

### *Continue to invest in technology*

We will continue to invest in technology, with a focus on logistics systems, store management systems, automation in stores, and data analytic capabilities. We plan to improve technology capabilities of our logistics system to increase accuracy and efficiency in spare parts allocation and inventory to reduce turnover. We will improve the store management system by further optimising store-end inventory management capabilities and improving the efficiency of technicians to ensure service quality. We will continue to introduce automation upgrades to our stores, such as automated car wash machines and intelligent diagnosis. We will also continue to leverage user data analytics to improve our intelligent product recommendation and inventory prediction to provide targeted services and better customer experience.

### *Further expand our automotive service spectrum to address diversified customer demand*

To accommodate our customers’ diversified needs, we will expand our service spectrum. Riding on our strengths in tire, maintenance and car detailing, we will continue to improve comprehensive capabilities in new services such as quick repair and collision repair. We will expand technician training and conduct store floor expansion or renovation to support those expanding services.

### *Partner with more auto part suppliers and further build proprietary brands*

We plan to continue to enhance partnerships with leading tire and motor oil brands and further expand partnerships with more auto parts brands and suppliers on different levels.

We will further strengthen our private label products and expand cooperation with contract manufacturers by refining our proprietary brands and product offerings based on the tiered needs of our customers.

### *Partner with NEV brands to provide dedicated services to the NEV market*

The emerging NEV market represents an important market to us and we plan to partner with NEV brands or key suppliers of NEV brands to provide dedicated services addressing the NEV market and expand our NEV automotive service network. We will continue to optimise our product



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and service offerings and upgrade our existing Tuhu workshops to provide automotive services for NEVs. We also plan to build platforms and communities specifically for NEV owners in order to increase NEV customer penetration rate.

### **Our Platform**

We launched our Tuhu platform in 2011. Today, we are one of the leading integrated online and offline platforms for automotive service in China. In 2022 and the three months ended 31 March 2023, we generated revenue of RMB11.5 billion and RMB3.3 billion, respectively, making us China’s largest independent automotive service platform in terms of revenue, according to the CIC Report.

Our online interfaces, including “Tuhu Automotive Service (途虎養車)” app and Weixin Mini Programme, make fulfilling automotive-related needs a convenient experience for our customers. Through our online interfaces, we make our portfolio of high-quality automotive products and services provided by our offline stores available for ordering and booking. The seamless user experience we provide, and the direct engagement with our customers, together build a trusting relationship and improve customer stickiness. Across our online interfaces, in particular our flagship mobile app, we had accumulated 39.6 million transacting users since 2016 and 100.2 million registered users as of 31 March 2023. In 2022 and the three months ended 31 March 2023, we had 17.4 million and 4.7 million new registered users, respectively. Our average revenue per transacting users was RMB819, RMB799, RMB794, RMB698 and RMB693 in 2019, 2020, 2021, 2022 and the last twelve months ended 31 March 2023, respectively. We had an average MAU of 10.2 million in the three months ended 31 March 2023.

As the leading integrated online and offline platform for automotive service in China, we provide a wide spectrum of automotive products and services to satisfy the evolving customer needs, especially the increasing preference for on-demand experience. For instance, our customers are able to conveniently place orders through any of our online interfaces with easy access to store information, such as product availability, store locations, driving directions and store operating hours. In addition, our mobile app and Weixin Mini Programme also feature “Communities/Moments,” where customers share their experience. We also bring in key opinion leaders, or KOLs, to share and interact with their followers.

In addition to our online interfaces, we have a nationwide offline service network that covers a majority of prefecture-level cities in China. As of 31 March 2023, we had 4,770 Tuhu workshops and 19,624 partner stores. Through our online interfaces and offline service network, and our end-to-end digitalised solutions, we connect key stakeholders along automotive service value chain. We are dedicated to serving car owners in China by providing authentic automotive products and high-quality services with attractive prices.

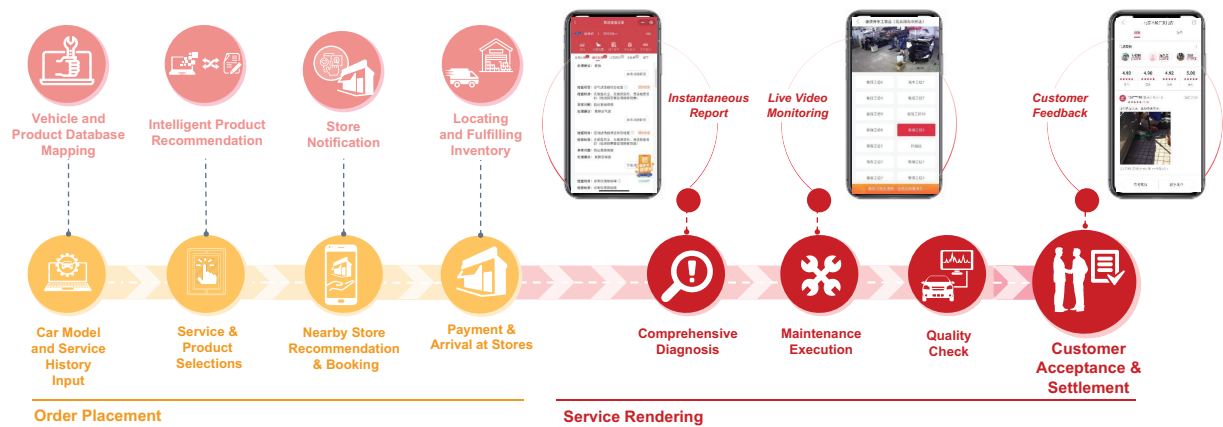


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### The Tuhu Experience

We are transforming China’s automotive service market by offering a digitalised and on-demand experience and empowering our platform participants through our end-to-end supply chain solutions. Since our inception, we strive to address key pain points of customers in China’s automotive service market such as the lack of assurance in product authenticity, opaque pricing and inconsistent service quality.

The following diagram illustrates the typical process of an order placed on our platform:



### Order Placement

We offer automotive products and services through our online interfaces and offline stores. Customers can conveniently place their orders via our mobile app or Weixin Mini Programme, on which we offer a broad selection of products and services at competitive prices. Our online interfaces offer comprehensive product information, informative customer reviews and ratings, and easy-to-use search functions to facilitate the product selection process. After customers enter information about the makes, mileage and additional details of their vehicles, our system intelligently provides our customers with customised and convenient product and service recommendations, taking into account customers’ order and browsing history and additional user profile factors such as customers’ consumption pattern, product and service reviews, nearby stores and accessibility, as well as store service capabilities.

When placing their orders on our online interfaces, customers are required to make full payment of the orders through the convenient payment options we provide, including credit card, Alipay and Weixin Pay, before receiving ordered products and services. Our customers will also be prompted to make an appointment and select a preferred location to be served by one of our over 24,000 Tuhu workshops and partner stores as of 31 March 2023. Customers can also see the product availability in any specific store and choose stores that have in-stock inventory to perform same-day installation. For less frequently purchased products that are not available in a customer’s selected store, after the order is placed through our online interfaces, our warehouse management system and

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transportation management system automatically process the order and will have the ordered items delivered to the selected service store. Customers will be notified of the estimated delivery time and can track the shipping status of their orders through any of our online interfaces in real-time. When ordered items are delivered to our stores, our staff will follow our service procedures to inspect the products and prepare for service rendering.

In addition to online ordering, walk-in services are also available at our Tuhu workshops, affording our customers more flexibility in scheduling or serving urgent needs for automotive service. We offer the same category of products and services as our online interfaces do to our walk-in customers. In the event that the specific products are not readily available in store, our stores could utilise our Qipeilong instant procurement service or facilitation service to receive instant delivery from one of our FDCs, or schedule appointments with the customer for pickup of such ordered products and/or have their vehicles serviced. See “— Our Product and Service Offerings — Qipeilong.”

### *Service Rendering*

For customers that place their orders for specific products and services, our technicians will conduct a preliminary inspection of their vehicles beforehand. For customers that bring their vehicles to our stores without knowing the specific problems with their vehicles, our experienced technicians will conduct comprehensive diagnosis of the vehicles to identify the problems, and determine what type of auto maintenance or repair service is required. Our onsite technicians will then perform the ordered auto part installations or auto maintenance services. Customers can wait in the rest area or come back when the service is completed. We also provide customers with live video monitoring of the entire service process. Before handing the vehicle back to the customer, our technicians will perform a final quality check to ensure that the products have been properly installed, the service has been properly completed, and the vehicle is in safe condition. The customer will sign a receipt to acknowledge the completion of the order and confirm payment settlement. We also encourage our customers to provide feedback to help us improve our service. If our customers have any aftersales issues, they can reach out to our customer service team through our online interfaces or telephone hotline. Our dedicated customer service representatives will help our customers to navigate the possible solutions and aim to resolve any issues in a timely manner.

We believe that our platform is highly effective and scalable because we deliver significant value to our customers seeking reliable automotive products and services and our store network creates opportunities to serve more customers. Leveraging our full suite of proprietary technologies and automotive service technical support system, we have designed our platform to ensure that it improves over time by learning from millions of transactions and interactions with customers, stores, technicians and supply chain partners. For example, our customer experience is constantly optimised by data insights we accumulate through our ever-increasing pool of customers and their feedback.

Our data-driven approach creates a “flywheel effect,” whereby the more competitive our product and service offerings are, the more customers we draw to our platform, which results in a

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strong desire for our platform participants to join our platform. We have also developed a well-established, standardised store management system that allows us to scale our network through an asset-light franchise model. In effect, this creates a closed loop that has propelled our business forward as a result of the value created on our platform.

### **Our Product and Service Offerings**

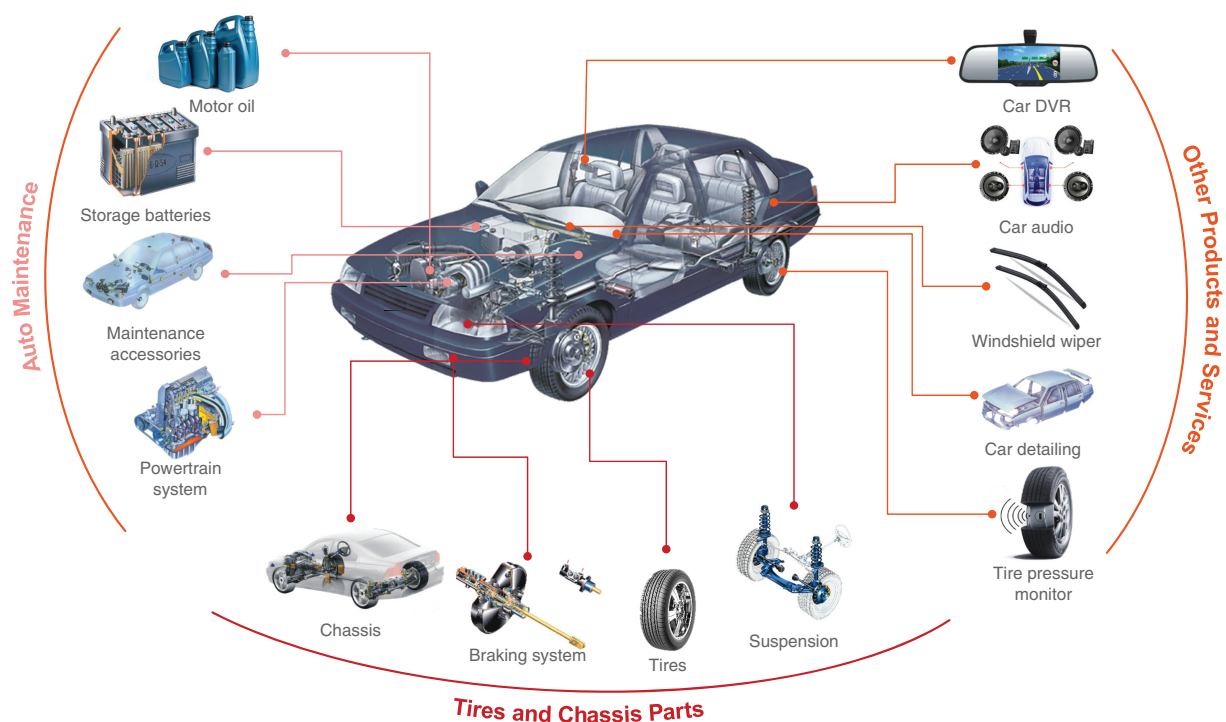
For car owners, the products and services we offer range from tires and chassis parts, auto maintenance, to auto repair, car detailing, auto accessories, and other related installation services. We also provide advertising, franchise and other services to all participants on our platform, including advertisement services and SaaS solutions to various businesses.

#### ***Products and Services for Car Owners***

For our customers, we offer a diversified and expanding catalogue of products and services, including tires and chassis parts, auto maintenance, auto repairs, car detailing, and auto accessories. Through our platform, our customers could choose auto products for over 66,000 car models from 286 makes, including our private label products and exclusive products as of 31 March 2023, according to the CIC report. The growing portfolio of products we offer cater to varying demands of our customers, which generally consists of nationally recognised, well-advertised, premium brand products, such as Pirelli, Continental, Dunlop, Goodyear, ExxonMobil, Shell and 3M. We have introduced exclusive products which brand owners customise and exclusively manufacture for us. We are also expanding our product offerings and optimising our product portfolio by introducing our private label products, comprising of products under our proprietary brands and third-party products for which we have exclusive authorisation to manage the manufacturing, distributions and sales in China. As of 31 March 2023, we had launched 51 private label product brands covering 7,429 SKUs transacted through our platform over the last twelve months, and 54 exclusive product brands covering 2,239 SKUs transacted through our platform over the last twelve months, ranging from tires and chassis parts, to auto maintenance products and more.

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We adopt a C2M model in developing our private label products and exclusive products. We identify customer needs by analysing the sales data we accumulated, evaluate the feasibility and profitability of developing products that satisfy such needs, and engage manufacturing partners to bring the suitable products to our customers. These private label products and exclusive products generally have higher profit margins and enable us to improve our profitability. We also collaborate with a number of renowned international brands to redesign for local adaptations and distribute their products in China market. We use our advanced parts-matching big-data platform to identify demand trends, price sensitivity and effective selling and marketing strategies, which help us make merchandising decisions, and support the development of our private label products and exclusive products.



### Tires and Chassis Parts

**Tires.** We offer tires with a variety of brand and type choices. We sold approximately 12.5 million and 3.5 million tires in 2022 and the three months ended 31 March 2023, respectively, making us the largest replacement tire seller in China according to CIC. Tire sales have relatively high order value and provide a stable revenue stream for us.

**Chassis parts.** We also offer a comprehensive suite of chassis parts, such as wheel hubs, brake fluid, brake pads, brake discs, power steering fluid, shock absorbers, shock absorber top glue, brake sensors and control arms.

Along with the offering of our tires and chassis parts, we provide installation services to our customers with a convenient experience. We also provide other related services, such as wheel alignment,

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dynamic balancing, nitrogen filling, tire pressure adjustment and general tire inspection at our offline stores, which we believe make our customers’ automotive service experience more convenient.

The below table sets forth the revenue and gross profit of our tires and chassis parts business line during the Track Record Period.

	For the Year Ended 31 December				For the Three Months Ended 31 March	
	2019	2020	2021	2022	2022	2023
	<i>(in thousands of RMB, except for percentage data)</i>					
	<i>(unaudited)</i>					
Revenue .....	3,839,114	4,202,427	5,064,102	4,592,220	1,214,000	1,356,163
Gross profit .....	148,070	326,718	456,206	646,966	152,947	219,548
Gross margin (%) .....	3.9	7.8	9.0	14.1	12.6	16.2

*Note:*

Gross profit for tires and chassis parts equals revenue from tires and chassis parts less cost of tires and chassis parts. Cost of tires and chassis parts excludes the cost of self-operated Tuhu workshops and others associated with selling of tires and chassis parts. Cost of self-operated Tuhu workshops and others primarily consists of (i) staff costs, and depreciation, including depreciation of right-of-use assets, in relation to the operation of our self-operated Tuhu workshops, and (ii) inventory impairment and the loss from disposal of some defective products. For details of cost of self-operated Tuhu workshops and others, see “Financial Information — Description of Major Components of Our Results of Operations — Cost of Revenue.” Staff costs, depreciation and inventory impairment costs are common costs shared by all the business lines. It is difficult to allocate cost of self-operated Tuhu workshops and others to each sub business line under automotive products and services and advertising, franchise and other services in a precise manner.

### Auto Maintenance

*Fluid chemicals.* We offer various fluid chemical products, such as motor oil, engine cleansers, water tank cleansers, car washers, differential fluid, antifreeze, air conditioning pipeline disinfectant, refrigerant and fuel additives.

*Storage batteries and maintenance accessories.* We also offer storage batteries and auto maintenance accessories, such as ignition coils, spark plugs, fluid filters, air conditioning filters, wipers and automatic gearbox repair packages on our platforms.

Along with the offering of fluid chemicals, storage batteries and maintenance accessories, we also provide our customers with corresponding maintenance services, including regular maintenance, major maintenance and other ad hoc automotive maintenance services at our offline stores. Regular maintenance includes fluid and filters replacement, wind-shield wiper replacement, air conditioning refrigerant cleaning, antifreeze replacement and other regularly scheduled maintenance services and safety inspections. Major maintenance includes spark plug replacement, timing belt maintenance, accessory belt maintenance, gearbox maintenance, headlight replacement and suspension maintenance and inspections. In addition, we also provide other ad hoc automotive maintenance

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services, including preventative maintenance, installation and replenishment. For example, we provide throttle body cleaning, fuel system maintenance, water tank rust removal, water tank cleaning, engine interior maintenance, and engine compartment cleaning.

The below table sets forth the revenue and gross profit of our auto maintenance business line during the Track Record Period.

	For the Year Ended 31 December				For the Three Months Ended 31 March	
	2019	2020	2021	2022	2022	2023
	<i>(in thousands of RMB, except for percentage data)</i>					
	<i>(unaudited)</i>					
Revenue . . . . .	1,870,179	2,619,116	3,841,702	4,025,150	991,829	1,194,334
Gross profit . . . . .	395,846	604,064	1,018,123	1,192,080	282,830	396,199
Gross margin (%) . . . . .	21.2	23.1	26.5	29.6	28.5	33.2

*Note:*

Gross profit for auto maintenance equals revenue from auto maintenance less cost of auto maintenance. Cost of auto maintenance excludes the cost of self-operated Tuhu workshops and others associated with selling of auto maintenance. Cost of self-operated Tuhu workshops and others primarily consists of (i) staff costs, and depreciation, including depreciation of right-of-use assets, in relation to the operation of our self-operated Tuhu workshops, and (ii) inventory impairment and the loss from disposal of some defective products. For details of cost of self-operated Tuhu workshops and others, see “Financial Information — Description of Major Components of Our Results of Operations — Cost of Revenue.” Staff costs, depreciation and inventory impairment costs are common costs shared by all the business lines. It is difficult to allocate cost of self-operated Tuhu workshops and others to each sub business line under automotive products and services and advertising, franchise and other services in a precise manner.

### Other Products and Services

*Auto repairs.* In addition to offering the repair or replacement of auto parts including tires, chassis parts, ignition coils, glasses, generators, bumpers, headlights and sensors, our auto repair service provides our customers with dent repair and painting services, which mainly target vehicles with small dents and scratches that result from daily driving. Certain stores in our store network also offer additional repair services to meet customers’ needs. Revenue contributed by auto repairs was immaterial during the Track Record Period.

*Car detailing.* We provide our customers with car detailing services, which are divided into four major service categories including exterior cleaning and detailing, interior cleaning and detailing, exterior modification and window tinting. Exterior cleaning and detailing services include car wash, exterior wax, and polishing. To promote environmental sustainability and reduce labour cost, we offer eco-friendly automated car wash machines and products for lease to our Tuhu workshops and partner stores. Interior cleaning and detailing services include cleaning of interior, undercarriage wash and rust inhibitor, interior wax, glazing and air freshener. Exterior modification services include paint protection films, spray paint, exterior colour change and decorative parts installation. We also provide window tinting services to improve in-car air conditioning functions.

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*Auto accessories.* We offer various auto accessories upgrade services to address the diverse needs of our customers especially in relation to car interior products that may or may not require installation, including electronic products such as Bluetooth receivers and charging plugs, car ornaments such as cushions and pillows, road trip accessories such as waterproof mats, folding tables and chairs, and other accessories such as interior atmosphere lights, speakers, soundproofing materials, touch-up paints, car alarms, fire extinguishers, safety seats, tire inflators, dashboard cameras and tire pressure sensors.

*Automated car wash.* We are rolling out our flexible, fast and convenient car wash service through fully automated and intelligent car wash machines. Fully automated car wash machines will be strategically deployed in certain areas to provide convenient service to our customers. Customers can choose one-time service or subscribe to our membership service. This business is currently in the trial operation stage.

The below table sets forth the revenue and gross profit of our other products and services business line during the Track Record Period.

	For the Year Ended 31 December				For the Three Months Ended 31 March	
	2019	2020	2021	2022	2022	2023
	<i>(in thousands of RMB, except for percentage data)</i>					
	<i>(unaudited)</i>					
Revenue	494,720	559,696	645,531	639,092	149,300	166,321
Gross profit	11,879	19,956	33,089	69,947	15,002	23,194
Gross margin (%)	2.4	3.6	5.1	10.9	10.0	13.9

*Note:*

Gross profit for other products and services equals revenue from other products and services less cost of other products and services. Cost of other products and services excludes the cost of self-operated Tuhu workshops and others associated with selling of other products and services. For details of cost of self-operated Tuhu workshops and others, see “Financial Information — Description of Major Components of Our Results of Operations — Cost of Revenue.” It is difficult to allocate cost of self-operated Tuhu workshops and others to each sub business line under automotive products and services and advertising, franchise and other services in a precise manner.

### **Qipeilong (汽配龍)**

We created Qipeilong to better serve our customers’ diversified, long-tail automotive product demand, especially demand arise from our walk-in customers. As of 31 March 2023, Qipeilong mainly utilised our extensive FDCs in 57 cities and our existing supplier universe, along with access to over 2,200 auto part suppliers that distribute low-frequency automotive products which are generally repair-related. Different from our online interfaces which are dedicated to directly serving our individual customers, Qipeilong is an auto part trading platform we built to serve the procurement needs of automotive service stores within and outside of our store network. Through Qipeilong, we provide two types of services, namely instant procurement service and facilitation services.



## BUSINESS

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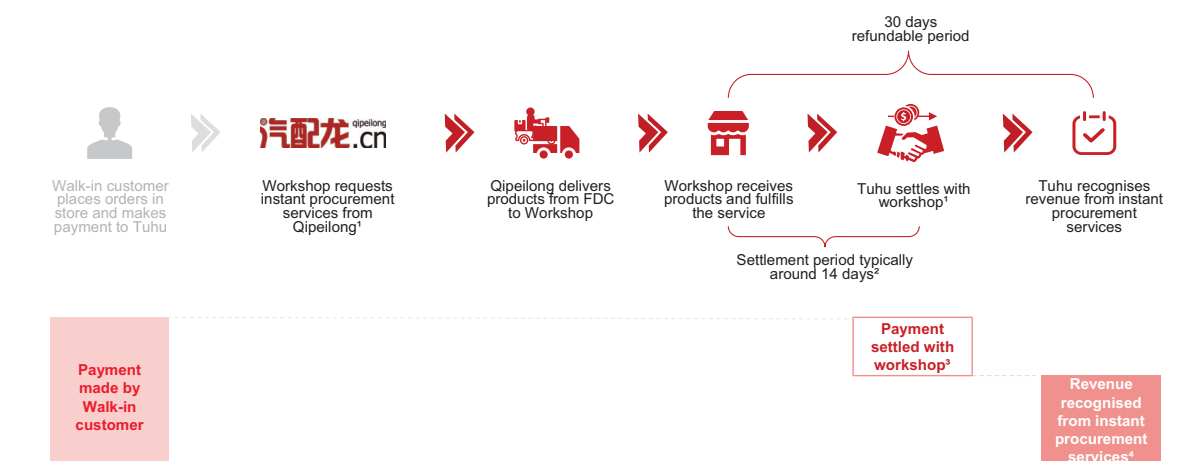
### *Instant Procurement Service*

Qipeilong instant procurement service mainly serves the unplanned procurement needs of our self-operated Tuhu workshops and franchised Tuhu workshops arise from orders placed by our walk-in customers. In addition to the frequently-purchased SKUs we place in each Tuhu workshop and our RDCs, we maintain a large number of SKUs in our FDCs to supplement our in-store inventory. Each FDC site is strategically selected to guarantee approximately 30-minute delivery to nearby stores within a 5-kilometre radius, or approximately 60-minute delivery to stores within a 10-kilometre radius, providing on-demand fulfilment service to our Tuhu workshops. After receiving orders from our customers, Tuhu workshops can place procurement orders on Qipeilong. Qipeilong will then deliver the products from our FDCs to Tuhu workshops. With the geographical and user base expansion, there will be increasing orders from end customers and increasing procurement needs from Tuhu workshops, which will drive up the revenue from Qipeilong. Inventories for instant procurement service are available in our FDCs and we bear the inventory risk for these products. Although our walk-in customers are required to make a payment to us when placing orders, we will deliver the auto products directly to the franchised Tuhu workshops and book sales to franchised Tuhu workshops, and we will settle payments made by walk-in customers with franchised Tuhu workshops with the assistance of financial institutions. We recognise revenue from sales of auto parts through Qipeilong instant procurement service to franchised Tuhu workshops on a gross basis. The below charts illustrates the flow of the business. For orders placed by self-operated Tuhu workshops, the full amount of payment by our customers are recognised under the business line of automotive products and services to individual end customers.



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The below diagram illustrates the product and funds flow of Qipeilong instant procurement service.



Note:

1. Through Blue Tiger.
2. According to practice, Tuhu settles with franchised Tuhu workshop on a bi-weekly basis for Qipeilong instant procurement services with the assistance of financial institutions. Once an order is fulfilled, Tuhu will settle with the franchised Tuhu workshop on the next settlement day. For order placed by self-operated Tuhu workshop, there is no settlement process and the full payment amount will be recognised as Tuhu's revenue.
3. The amount Tuhu settles with franchised Tuhu workshop is the difference between payments by end customers and sourcing price on Qipeilong.
4. If the order contains service fees, service fees will then be distributed to franchised Tuhu workshop through settlement and will not be recognised as Tuhu's revenue from Qipeilong.

In order to maintain a strong control over procurements of our Tuhu workshops, we also provide external procurement services for stores within our store network. The external procurement services could effectively address Tuhu workshops' long-tail and low frequency repair-related automotive product needs also arise from our walk-in services that couldn't be satisfied either by our RDCs or FDCs. Tuhu workshops are allowed to procure automotive products externally only when Qipeilong is unable to fulfill the procurement needs of Tuhu workshops. The external procurement ratio of Tuhu workshops, which represents the percentage of automotive product procured by Tuhu workshops without using Qipeilong instant procurement service as measured by GMV, was 8.2%, 6.7%, 4.7%, 3.3% and 4.3% in 2019, 2020, 2021, 2022 and the three months ended 31 March 2023, respectively. After receiving orders from our customers, Tuhu workshops can place procurement orders on Qipeilong. Qipeilong will then procure auto parts from certified local and regional wholesalers to ensure the fulfilment of Tuhu workshop's automotive product orders. We recognise revenue from sales of auto parts through Qipeilong external procurement service to Tuhu workshops on a gross basis as we are the principal in the arrangement that we bear product inventory risk and control the services prior to the transfer to our customer, and we are responsible for the acceptability of the products and services. The below diagram illustrates the product and funds flow of Qipeilong external procurement service.

## BUSINESS



**Note:**

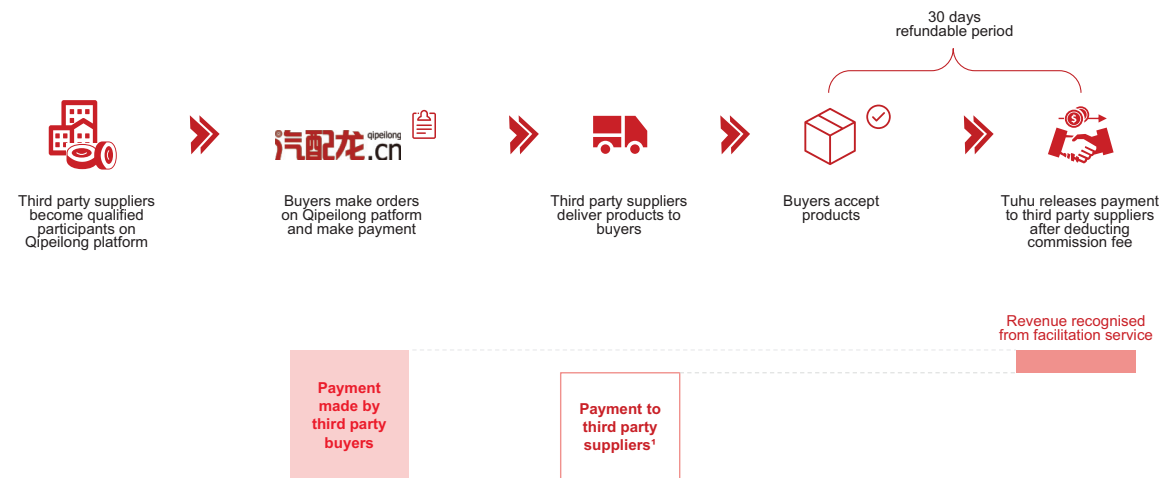
1. Through Blue Tiger.
2. According to practice, Tuhu settles with Workshops on a bi-weekly basis for Qipeilong instant procurement services with the assistance of financial institutions. Once an order is fulfilled, Tuhu will settle with the Workshop on the next settlement day.
3. The amount Tuhu settles with Workshop is the difference between payments by end customers and sourcing price on Qipeilong.
4. If the order contains service fees, service fees will then be distributed to Workshop through settlement and will not be recognised as Tuhu's revenue from Qipeilong.

### *Facilitation Service*

To further support the diverse product needs from stores within and outside of our store network, Qipeilong also serves as a marketplace directly connecting automotive service stores and auto parts suppliers, where we allow stores to procure products directly from qualified suppliers, without the involvement of our FDCs. Revenues generated from facilitation service mainly consist of the commission fee we charge as an agent for facilitating such sales of auto parts to third-party automotive suppliers. The commission fee is recognised on a net basis at a point in time when the orders are fulfilled. We believe the commission fee we charge is commercially reasonable amount taking into account the gross profit of the type of products and our cost. During the Track Record Period, all of suppliers and wholesalers on our Qipeilong platform were Independent Third Parties. We have no ownership or management control over the auto parts suppliers on Qipeilong.

## BUSINESS

The below diagram illustrates the product and funds flow of Qipeilong facilitation service.



Note:

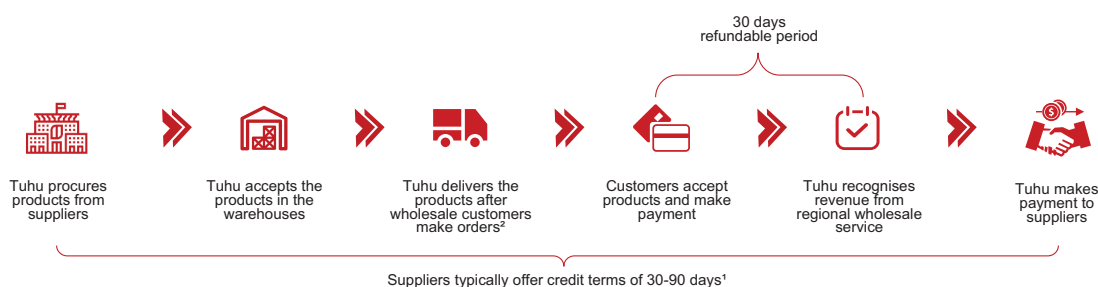
1. Tuhu will settle with third party suppliers with assistance of financial institutions.

### *Regional Wholesale Service*

During the Track Record Period, we also acted as a regional authorised distributor for an internationally recognised premium tire brand. We believe these arrangements helped foster close relationship with our suppliers and provided us with favourable pricing terms. For the brands which we had distribution rights, customer could return the products within 30 days of delivery for a free replacement or full refund subject to certain terms and conditions, except for tires and other large items which would be considered on a case-by-case basis. Inventories for regional wholesale service were available in our warehouses and we bore the inventory risk for these products. We recognised revenue from wholesale of auto parts through Qipeilong on a gross basis at a point in time when (i) third-party auto parts dealers / stores or (ii) Tuhu workshops and partner stores took possession of and accepted the automotive products.

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The below diagram illustrates the product and funds flow of Qipeilong regional wholesale service during the Track Record Period.



Note:

1. Payments by Tuhu can either take place before or after payments by wholesale customers depending on the inventory days and credit terms of related products.
2. Customers can order offline or online (on Qipeilong.cn or Qipeilong APP)

The below table sets forth the revenue and gross profit of our Qipeilong business line during the Track Record Period.

	For the Year Ended 31 December				For the Three Months Ended 31 March	
	2019	2020	2021	2022	2022	2023
	<i>(in thousands of RMB, except for percentage data)</i>					
	<i>(unaudited)</i>					
Revenue . . . . .	614,938	958,970	1,514,910	1,466,286	431,662	328,152
Gross profit . . . . .	7,002	6,878	139,228	174,034	46,156	57,375
Gross margin (%) . . . . .	1.1	0.7	9.2	11.9	10.7	17.5

In sum, Qipeilong is an integral part of our products and services offering for car owners, with the aim to serve their diversified product needs in a timely and cost-efficient manner. We recognise revenue from Qipeilong at the price that we charge our stores or the third party auto dealers.

### ***Advertising, Franchise and Other Services for Platform Participants***

Leveraging the platform we established and the deep understanding of the automotive service industry, we have rolled out a number of advertising, franchise and other services with the goal of serving the comprehensive needs of our platform participants.

#### **Advertising Services**

We mainly offer advertising services to suppliers and brand owners with whom we have established cooperative relationships to help them market effectively to their targeted audience. Our

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advertising services primarily include launch screen and social media advertisements. Advertisements can be placed at various parts of our online interfaces and access points, as well as on our in-store display screen in different formats. Merchants and brands can place display-based advertisements. We primarily charge display-based advertisements by cost per time, and we recognise revenues on a gross basis ratably over the contractual advertising display period.

### *SaaS Solutions*

Our technology capabilities and fulfilment infrastructure are naturally appealing to platform participants who want to digitalise their operations and improve efficiency. Leveraging the significant scale of our business, data insights accumulated from years of operation, we started offering customised, flexible and fine-grained software-as-a-service, or SaaS, solutions to our platform participants, in particular leading automotive aftermarket suppliers. Our SaaS solutions consist of tools to manage all aspects of their businesses and help them establish or improve systems, such as enterprise resource planning, or ERP, warehouse management system, distributor management system, mobile sales assistant, order management system, e-commerce platform, and store management systems, and achieve operational optimisation. For instance, our SaaS solutions help our brand partners, such as ExxonMobil and Continental, upgrade their supplier-to-business-to-customer, or S2B2C, full-link supply chain and operations management capabilities in China. Equipped with the SaaS solutions, our platform participants enjoy integrated supply chain, boosting traditional store business with upgrade and optimisation of retail network, and the end customers are offered a convenient, omni-channel auto maintenance experience. Revenues from SaaS solutions on fixed-period basis are recognised on gross basis over the term of the agreements, and revenues from SaaS solutions on project basis are recognised on gross basis at a point in time when customers take possession of and accept the products and services. Revenue contributed by SaaS solutions was immaterial during the Track Record Period.

### *Other Services*

In order to attract new customers and enhance customer stickiness, we are actively exploring new opportunities to serve the evolving demands from car owners. For example, we provide used car transaction service to our customers. Leveraging our online platform, we are launching the C2B auction model that connects car owners with used car dealers to facilitate used car transactions. Supported by our national offline network, we have built a professional used car service team that encompasses certain key steps of the used car transaction process. We aim to provide a convenient used car transaction experience to our customers. Currently, we are piloting this new service in Shanghai.

In addition, we provide our customers with refuelling coupons by cooperating with various gas stations operators, such as PetroChina and Sinopec. Through our Tuhu Automotive Service (途虎養車) app and Weixin mini programme, our customers can enjoy discounted refuelling at the gas station convenient to them. As we were still developing more ways to serve our customers, revenue contributed by these services was immaterial during the Track Record Period.

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### *NEV New Initiatives*

The emerging NEV industry represents an important market to us and we are actively exploring opportunities to provide dedicated automotive services that are tailored for NEVs, including NEV sales and aftersales services, battery and charging pile maintenance and repair services. We have established strategic cooperation frameworks with notable NEV brands, such as Leapmotor and BAIC Arcfox, to build our NEV automotive service network.

We see significant potential business synergies between the increasing number of NEV brands and a business like ours. As an increasing number of NEV brands are adopting a direct sales model, they often lack a nationwide offline network that can reliably provide automotive service coverage to their users. Therefore, with our extensive services network across the country, we are an ideal partner for NEV brands to provide high-quality automotive service for their users. Our cooperation with NEV brands enables us to serve a NEV throughout its lifecycle. Our new initiatives in the NEV market include:

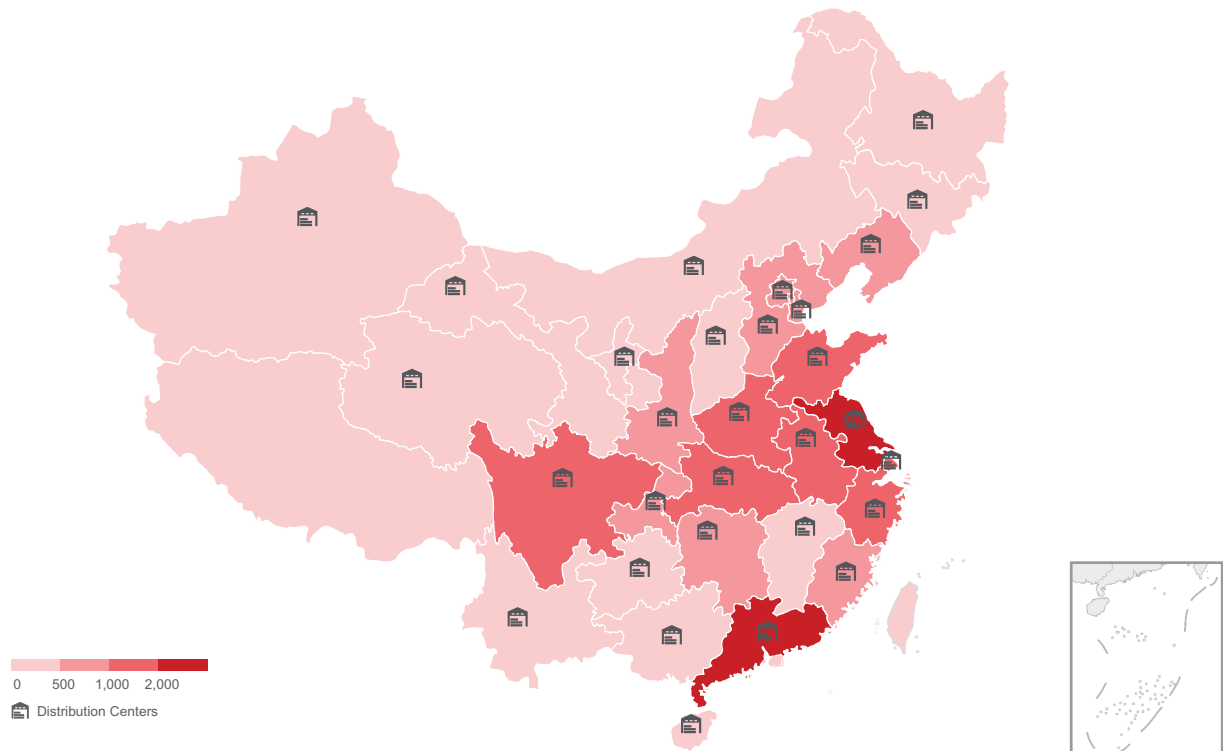
- Leveraging our customer resource and our offline operation capabilities, we started to assist NEV brands to explore innovative sales and service integration models, including dealership model. We are also actively exploring in-depth cooperation with NEV brands and key suppliers to help expand their service reach through delivery and maintenance support. We believe a robust service network is critical to boost customer confidence for NEV brands. We have established strategic cooperation frameworks with notable NEV brands, such as Leapmotor and BAIC Arcfox, to build our NEV automotive service network. In August 2021, we entered into a strategic partnership with Leapmotor to offer automotive services, including maintenance and car detailing, to its users. In 2021, we entered into another strategic cooperation framework agreement with BAIC Arcfox pursuant to which we will integrate our respective resources to jointly build a one-stop full service aftermarket service platform that offers a full-range of automotive service to NEV owners.
- In terms of battery related service, we have established cooperative relationships with several mainstream NEV battery manufacturers and battery solution providers, who entrust us to provide battery-related service, such as battery capacity testing and servicing, battery recycling and electrical system replacement to their customers. We have also established our own technician network to provide battery maintenance service and created a platform-based maintenance training system to our technicians to improve our battery maintenance service capabilities and enhance cooperation with our partners. In 2022, we have completed approximately 20,000 battery and charging pile maintenance and repair service orders.
- We are in the process of transforming and upgrading our offline stores and online interfaces to be able to service NEVs. For example, we have provided low-voltage electrician training for our technicians, created a new energy vehicle database, and designed an online interface tailored to NEV owners.

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During the Track Record Period, our revenues attributable to the NEV related services were insignificant.

### Our Nationwide Store Network

Our sustainable and scalable business model is backed by our rapidly expanding store network. As of 31 March 2023, our store network consisted of 24,394 service stores in China, with 4,770 Tuhu workshops and 19,624 partner stores, covering a majority of prefecture-level cities in China. We intend to continue our store network expansion to capture opportunities in the tier 2 and below cities and counties in China and improve market penetration in the cities in which we already have a presence. According to the CIC report, we were the largest automotive service provider in China in terms of number of stores operated as of 31 December 2022. The diagram below demonstrates the coverage and density of our store network as of 31 March 2023.





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We have three different types of stores, including our self-operated Tuhu workshops, franchised Tuhu workshops, and third-party partner stores. The following table sets forth a breakdown of the number of stores by store types as of the dates indicated.

	As of 31 December								As of 31 March	
	2019		2020		2021		2022		2023	
	Number	%	Number	%	Number	%	Number	%	Number	%
Self-operated Tuhu workshops . . .	127	0.6	165	0.6	195	0.6	162	0.6	160	0.7
Franchised Tuhu workshops . . . . .	1,296	6.4	2,323	9.0	3,658	10.3	4,491	17.6	4,610	18.9
Partner Stores <sup>(1)(2)</sup> . . . . .	18,743	93.0	23,285	90.4	31,623	89.1	20,870	81.8	19,624	80.4
<b>Total</b> . . . . .	<b>20,166</b>	<b>100.0</b>	<b>25,773</b>	<b>100.0</b>	<b>35,476</b>	<b>100.0</b>	<b>25,523</b>	<b>100.0</b>	<b>24,394</b>	<b>100.0</b>

Note:

- (1) When we calculate the number of partner stores as of a specified date, we only include partner stores which had completed at least one transaction with us during the three months preceding the specified date.
- (2) We have been strategically focusing on expanding geographical coverage of our Tuhu workshops to provide our customers satisfying and consistent customer experience, as evidenced by the rapid increase of the number of our franchised Tuhu workshops. As a result, our customers are increasingly utilizing Tuhu workshops as their designated service stores, and the decrease in number of partner stores during the Track Record Period had limited impact on our service capabilities. The decrease in the number of partner stores in 2022 was primarily due to the outbreaks of COVID-19 across China which significantly affected the operations of and resulted in the temporary closure of many of our partner stores. The decrease in number of partner stores in the three months ended 31 March 2023 is a natural outcome of the aforementioned strategy.

Below is a summary of the three different types of stores in terms of strategic rationale, operating model and degree of store control.

	Tuhu Workshops		
	Self-operated Stores	Franchised Stores	Tuhu Partner Stores
Strategic rationale	To set industry standards of service quality and operating efficiency	To achieve rapid network expansion with an asset-light business model	To serve as a supplement to Tuhu workshops to further expand our geographical coverage
Operating model	<p>We have full control over:</p> <ul style="list-style-type: none"> <li>store location selection</li> <li>store decoration</li> <li>employee recruitment</li> <li>store management and information system</li> <li>payment, settlement, and financial system</li> <li>supply chain and logistics capabilities</li> <li>unified Tuhu brand</li> <li>technician management</li> <li>service quality</li> </ul>	<p>We have full control over:</p> <ul style="list-style-type: none"> <li>store management and information system</li> <li>payment, settlement, and financial system</li> <li>supply chain and logistics capabilities</li> <li>unified Tuhu brand</li> <li>technician management</li> <li>service quality</li> </ul> <p>We provide guidance on location selection, store decoration, and personnel training</p>	<ul style="list-style-type: none"> <li>We do not control the operations of partner stores</li> <li>Partner stores mainly provide installation services for products sold on our online platform</li> </ul>

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The below table sets forth the revenue, cost of revenue, gross profit and gross margin by store type and direct sales to customers during the Track Record Period. The numbers in the below table only represent the stores’ financial contributions to us, and do not necessarily reflect the stores’ own financial conditions and results of operations.

	For the Year Ended 31 December						For the Three Months Ended 31 March																	
	2019		2020		2021		2022		2022		2023													
	Revenue	Gross Profit <sup>(1)</sup>	Revenue	Gross Profit <sup>(1)</sup>	Revenue	Gross Profit <sup>(1)</sup>	Revenue	Gross Profit <sup>(1)</sup>	Revenue	Gross Profit <sup>(1)</sup>	Revenue	Gross Profit <sup>(1)</sup>												
RMB	%	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%													
Franchised Tuhu workshops <sup>(2)</sup> . . . . .	3,938,470	3,505,366	433,104	11.0	5,485,465	4,614,483	870,982	15.9	8,119,365	6,612,256	1,507,109	18.6	8,757,970	6,793,804	1,964,166	22.4	2,190,952	1,735,368	455,584	20.8	2,634,971	1,949,943	685,028	26.0
Self-operated Tuhu workshops . . . . .	503,440	548,905	(45,465)	(9.0)	525,423	520,831	4,592	0.9	591,376	613,799	(22,423)	(3.8)	563,321	582,139	(18,818)	(3.3)	137,065	149,188	(12,123)	(8.8)	168,054	158,728	9,326	5.5
Partner stores <sup>(3)</sup> . . . . .	1,265,064	1,241,521	23,543	1.9	1,182,971	1,121,880	61,091	5.2	1,240,969	1,152,064	88,905	7.2	673,712	609,903	63,809	9.5	222,659	202,766	19,893	8.9	133,227	114,987	18,240	13.7
Direct sales to customers <sup>(4)</sup> . . . . .	833,789	774,795	58,994	7.1	777,705	716,795	60,910	7.8	795,355	677,042	118,313	14.9	776,372	651,025	125,347	16.1	191,751	159,820	31,931	16.7	190,936	151,513	39,423	20.6

(in thousands, except for percentage data) (unaudited)

Notes:

- (1) It is difficult to allocate cost of revenue by each store type in a precise manner. The current numbers presented and used for calculation of gross profit and gross margin are based on our best estimates under certain assumptions.
- (2) Revenue from franchised Tuhu workshops include (i) revenue from online and walk-in individual customer orders and recorded under automotive products and services to individual end customers, (ii) revenue from sales of auto products to franchised Tuhu workshops through Qiipeilong, and (iii) revenue in relation to our franchise services to franchised Tuhu workshops.
- (3) Revenue from partner stores include (i) revenue from online individual customer orders fulfilled at partner stores, and (ii) revenue from sales of auto products to partner stores through Qiipeilong.
- (4) Revenue from direct sales to customers represents revenue from online orders from individual customers with delivery of auto products directly to the customer’s home or other designated place.

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### *Tuhu Workshops*

We aim to bring a satisfying and consistent customer experience with unified and rigorous product and service quality standards under the Tuhu brand. We established a set of detailed criteria for location selection, store layout and decoration, and store staffing. For example, we require our self-operated and franchised Tuhu workshops to have unified store design, logo display and standardised service stations. A typical Tuhu workshop is between 300 and 500 square metres in size. The average number of car lifts per Tuhu workshop was 6.0 as of 31 March 2023. The following pictures illustrate typical layouts of our Tuhu workshops.



Our Tuhu workshops can be further categorised into 160 self-operated Tuhu workshops and 4,610 franchised Tuhu workshops, both as of 31 March 2023. Our self-operated Tuhu workshops serve as models for best practises for our franchised Tuhu workshops. Our franchised Tuhu workshops are operated with the same standard and through our proprietary technology systems. The integration of technologies and the comprehensive store management and information systems ensure that the services offered by our franchised Tuhu workshops meet the same high standard. In 2019, 2020, 2021, 2022 and the three months ended 31 March 2023, the average revenue per self-operated Tuhu workshop was RMB4.2 million, RMB3.6 million, RMB3.3 million, RMB3.2 million and RMB1.0 million, and the average revenue per franchised Tuhu workshop was RMB4.0 million, RMB3.0 million, RMB2.7 million, RMB2.1 million and RMB0.6 million, respectively. The average revenue per Tuhu workshop during the Track Record Period has been negatively affected as new stores opened in 2020, 2021 and 2022 ramped-up slower than those opened in 2019 due to COVID-19. In addition, we have been strategically increasing revenue contribution of businesses with higher margin profiles but lower average selling price, such as auto maintenance products and services, in order to achieve high quality growth, which further decreased the average revenue per Tuhu workshop during the Track Record Period.

Self-operated Tuhu workshops are important to our strategies and are a key pillar of our integrated online and offline platform. These self-operated Tuhu workshops are pioneers in new

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services or new markets, serve many key functions such as marketing pilot services or programs testing and technician training, and are tasked with setting the high benchmark for customer experience. As such, these self-operated Tuhu workshops are primarily located in carefully-selected prime locations, taking into account vehicle traffic, commercial building density and other factors such as expansion strategy, which serves to promote the Tuhu platform and enhance brand awareness. In addition, self-operated Tuhu workshops are generally larger in size and feature technician training centres, corresponded with more experienced technicians to solve complex technical issues, and provide more comprehensive service capabilities than franchised Tuhu workshops. As a result, rental expenses and staff costs per store of self-operated Tuhu workshops are often higher, all of which affect the gross margin of self-operated Tuhu workshops. The self-operated Tuhu workshops turned from gross profit position in 2020 to gross loss position in 2021 and 2022, primarily due to the larger average gross floor area of the newly opened self-operated Tuhu workshops, which required more rental expenses and resulted in longer ramp-up period. Additionally, many of our self-operated Tuhu workshops are located in Tier 1 and New Tier 1 cities, which were negatively impacted by the COVID-19 resurgence in 2022. As a strategic matter, seeking immediate financial returns or profitability has not been the top priority in operating our self-operated Tuhu workshops. Instead, these self-operated Tuhu workshops are part of our growth strategies and serve many functions, including as best examples for providing optimised customer experience to all stores within Tuhu network, and are the fundamentals of our integrated online and offline platform. We have also been implementing various measures to further improve efficiency of self-operated Tuhu workshops, including rolling out more exclusive products and private label products with higher gross margin, optimising the use of workstations and increasing the customer service capacities, and further enhancing the compensation and reward plans for the store managers and technicians to better incentivise them.

The average time for franchised Tuhu Workshops that opened in 2019 to reach operating break-even point (the “ramp-up period”) was 5 months. Due to the strategic importance, high capital investment and operation and maintenance costs of self-operated Tuhu workshops, the average ramp-up period for self-operated Tuhu Workshops that opened in 2019 was 15 months. For Tuhu workshops that opened in 2020 and after, due to the adverse impact of COVID-19, the average ramp-up periods for franchised Tuhu Workshops and self-operated Tuhu Workshops were 6 months and 18 months, respectively.

The initial capital investment to open a franchised Tuhu workshop varies, depends on city tiers, store locations and floor area of the franchised Tuhu workshop. For illustrative purpose, our largest franchisee spent approximately RMB664,000 on average for each franchised Tuhu workshop. This figure includes upfront franchise fees, costs of fixtures, equipment and decoration, and other miscellaneous expenses. We believe that the data of these franchised Tuhu workshops are representative of all franchised Tuhu workshops. The average initial capital investment to open a self-operated Tuhu workshop was approximately RMB667,000.

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The table below sets forth the movement in the number of our Tuhu workshops during the Track Record Period:

	As of 31 December												As of 31 March								
	2019				2020				2021				2022				2023				
	Year Begin	Opened	Closed <sup>(1)</sup>	Converted <sup>(2)</sup>	Year End	Opened	Closed <sup>(1)</sup>	Converted <sup>(2)</sup>	Year End	Opened	Closed <sup>(1)</sup>	Converted <sup>(2)</sup>	Year End	Opened	Closed <sup>(1)</sup>	Converted <sup>(2)</sup>	Year End	Opened	Closed <sup>(1)</sup>	Converted <sup>(2)</sup>	Period End
<b>Self-operated</b>																					
<b>Tuhu</b>																					
<b>Workshop</b>	115	31	(3)	(16)	127	59	(6)	(15)	165	46	(14)	(2)	195	5	(26)	(12)	162	3	(1)	(4)	160
<b>Franchised</b>																					
<b>Tuhu</b>																					
<b>Workshop</b>	697	587	(4)	16	1,296	1,030	(18)	15	2,323	1,367	(34)	2	3,658	903	(82)	12	4,491	139	(24)	4	4,610
<b>Franchisees<sup>(3)</sup></b>	377	275	(20)	N/A	632	447	0	N/A	1,079	795	(34)	N/A	1,840	554	(116)	N/A	2,278	57	(37)	N/A	2,298

*Note:*

- (1) During the Track Record Period, a small number of self-operated and franchised stores were closed. The number of closed self-operated and franchised Tuhu workshops increased in 2022, which can be attributed to various reasons, including strategic optimisation of location, lease expiration, and sub-optimal operational performance as a result of the COVID-19 impact.
- (2) For the years ended 31 December 2019, 2020, 2021, 2022 and the three months ended 31 March 2023, 16, 15, 5, 12 and 4 of our self-operated Tuhu workshops were converted into franchised Tuhu workshops, respectively, and nil, nil, 3, nil and nil of our franchised Tuhu workshops were converted into self-operated Tuhu workshops. When we expand into a new geographic area, we typically start with operating Tuhu workshops ourselves to set the high service standard and promote our brand. After we have established presence in the local market, and identified suitable franchisees who meet our standard, we may transfer certain self-operated Tuhu workshops to such franchisees at a mutually agreed price based on bona fide negotiation and convert them into franchised Tuhu workshops. The conversions were to optimise our and our franchisees’ commercial interest by taking into account our strategic expansion plan, franchised store’s operating efficiency, franchisee’s management and service capabilities and investment return potential of the Tuhu workshop location. During the Track Record Period, a limited number of our franchised Tuhu workshops were converted into self-operated Tuhu workshops as a result of the respective franchisees’ personal reasons to discontinue operations. Considering the strategic value of these Tuhu workshops locations and demands from our customers in the areas, we converted these franchised Tuhu workshops into self-operated Tuhu workshops so that we can continue to provide service to our customers. None of these converted Tuhu workshops had been the subject of any material non-compliant incidents, claims, litigation, legal proceedings or regulatory enquiries since their establishment up to the Latest Practicable Date. During the Track Record Period, the total revenues attributable to franchised Tuhu workshops converted from self-operated Tuhu workshops were RMB11.6 million, RMB1.9 million, RMB3.8 million, RMB6.2 million and RMB0.7 million, and the total revenues attributable to self-operated Tuhu workshops converted from franchised Tuhu workshops were nil, nil, RMB1.4 million, nil and nil in 2019, 2020, 2021, 2022 and the three months ended 31 March 2023, respectively.
- (3) With respect to the franchisees, “opened” represents the number of new franchisees who established franchise relationship with us during the period indicated; “closed” represents the number of franchisees who terminated franchise relationship with us during the period indicated.

### Tuhu Workshop Location Selection

We adopt a systematic and standardised process for the planning and execution of new Tuhu workshop expansion plans.

We strategically set up our Tuhu workshops in selected cities and locations. We primarily focus on Tier 1, New Tier 1 and Tier 2 cities in China. Our Tuhu workshop network covers economically vibrant regions, which we believe provide us with a more scalable and stable potential customer



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base. We also plan to further penetrate into tier 2 and below cities and counties and expand our geographic coverage, especially in southeast China. The following table sets forth a breakdown of the number of our Tuhu workshops by geographic location as of the dates indicated.

	As of 31 December								As of 31 March	
	2019		2020		2021		2022		2023	
	Number	%	Number	%	Number	%	Number	%	Number	%
Tier 1 Cities . . . . .	395	27.8	595	23.9	739	19.2	786	16.9	790	16.6
New Tier 1 Cities . . . . .	540	37.9	917	36.8	1,225	31.8	1,328	28.5	1,354	28.4
Tier 2 Cities . . . . .	300	21.1	564	22.7	814	21.1	987	21.2	1,018	21.3
Other Cities and Counties . . . . .	188	13.2	412	16.6	1,075	27.9	1,552	33.4	1,608	33.7
<b>Total . . . . .</b>	<b>1,423</b>	<b>100.0</b>	<b>2,488</b>	<b>100.0</b>	<b>3,853</b>	<b>100.0</b>	<b>4,653</b>	<b>100.0</b>	<b>4,770</b>	<b>100.0</b>

Our offline operations team determines the target locations of each city by analysing the economic and car parc data, population, commercial districts, investment return estimation and market intelligence information of each city, and prepare field survey reports containing building structure, utility service and usage requirement. When selecting potential Tuhu workshop locations, we seek locations where communities gather, often with characteristics such as high vehicle traffic and other factors such as whether the specific location meets the size, environmental and fire safety requirements and fits our strategic expansion plan. Our offline operations team will prudently evaluate each to ensure that we can effectively expand our coverage while maintaining standardised service quality and a unified brand image.

In addition, as we increase the density of our store network, during the process of site selection, we take into account the potential cannibalisation effect on our other Tuhu workshop nearby, while balancing it against the potential benefits to be generated from the new Tuhu workshops, especially the greater location convenience to customers. To minimise competition among our Tuhu workshops, during the process of site selection, we evaluate if there is sufficient population and customer demand in a potential area to support opening a new Tuhu workshop. We generally will not open a new Tuhu workshop in the same neighbourhood or within a certain area in which we already have a Tuhu workshop, unless we have sufficient traffic data showing that the traffic is sizeable enough to support an additional Tuhu workshop in that location. We also conduct reviews of the operational and financial performance of our Tuhu workshops. If an existing Tuhu workshop has only opened for a short period of time or if it is still in the incubation period, we will avoid opening a new Tuhu workshop in the same area too early but deploy various measures to support its growth. We continually monitor the operational and financial performance of Tuhu workshops, and if their performance is still below our expectation, we will review whether their performance could be improved and adjust our strategies accordingly.

### Technician Training Programme

We have established a training programme designed to improve the operational efficiency and productivity of our technicians. We offer various types of regular training courses to our technicians,

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including: (i) a mandatory onboarding orientation programme; (ii) regular and ad hoc trainings that introduce emerging technical knowledge in the automotive industry; and (iii) customised training modules in which seminars are conducted and case studies are discussed and explained. For a detailed discussion on our technician training and support system, see “— Our Proprietary Technologies — Technicians Support and Management System.”

### *Our Franchise Model*

We have been strategically focusing on our innovative franchise model, which is a mix of traditional franchise model and self-operated model. Such innovative franchise model allows us to scale our network rapidly in an asset light manner, while maintaining service quality consistency and product authenticity. Under our franchise model, we leverage franchisees to build and operate franchised Tuhu workshops and empower them with store management and information system, and provide access to our online traffic, and full supply chain support. Our cooperation with franchisees carries many similar features as the typical franchise models. For example, franchisees operate the business and bear the operating cost and expense by their own, franchisees are using Tuhu’s logo and brand pursuant to the franchise agreement, and franchisees are entitled to share part of the product profits for offline walk in orders. Our franchise model differs from traditional franchise model mainly in terms of service control level, product procurement, inventory risk, transaction settlement and minimum sales target. The following table is a brief summary of the main differences.

	<u>Our franchise model</u>	<u>Traditional franchise model</u>
<b>Differences</b>		
Service . . . . .	Strong control over all Tuhu workshops to ensure consistent and high standard service quality	Practice varies, some franchise model does not have strong controls over the services provided by franchisees
Product procurement . . . . .	Centralised procurement policy, supply chain of franchised Tuhu workshops is fulfilled and fully trackable through our proprietary fulfilment infrastructure and Qipeilong to ensure product authenticity	There are usually no strong controls over the products sold by franchisees to prevent them from procuring products from third parties
Inventory risk . . . . .	Inventory risk is generally borne by us until transactions are settled with customers	Franchisees bear the inventory risk
Transaction settlement . . . . .	Customers pay us directly and we will then settle the payments with our franchisees. All transactions between our franchised Tuhu workshops and our customers are required to be recorded in our system	Franchisees receive payments directly from customers

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	<u>Our franchise model</u>	<u>Traditional franchise model</u>
Minimum sales target . . . . .	No monthly minimum sales target for our franchised Tuhu workshops	Franchisees are often required to meet the monthly minimum sales target

The vast majority of Tuhu workshops are operated by our franchisees with the same standard and through our proprietary technology systems. All Tuhu workshops employ our proprietary enterprise resource planning, or ERP, system and digitalised toolkits for operational standardisation and financial and transaction management. We have also established a standard operating procedure, including step-by-step instructions used to guide and monitor store operations and assist stores in training and evaluating technicians. The integration of technologies and the store management and information systems ensure that the services offered by our franchised Tuhu workshops meet the same high standard.

### Franchisee Selection

We follow strict guidelines and apply rigorous standards in selecting franchisees. As part of a due diligence effort, we will meet with potential franchisees to understand their qualification, reputation, track record, business goals, industry experience and financial ability, and we will also consider their ability to meet our service standards and whether they share the same business value with us. We typically source potential franchisees through word-of-mouth referrals, applications submitted via our website and industry conferences. Our franchisees mainly consist of automotive service providers and seasoned investors in the automotive industry.

### Operational Support to Franchisees

We guide franchisees through the site selection, build-out, design and decoration processes during the development of the new locations, ensuring that new locations conform to the physical specifications of our unified brand. For example, the location of each of our stores is carefully selected through a disciplined, data-driven site-selection process. Our data analytics engine uses sophisticated algorithms based on site-level characteristics to identify locations within a market that we believe will maximise traffic and deliver strong economic returns. We then use this data to improve market planning and to connect franchisees with potential expansion opportunities.

In addition, we help franchisees optimise their store operations and improve their overall efficiency through a series of support measures including post-opening personnel training, a management system, and other ad hoc supports. Through our fulfilment infrastructure and Qipeilong, we minimise our in-store inventory while maintaining the flexibility to respond to our customers’ comprehensive product needs swiftly to a consistent customer experience. Our growing economies of scale across our network enable us to continually drive more competitive pricing. Our franchisees also benefit from the best-practice training and operational expertise provided by our field operations team members. As a result, we ensure unified excellent service quality that our customers have come to associate with our brand.



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### Strong Control over Franchised Stores

We have strong control over our franchised Tuhu workshops and have established a protocol to manage selling and marketing, technician training, supply chain and store operations to maintain consistent brand images and pricing. We train and evaluate the technicians and monitor their work via a combination of online tracking and ad hoc on-site inspections.

We adopt a centralised procurement policy under which our procurement department is responsible for purchasing auto parts directly from manufacturing brands and authorised suppliers for all of our Tuhu workshops. We manage the supply chain of the stores to ensure low cost of bulk procurement, quality of products, and efficient warehousing and logistics. Each franchised Tuhu workshop keeps an inventory of frequently-purchased SKUs. We bear the inventory risks for the products we place in franchised Tuhu workshops, but franchised Tuhu workshops are required to manage the inventory in accordance with our internal guidelines and they bear the risks for any product damage or loss in their possession. For store management, our system enables intelligent inventory management, unified payment connection, complete record of transactions and a unified ERP and finance management system.

We have put in place a series of measures to prevent franchised stores from selling products and providing service directly to or receive payments from walk-in customers outside our system. For example, all inventory products in our franchised stores will undergo compulsory scanning process which enables us to monitor the movement of the entire flow of inventory and have real-time inventory visibility in our franchised stores. In addition, through live video monitoring of our Tuhu workshops and our offline operations team’s periodic site visits, we can ensure store operations and service process follow our policy. If we discover misconduct by our franchised stores, we may terminate the franchise agreement and any upfront security deposit paid may be forfeited by us.

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### Key Terms of Franchise Agreement

Our franchisees are Independent Third Parties who are specialised in automotive service and have sufficient financial resources for setting up and operating our Tuhu franchised stores. To our best knowledge, except as disclosed in this document, none of our franchisees had or has any material relationship with us outside of our ordinary course of business, and our arrangements with each of our franchisees were entered into on an arm’s length basis. To the best of the Company’s knowledge and having made all reasonable enquiries with its franchisees, except for those franchisees that we have minority equity investment arrangements as disclosed herein, none of the Company, our subsidiaries, our directors, senior management members, key employees or any of our major shareholders who owns 5% of our issued share capital had more than 5% interest in any of our franchisees, and none of our franchisees or any of their major shareholders had more than 5% interest in the Company and our subsidiaries during the Track Record period and as of the date of this submission. The following sets forth a summary of material terms of the standard franchise agreement we enter into with our franchisees as of the Latest Practicable Date:

<u>Key Terms</u>	<u>Description</u>
<i>Term</i>	Franchise agreement typically has an initial term of three years, and is renewable by mutual agreement.
<i>Products</i>	Franchised stores can only offer products supplied by us to customers. If we are unable to supply the products required to fulfil orders, franchised stores may purchase products from third-party suppliers approved by Tuhu with our consent and record such purchase in our store management system.
<i>Service</i>	Franchisees agree to operate their stores and provide automotive services to our customers following our protocol.
<i>Pricing</i>	Franchisees do not have any rights to adjust the prices of services provided to our customers. Franchisees generally have no rights to adjust the prices of our products, unless expressly approved by us in advance.
<i>Inventory</i>	We have inventory in each franchised store and bear inventory risk. Franchised store should manage the inventory in accordance with our internal guidelines and franchised store bears the risks for any product damage or loss in its possession.
<i>Franchise Fees</i>	Franchisees agree to pay an upfront franchise fee and monthly fixed management fees to us. We are also entitled to profit-based royalty fees.
<i>Security Deposit</i>	Each franchised store is required to pay RMB100,000 as upfront refundable security deposit.
<i>Assignment</i>	Franchisees are not allowed to assign rights and obligations under the franchise agreements to third parties without express consent by us.

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<u>Key Terms</u>	<u>Description</u>
<i>Store Management</i>	<p>Franchisees are required to follow our internal operational policy, such as our general product return and refund policy, and our criteria for store design and decoration.</p> <p>Franchisees should ensure their stores obtain requisite licences, permits or approvals from relevant government authorities and comply with all the regulatory requirements. Franchisees are solely responsible for any penalties imposed by governmental authorities and we are entitled to terminate franchisee agreement and claim damages caused by such regulatory non-compliance.</p>
<i>Staff Recruiting and Training</i>	<p>Franchisees need to ensure all of their employees have completed all compulsory trainings provided by us and received the certification following our requirements.</p>
<i>Termination</i>	<p>If the franchisees breach the franchise agreement or our policies, we may terminate the franchise agreement at our discretion and may be entitled to claim liquidated damages from the franchisees. In addition, the upfront refundable security deposit may be subject to forfeiture.</p>
<i>Transfer of Ownership</i>	<p>Franchisees are not allowed to transfer the ownership of their franchised Tuhu workshops without our permission, and we have the preemptive right to purchase the equity interest from such franchisee.</p>

### Revenue Model

We sell our products directly to our customers, and our franchised stores serve as our offline service providers who render services to our customers. There is no monthly minimum sales target set for our franchisees and the franchisees are not allowed to enter into transaction directly with or receive payments from customers outside our system. Our customers pay us directly and we recognise revenue from sales of products and services when customers take possession of and accept the products and services at our Tuhu workshops. We will then settle the service fee payments with our franchisees with the assistance of financial institutions, generally within one to two weeks. The service fees for each type of service vary based on factors including car model, car size, types of auto parts, estimated labour hours involved for performing the service, technical difficulty of the service being performed and market standard. There are also circumstances where certain low frequency auto products are not available in the inventories we place in each Tuhu workshop or our RDCs. For better customer experience, some franchised Tuhu workshops purchase such auto products through Qipeilong platform for future customer orders. Under such circumstances, we book sales of auto products to franchised Tuhu workshops. For detailed illustration of transactions and fund flow, including diagrams, see “— Our Product and Service Offerings — Qipeilong.”

Our revenue from franchisees consists of (i) an upfront franchise fee, (ii) monthly fixed management fees and (iii) profit-based royalty fees, which generally equals to 10% of franchised store’s operating profits. Depending on the region, city tier, car parc and size of the franchised Tuhu

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workshop, the upfront franchise fee we charge for a three-year franchise agreement ranges from RMB100,000 to RMB400,000. Following the end of the initial term, the franchise fees for renewal will be determined on a case-by-case basis. We recognise franchise fees on a gross basis over the term of the franchise agreements. At present, we have two levels of standard monthly management fees: RMB4,000 and RMB8,000. However, we may reduce the monthly fixed management fees according to the specific situation of franchised Tuhu workshops, such as those in the early stage of development, to support the growth of their businesses and alleviate their operating pressure caused by COVID-19 in 2020, 2021 and 2022. We recognise monthly fixed management fees on a gross basis over the term of the franchise agreements. For the years of 2019, 2020, 2021, 2022 and the three months ended 31 March 2023, the average monthly fixed management fees per Tuhu workshop were RMB5,862, RMB5,454, RMB5,503, RMB4,689 and RMB5,484, respectively.

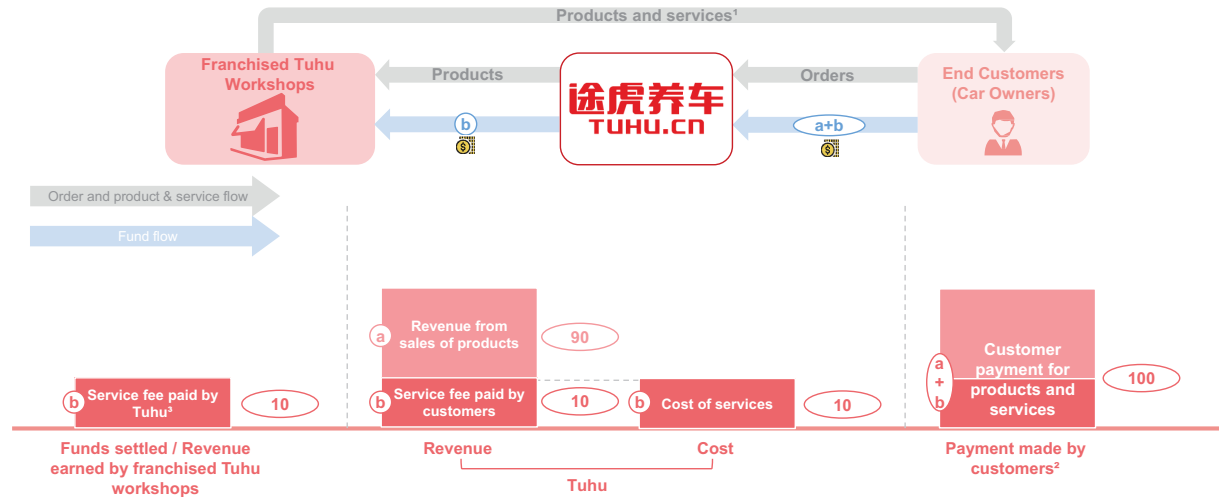
Franchisees pay recurring royalty fees, based on a fixed percentage of the franchised stores' monthly profits throughout the duration of the respective franchise agreement. The recurring royalty fees are recognised at the time the underlying franchised stores' sales occur.

Our franchisees generate revenue mainly from automotive services they provide, and they bear the operating cost of franchised Tuhu workshops. Upon the service being rendered to our customers by Tuhu workshops, our system will record the completion of the order and recognise revenue. We will distribute the payments to our franchisees periodically. After deducting the upfront franchise fee, monthly fixed management fees and profit-based royalty fees paid to us, they can enjoy a substantial economic benefit. We have built a franchisee-friendly business model and implemented a series of measures to support our franchisees to develop their businesses, such as dynamically adjusting the profit-sharing level according to the specific situation of franchisees, and organising trainings and nationwide networking activities for franchisees.

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The below diagrams illustrate the product and funds flows among our customers, franchised Tuhu workshops and us under different user cases.

### Online Orders

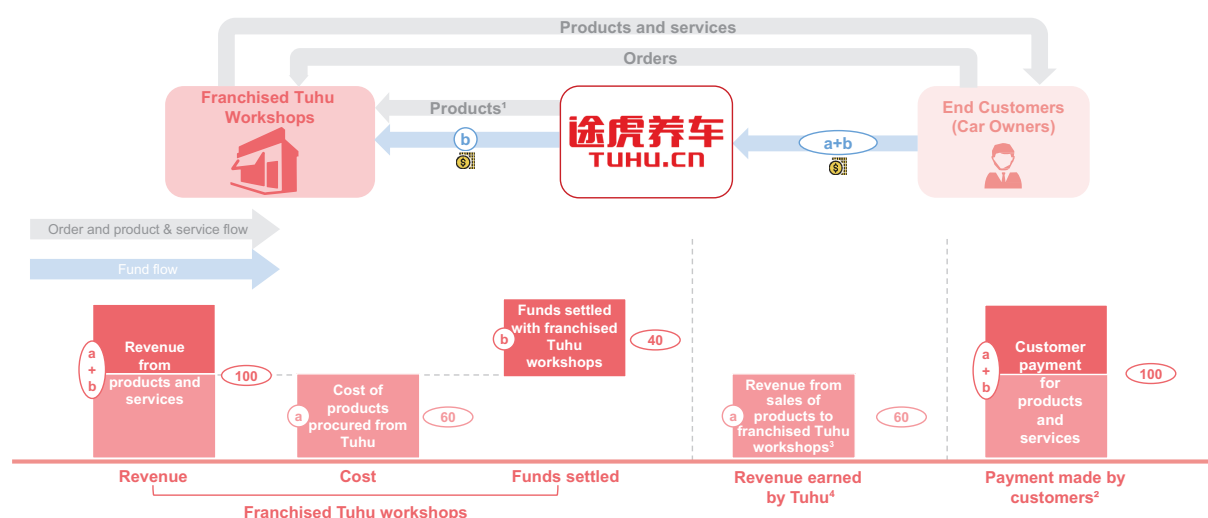


Note: Funds flow figures are for illustration only.

1. Products that do not require offline installation can be directly delivered to car owners by Tuhu.
2. For all the product and service fees, customers pay directly to Tuhu.
3. For online orders, franchised Tuhu workshops are only entitled to service fees related to provision of services.

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### *Walk-in Orders with In-store or RDC Inventory*

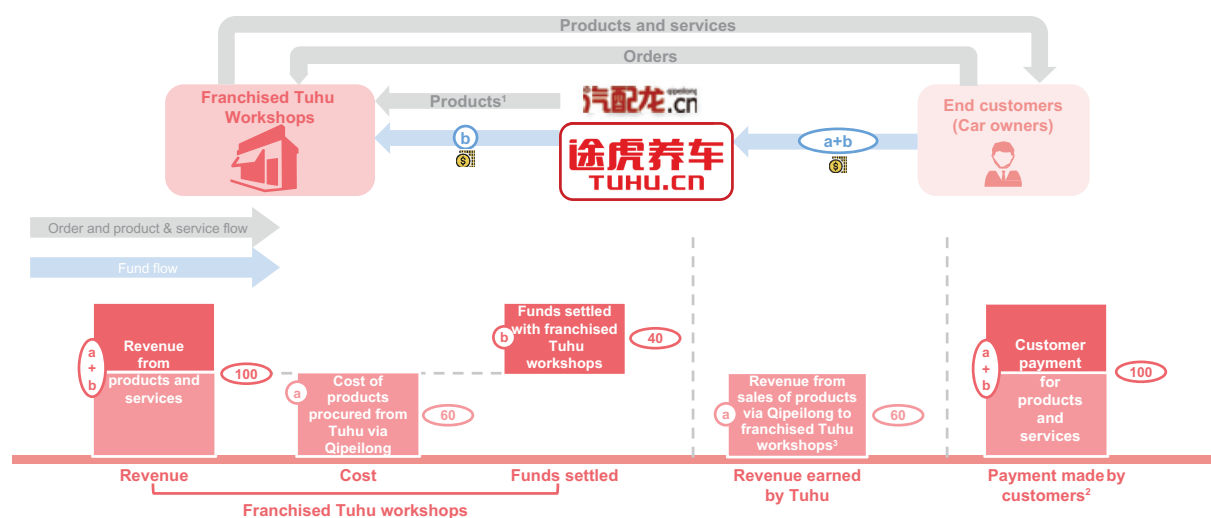


Note: Funds flow figures are for illustration only.

1. If products are available in the store or local RDC, the franchised Tuhu workshops can utilize in-store inventory or have Tuhu ship auto parts from RDC to the store.
2. For all the product and service fees, customers pay directly to Tuhu.
3. Included in revenue from product and services sales to individual end customers. We recognise revenue from such orders under the business line of automotive products and services to individual end customers because we place inventory in our Tuhu workshops and RDC in order to directly serve the automotive product needs of our individual end customers. Therefore, we consider sales of automotive products from such orders to be part of the automotive products and services we directly provide to our individual end customers.
4. We recognise less revenue from walk-in orders compared to online orders because for walk-in orders, the staff at our franchised Tuhu workshops would guide the customers through the entire order placement and service rendering process, including customer intake, product and service recommendation, vehicle inspection and order placing, to provide walk-in customers a seamless service experience. As service process for walk-in orders require more staff participation and promotional efforts and such natural walk-in customer traffic are generated by franchised Tuhu workshops to our platform, we share part of product revenue with franchised Tuhu workshops to allow them achieve reasonable economic return.

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### *Walk-in Orders Utilizing Qipeilong Instant Procurement Services*



Note: Funds flow figures are for illustration only.

1. If products are NOT available in the store or local RDC, the franchised TuHU workshops can utilize Qipeilong instant procurement services or Qipeilong external instant procurement services to procure automotive products from FDC or external suppliers.
2. For all the product and service fees, customers pay directly to TuHU.
3. Included in revenue from Qipeilong. We recognise revenue from Qipeilong instant procurement services under the business line of Qipeilong because Qipeilong instant procurement service mainly serves the unplanned procurement needs of TuHU workshops arise from orders placed by walk-in customers. Therefore, we consider TuHU workshops that place such procurement orders as our customers and book sales to franchised TuHU workshops.

The revenue recognised by TuHU for walk-in orders utilizing Qipeilong instant procurement services are the same compared to that with in-store or RDC inventory. However, the sales prices of the relevant products sold to TuHU workshops through Qipeilong are lower than the retail sales prices to walk-in customers by TuHU workshops to our individual end customers. We generally take into accounts factors such as cost, popularity, volume and procurement difficulties of the products, and sets the Qipeilong sales price and retail sales price to end customers at levels that allow both Qipeilong and franchised TuHU workshops to achieve reasonable margins and economic return. The amount we settle with franchised TuHU workshops is the difference between retail sales price paid by walk-in customer and the sales price of the product sold to franchised TuHU workshops through Qipeilong.

Our brand equity, customer recognition, well-established supply chain system and efficient management mechanism provide highly compelling economic benefits for our franchisees, release them from the burden of inventory risks and daily on-site operations, and enhance their ability to manage multiple stores through our digital technical supporting systems, which result in a strong desire to join and stay within our network. During the COVID-19 pandemic, we exhibited better resilience in difficult times than smaller scale operators due to our scale, which helped us to attract more franchisees to join and stay within our network. We had 632, 1,079, 1,840, 2,278 and 2,298 franchisees as of 31 December 2019, 2020, 2021, 2022 and 31 March 2023, respectively. For the years of 2019, 2020, 2021, 2022 and the three months ended 31 March 2023, our revenues attributable to the top five franchised TuHU workshops were RMB14.0 million, RMB15.6 million,



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RMB19.1 million, RMB19.3 million and RMB5.3 million, respectively, and our revenues attributable to the top five franchisees were RMB163.0 million, RMB243.4 million, RMB339.3 million, RMB334.8 million and RMB95.4 million, respectively. Only around 2% of franchised Tuhu workshops were closed during the Track Record Period. In situations where a franchised Tuhu workshop has operational difficulties, our franchisee generally prefers to transfer the ownership of such franchised Tuhu workshop to another franchisee with our consent, which enables us to maintain a stable and healthy franchised store network. As of 31 March 2023, 39.9% of our franchisees had opened two or more stores with us.

The tables below set forth the identities of our five largest franchisees in terms of revenue contribution and their respective revenue contribution during the Track Record Period.

### For the Year Ended 31 December 2019

Franchisee	Revenue Contribution to the Company (RMB'000)	% of Total Revenues
Meilishi Group .....	113,498	1.6
Shanghai Kai Zu Auto Technology Co., Ltd. ....	18,705	0.3
Beijing Mingtu Automobile Service Co., Ltd. ....	11,901	0.2
Mr. Ma Chengcheng .....	10,195	0.1
Mr. Zhang Guolin .....	8,743	0.1

### For the Year Ended 31 December 2020

Franchisee	Revenue Contribution to the Company (RMB'000)	% of Total Revenues
Meilishi Group .....	162,961	1.9
Shanghai Kai Zu Auto Technology Co., Ltd. ....	25,803	0.3
Mr. Zhang Guolin .....	19,024	0.2
Mr. Ma Chengcheng .....	18,444	0.2
Mr. Fu Jie .....	17,211	0.2

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### For the Year Ended 31 December 2021

Franchisee	Revenue Contribution to the Company (RMB'000)	% of Total Revenues
Meilishi Group .....	228,327	2.0
Shanghai Kai Zu Auto Technology Co., Ltd. ....	33,347	0.3
Mr. Ma Chengcheng .....	27,517	0.2
Mr. Zhang Guolin .....	26,384	0.2
Mr. Fu Jie .....	23,734	0.2

### For the Year Ended 31 December 2022

Franchisee	Revenue Contribution to the Company (RMB'000)	% of Total Revenues
Meilishi Group .....	233,958	2.0
Shanghai Kai Zu Auto Technology Co., Ltd. ....	26,704	0.2
Mr. Zhang Guolin .....	26,372	0.2
Beijing Mingtu Automobile Service Co., Ltd. ....	24,436	0.2
Mr. Fu Jie .....	23,292	0.2

### For the Three Months Ended 31 March 2023

Franchisee	Revenue Contribution to the Company (RMB'000)	% of Total Revenues
Meilishi Group .....	66,795	2.0
Shanghai Kai Zu Auto Technology Co., Ltd. ....	7,510	0.2
Mr. Fu Jie .....	7,139	0.2
Mr. Zhang Guolin .....	7,003	0.2
Beijing Mingtu Automobile Service Co., Ltd. ....	6,995	0.2

During the Track Record Period, we entered into minority equity investment arrangements, typically as a 10% minority shareholder, with a selected number of our franchised stores through arm's length negotiation, which benefit us by enhancing our business relationship with franchisees with strong resources and commitment to do business with us, while gaining opportunities for long-term investment return. For the years of 2019, 2020, 2021, 2022 and the three months ended 31 March 2023, we had minority equity investment arrangements with 2, 10, 63, 100 and 108 franchisees, respectively, and there were 124, 164, 228, 359 and 431 franchised stores in which we

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had minority equity investment, respectively. When selecting franchised stores to invest in, we pay particular attention to stores that demonstrate higher growth potential and share the same vision on China’s automotive service market with us. We believe that our franchisees also benefit from our equity investment therein as the exhibition of our commitment to support our franchisee’s long-term growth and achieve win-win outcomes for both our Company and our franchisees. For the years of 2019, 2020, 2021, 2022 and the three months ended 31 March 2023, our revenues attributable to these franchised stores were RMB36.8 million, RMB150.3 million, RMB260.4 million, RMB413.6 million and RMB125.2 million, respectively.

In order to retain and attract franchisees, we have established an offline supporting team responsible for franchisee development. We adopt various measures to attract new franchisees, including face-to-face visits, phone calls, promotions on social media platform, franchisee seminars and existing franchisee referrals. Franchisees are important participants in our network, by improving the efficiency of our offline supporting team, we will be able to better serve our franchisees, tailor solutions for them and provide necessary financial support during difficult times, and achieve win-win result with our franchisees in the long term.

The below table sets forth the number of our profit-making self-operated Tuhu workshops and franchised Tuhu workshops which paid profit-based royalty fees to us in December 2019, 2020, 2021, 2022 and March 2023, respectively.

	For the month ended 31 December								For the month ended 31 March	
	2019		2020		2021		2022		2023	
	Number of stores <sup>(1)</sup>	% <sup>(1)</sup>	Number of stores <sup>(1)</sup>	% <sup>(1)</sup>	Number of stores <sup>(1)</sup>	% <sup>(1)</sup>	Number of stores <sup>(1)</sup>	% <sup>(1)</sup>	Number of stores <sup>(1)</sup>	% <sup>(1)</sup>
Self-operated Tuhu workshops <sup>(2)</sup> . . . .	61	52.1	92	77.3	102	57.3	106	76.3	117	76.0
Franchised Tuhu workshops <sup>(3)</sup> . . . .	838	90.4	1,504	88.7	2,428	87.1	3,320	81.2	3,771	89.4

*Notes:*

- (1) The numbers of Tuhu workshops used for calculations are those in operation on our record for at least six months as of the period-end of each period.
- (2) Represents the number of profit-making self-operated Tuhu workshops for the month ended 31 December 2019, 2020, 2021, 2022 and 31 March 2023, respectively.
- (3) Represents the number of franchised Tuhu workshops which paid profit-based royalty fees to us for the month ended 31 December 2019, 2020, 2021, 2022 and 31 March 2023, respectively.

The relatively small increase in the number of profit-marking self-operated Tuhu workshops or the decrease in the percentage data in December 2021 as compared to December 2020 was primarily due to the larger average gross floor area of the newly opened self-operated Tuhu workshops in 2021, which required more rental expenses and resulted in longer ramp-up period.

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The below table sets forth the revenue, gross profit and gross margin of our Tuhu workshops by years of operation as of 31 March 2023. The numbers in the below table only represent the Tuhu workshops’ financial contributions to us, and do not necessarily reflect the Tuhu workshops’ own financial conditions and results of operations.

	<1 year	1-2 years	2-3 years	≥ 3 years	Total
Number of Tuhu workshops . . . . .	805	1,465	1,109	1,391	4,770
Revenue <sup>(1)</sup> (RMB in thousands) . . . . .	260,639	746,892	715,591	1,078,577	2,801,699
Gross profit <sup>(1)</sup> (RMB in thousands) . . . . .	56,670	178,222	182,059	277,009	693,960
Average revenue <sup>(1)</sup> (RMB in thousands) . . . . .	324	510	645	775	587
Average gross profit <sup>(1)</sup> (RMB in thousands) . . . . .	70	122	164	199	145
Average gross margin <sup>(1)</sup> (%) . . . . .	21.6	23.9	25.4	25.7	24.7

*Note:*

(1) Represents revenue, gross profit, and average revenue, gross profit and gross margin in the three months ended 31 March 2023.

### ***Partner Stores***

In order to provide more convenient automotive service to our customers, in addition to our Tuhu workshops, we also have a large number of partner stores that only provide installation and maintenance services to our customers for the orders placed through our online interfaces. As a supplement to our Tuhu workshops, our partner stores allow us to quickly and effectively expand our store network in an asset-light manner to expand our service capacity and serve customers in regions where we currently have limited presence. We select our partners carefully. Unlike our Tuhu workshops, the arrangements with our partner stores are on a non-exclusive basis and we generally do not control the operations of our partner stores and they do not have the same store design and our brand name as our Tuhu workshops. Partner stores have their own operations outside the Tuhu system and can accept orders placed by their own customers. Partner store operators bear the operating cost of their partner stores, and they may procure auto parts through Qipeilong on their own accounts and sell to their customers. We do not maintain an inventory of our products in partner stores and we only bear inventory risks for online orders distributed to partner stores. If our customers select our partner stores to receive the services, we will deliver ordered products to the selected partner stores for them to perform the requested services. However, partner store operators have access to our store management systems and are required to follow our service protocol to ensure that high-quality services are offered to our customers across our store network. There is no monthly minimum sales targets for our partner stores. Our partner stores are not allowed to receive funds directly from our customers outside our payment system for services rendered to our customers. For orders placed through our online interfaces and distributed to partner stores for service rendering, we monitor the performance of such orders, such as order cancellation rate and customer complaint rate, to prevent partner stores from bypassing our system and entering into transactions with our customers directly. If our partner stores fail to meet our service standard or

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engage in improper conducts, we have the right to terminate the partnership and the security deposit they paid may be forfeited.

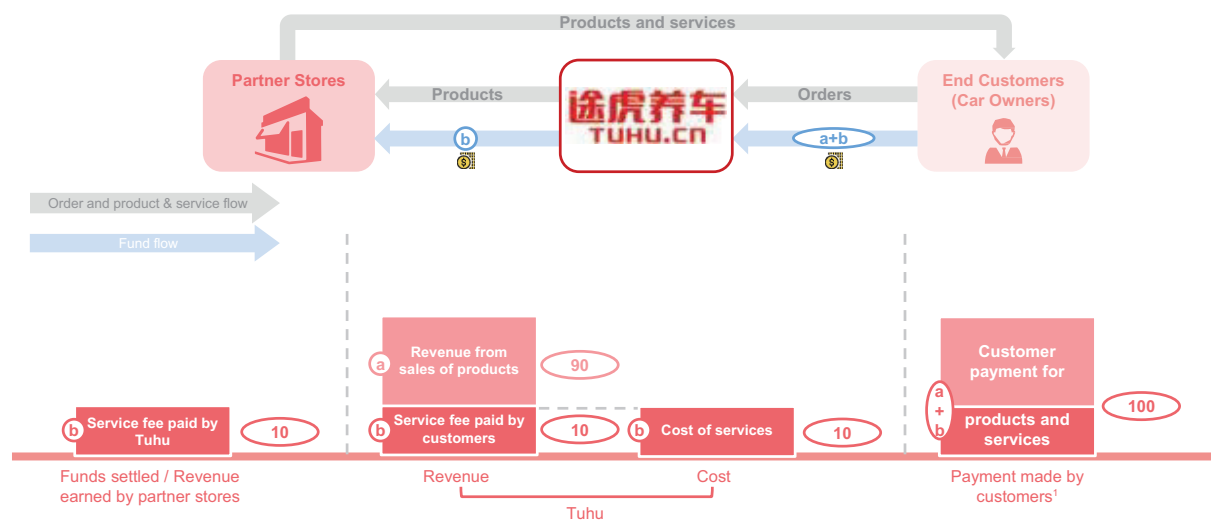
After we receive an application to join our platform as a partner store, our team will visit the store and negotiate the details of the partner store framework agreement. Partner stores are required to pay RMB5,000 as security deposit before they can be admitted to our platform. Similar to our Tuhu workshops, customers can place orders through our online interfaces and choose a partner store to render the service. When the customer arrives at the store, the partner store will verify the order information in the system before performing the service. After the customer acknowledges the completion of the order, it will be recorded in our system and we will settle the negotiated service fee with the partner store. Our customers may choose to pay for their orders with any of the payment options offered on our online interfaces. We generate revenue from sales of auto parts to partner stores and net service fee, which equals the fee we charge online customers less service fee paid to partner stores. We generally distribute service fee payments to our partner stores monthly with the assistance of financial institutions.

When a customer places an order through our online interfaces and selects a partner store for services, such order will be distributed to a partner store through our Blue Tiger system and the store operator will be notified. Delivery of the auto parts are then arranged to the partner store accordingly. If the partner store declines the order through our system or refuses to accept the delivery, we will notify the customer to change his or her store selection and receive service in a timely manner at another store. If the partner store further indicates it will no longer be able to provide services to our customers, we will remove the partner store from our partner store network. Through our Blue Tiger system, we have visibility of and can accurately determine the number of partner stores available for providing automotive services to our customers at any given time.

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The below diagrams illustrate the product and funds flows among our customers, partner stores and us under different user cases.

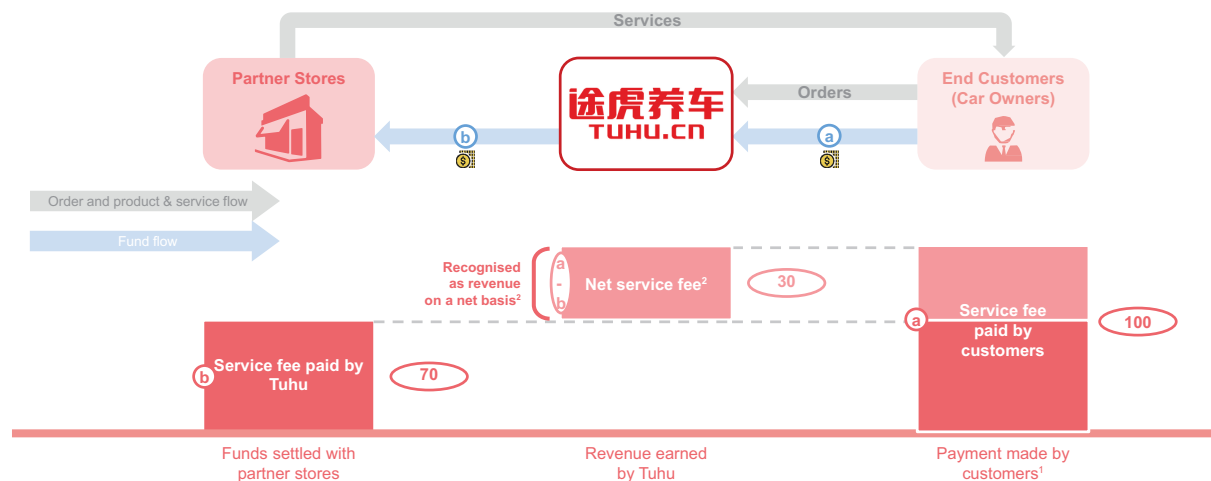
### Orders with Bundled Product Sales and Service



Note: Funds flow figures are for illustration only.

1. For all the product and service fees, customers pay directly to TuHu.

### Service-only Orders



Note: Funds flow figures are for illustration only.

1. For all the service fees, customers pay directly to TuHu;

2. For service fees not associated to product sale, TuHu recognises revenue under “automotive products and services to individual end customers” on a net basis, i.e. revenue are recognised at the amounts equal to fees charged to customers less service fees paid to partner stores. For the years ended 31 December 2019, 2020, 2021, 2022 and the three months ended 31 March 2023, we recognised net service fees of RMB5.1 million, RMB12.3 million, RMB12.8 million, RMB5.8 million and RMB0.3 million, respectively.

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### Key Terms of Partnership Agreement

Our partner stores are Independent Third Parties who are automotive service providers. The following sets forth a summary of material terms of the standard partnership agreement we enter into with our partners:

<b>Key Terms</b>	<b>Description</b>
<i>Term</i>	Partnership agreement typically has an initial term of two years, and is renewable by mutual agreement.
<i>Product Offering</i>	Partner stores may purchase auto parts and equipment on Qipeilong or from third-party suppliers. If partner stores sell products sourced from third-party suppliers to our customers, they should ensure the quality of such products and will be held accountable for any damage caused by such defected products.
<i>Service</i>	Partner store operators are required to follow our service protocol when rendering services to our customers.
<i>Pricing</i>	Partner stores do not have any rights to adjust the prices of our products and services.
<i>Deposit</i>	Partner stores are required to pay RMB5,000 as security deposit before it can be admitted to our platform.
<i>Assignment</i>	Partner stores are not allowed to assign rights and obligations under the partnership agreements to third parties without express consent by us.
<i>Service Quality</i>	If our customers suffer damage as a result of intentional misconduct and negligence of our partner stores, such partner store is responsible for the damage.
<i>Training</i>	Partner stores need to ensure that all technicians have the requisite skills to render service to our customers. At the request of our partner stores, we may provide certain operational support and training to our partner stores.
<i>Inventory</i>	Partner stores generally do not keep an inventory of our products in its store.
<i>Termination</i>	If our partner stores fail to meet our service standard or engage in improper conducts, we have the right to terminate the partnership and the security deposit they paid may be forfeited.

We have launched a certification programme to deepen the cooperation with certain high-performing partner stores. For these certified stores, we will provide additional supports, including priority recommendation, technical support, supply chain support and financial planning support. As of 31 March 2023, we had 19,624 partner stores across China. By placing orders on our platform, our



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customers can be confident that they will receive quality service with transparent pricing, at a convenient location where they choose to be served. Our strong brand image and the significant scale of our platform are crucial to our partner stores as they benefit from the increased business opportunities generated through our platform, which motivates them to maintain a loyal relationship with us and ensure the services they provide meet our standard. Depending on the types of service provided by our partner stores, the net service fee per order payable to our partner stores typically ranges from RMB20 to RMB200. For the years of 2019, 2020, 2021, 2022 and the three months ended 31 March 2023, our revenues attributable to the top five partner stores were RMB0.6 million, RMB1.8 million, RMB2.0 million, RMB2.2 million and RMB0.4 million, respectively.

The tables below set forth the identities of our five largest partner stores in terms of revenue contribution and their respective revenue contribution during the Track Record Period.

### For the Year Ended 31 December 2019

Partner Store	Revenue Contribution to the	
	Company (RMB'000)	% of Total Revenues
Xiangyang Gucheng Store	170	<0.1
Tongren Yinjiang Guanzhuang North Road Store	144	<0.1
Nanchang Cuiyuan Road Store	113	<0.1
Jingmen Zhongxiang Store	113	<0.1
Huangshi Yangxin Store	82	<0.1

### For the Year Ended 31 December 2020

Partner Store	Revenue Contribution to the	
	Company (RMB'000)	% of Total Revenues
Pudong Jinhu Road Store	429	<0.1
Nanning Qingxiu Tongfu Road Store	415	<0.1
Bridgestone Tire (Jingmen Shayang Jiangjin Avenue Store)	329	<0.1
Yuncheng Linyi Jingming Flower Store	326	<0.1
Zaozhuang Xuecheng District Four Seasons Jinghua Store	284	<0.1

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### For the Year Ended 31 December 2021

Partner Store	Revenue Contribution to the Company (RMB'000)	% of Total Revenues
Suzhou Huayuan Road Store .....	492	<0.1
Bridgestone Tire (Jingmen Shayang Jiangjin Avenue Store) .....	383	<0.1
Zaozhuang Xuecheng District Four Seasons Jinghua Store .....	382	<0.1
Nanjing Qixia District Xianyao Road Store .....	363	<0.1
Xi'an Hanqu South Road Store .....	357	<0.1

### For the Year Ended 31 December 2022

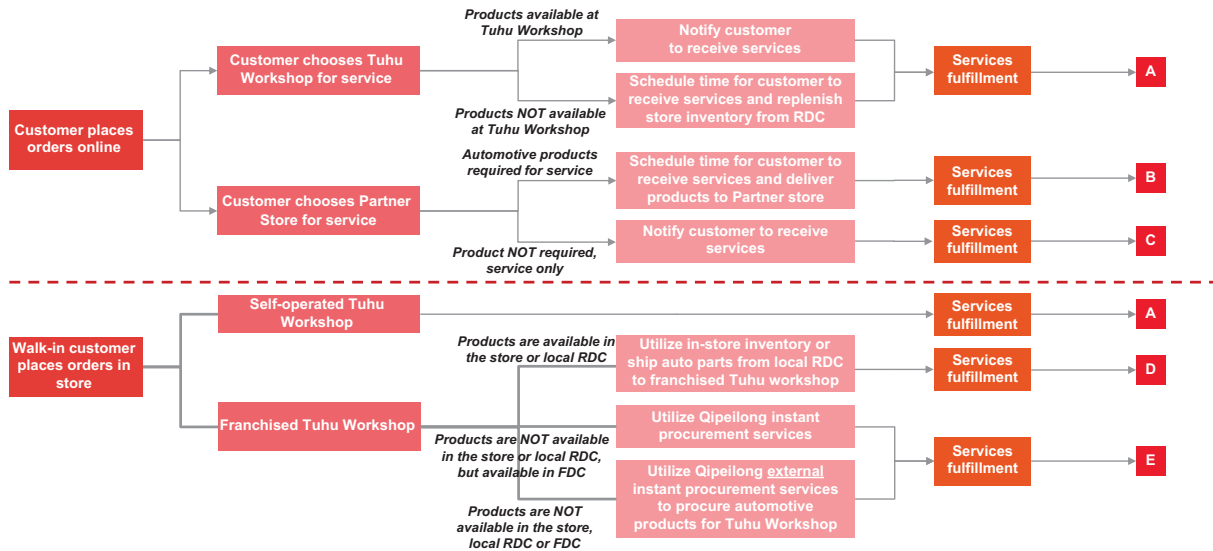
Partner Store	Revenue Contribution to the Company (RMB'000)	% of Total Revenues
Suzhou Huayuan Road Store .....	678	<0.1
Jinhu Tire (Shangcai Chongyang Avenue Store) .....	442	<0.1
Bridgestone Tire (Jingmen Shayang Jiangjin Avenue Store) .....	431	<0.1
Taizhou Xianju Gongye Road Store .....	344	<0.1
Xi'an Yanta Zhuque Road Store .....	314	<0.1

### For the Three Months Ended 31 March 2023

Partner Store	Revenue Contribution to the Company (RMB'000)	% of Total Revenues
Suzhou Huayuan Road Store .....	171	<0.1
Chongqing Fengwen Huashi Store .....	71	<0.1
Huaihua Chenxi Chenzhou South Road Store .....	69	<0.1
Dazhou Xuanhan Beicheng Avenue Store .....	65	<0.1
Huanggang Wuxue Longgang Road Store .....	54	<0.1

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Below is a diagram that illustrates the differences in revenue and cost recognition under different user cases for automotive products and services.



	Revenue and Cost for Tuhu	Revenue and Cost for Franchised Tuhu Workshops / Partner Stores (if applicable)	Rationale for revenue split
<b>A</b>	<b>Revenue</b> Revenue from products and services <sup>(1)</sup> <b>Cost</b> Cost of products <sup>(2)</sup> Cost of services <sup>(2)</sup> Cost of self-operated Tuhu workshops	<b>Revenue</b> Service fee paid by Tuhu <sup>(2)</sup>	<ul style="list-style-type: none"> <li>Tuhu is the principal for the transaction and bears inventory risk, so enjoys 100% of product revenue</li> <li>Franchised Tuhu workshops are the agent to fulfillment services only, so are paid with service fee</li> </ul>
<b>B</b>	<b>Revenue</b> Revenue from products and services <sup>(1)</sup> <b>Cost</b> Cost of products <sup>(2)</sup> Cost of services <sup>(2)</sup>	<b>Revenue</b> Service fee paid by Tuhu <sup>(2)</sup>	<ul style="list-style-type: none"> <li>Tuhu is the principal for the transaction and bears inventory risk, so enjoys 100% of product revenue</li> <li>Partner stores are the agent to fulfillment services only, so are paid with service fee</li> </ul>
<b>C</b>	<b>Revenue</b> Revenue from services <sup>(1)(3)</sup>	<b>Revenue</b> Service fee paid by Tuhu	<ul style="list-style-type: none"> <li>Tuhu is the agent for the service provided by partner store and bears no inventory risk</li> </ul>
<b>D</b>	<b>Revenue</b> Revenue from products <sup>(1)</sup> <b>Cost</b> Cost of products <sup>(2)</sup>	<b>Revenue</b> Revenue from products and services <b>Cost</b> Cost of products <sup>(1)</sup>	<ul style="list-style-type: none"> <li>Franchised Tuhu workshops generate natural walk-in customer traffic, so Tuhu shares part of product revenue with franchised Tuhu workshops</li> </ul>
<b>E</b>	<b>Revenue</b> Revenue from Qipeilong instant procurement services <sup>(4)</sup> <b>Cost</b> Cost of products <sup>(5)</sup>	<b>Revenue</b> Revenue from products and services <b>Cost</b> Cost of Qipeilong instant procurement services <sup>(4)</sup>	

(1) Included in Revenue from automotive products and services to individual end customers

(2) Included in Cost of automotive products and services to individual end customers

(3) On a net basis

(4) Included in Revenue from Qipeilong

(5) Included in Cost associated with Qipeilong

For orders placed by our customers through our online interfaces for (i) sales of auto parts and provision of automotive service fulfilled by our Tuhu workshops and (ii) sales of bundled automotive products and services fulfilled by our partner stores, we recognise revenue when customers take possession of and accept the automotive products and services. We recognise revenue on a gross basis as we bear product inventory risk and control the services prior to the transfer to our customers. For service-only order placed by our customers through our online interfaces and fulfilled by our partner stores, revenue is recognised on a net basis after deducting the service fee paid to our partner stores. When a service-only order is assigned to a partner store, we only act as an agent within the arrangement as our output in such a service-only transaction is to connect end customers with partner stores for receiving the services. Although partner store operators are required to follow

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our service protocol, the end customers are clear that the services are provided by partner stores. Partner stores control and direct the service to end customers and are responsible for the acceptability of services by end customers.

For orders placed by our walk-in customers at our franchised Tuhu workshops, (i) if the products are available in the store or local RDC, we recognise revenue at a point in time when franchised stores take possession of and accept the automotive products in-store or delivered by RDC. We recognise revenue on a gross basis as we act as the principal in the arrangement and bear the inventory risk until franchised Tuhu workshops receive the products. Franchised Tuhu workshops become the principal for the sales to end customers and bear the inventory until services are rendered and accepted by end customer; (ii) if products are not available in the store or our RDC and need to be sourced from Qipeilong through its instant procurement service, we recognise revenue at a point in time when franchised stores take possession of and accept the automotive products in-store or delivered by Qipeilong instant procurement service and after the expiration of a 30-day unconditional return period. We recognise revenue on a gross basis as we act as the principal for Qipeilong instant procurement service and bear the inventory risk until franchised Tuhu workshops receive the products. Franchised Tuhu workshops become the principal for the sales to end customers and bear the inventory until services are rendered and accepted by end customers. Walk-in orders are entered into and processed via Blue Tiger. Such orders are labeled as walk-in orders in our operation system. We do not directly record revenues for the payments made by individual end customers for such walk-in orders. Instead, for walk-in orders, we only recognise revenue from sales of products to franchised Tuhu workshops, either using in-store or RDC inventory or through utilising the instant procurement services via Qipeilong. Revenue from walk-in orders utilising in-store or RDC inventory is recorded under the sub-segment automotive products and services to individual end customers, and revenue from walk-in orders utilising Qipeilong instant procurement services is recognised under sub-segment Qipeilong. We have a periodic settlement arrangement with franchised Tuhu workshops for the split of payments made by individual end customers.

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The below table sets forth the revenue breakdown by online and walk-in orders in absolute amounts and as percentages of our revenue from automotive products and services to individual end customers during the Track Record Period.

	For the Year Ended 31 December								For the Three Months Ended 31 March			
	2019		2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except for percentage data)</i>											
	<i>(unaudited)</i>											
Revenue from online												
orders	5,484,457	88.4	6,087,622	82.5	7,493,671	78.5	6,787,509	73.3	1,793,619	76.2	1,923,445	70.8
Revenue from walk-in												
orders	719,556	11.6	1,293,617	17.5	2,057,664	21.5	2,468,953	26.7	561,510	23.8	793,373	29.2
<b>Total revenue from automotive products and services to individual end customers</b>	<b>6,204,013</b>	<b>100.0</b>	<b>7,381,239</b>	<b>100.0</b>	<b>9,551,335</b>	<b>100.0</b>	<b>9,256,462</b>	<b>100.0</b>	<b>2,355,129</b>	<b>100.0</b>	<b>2,716,818</b>	<b>100.0</b>

Our efforts over the years have paid off, and we witnessed an increasing revenue contribution from our recurring customers. Please refer to below table for revenue contribution ratio from recurring customers during Track Record Period based on Company’s management account:

	2019	2020	2021	2022	Twelve Months Ended 31 March 2023
Percentage of recurring customers <sup>(1)</sup>	31%	40%	46%	55%	57%
Revenue contribution ratio from recurring customers <sup>(2)</sup>	36%	42%	44%	51%	50%

*Notes:*

- (1) Percentage of recurring customers for a given period equals the number of customers who had paid for at least one order on our Tuhu platform before such period, divided by the total number of customers who paid for at least one order in the given period.
- (2) Revenue contribution ratio equals revenue from the recurring customers divided by the revenue from automotive products and services to individual end customers.

### Business Sustainability

We are one of the leading integrated online and offline platforms for automotive service in China, according to the CIC Report. China’s automotive service market is massive with further growth potential. China’s automotive service market size in terms of GMV was RMB1,239.8 billion in 2022, and is forecasted to reach RMB1,931.9 billion in 2027, with a CAGR of 9.0% from 2023 to

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2027, according to the CIC Report. To capture the industry opportunity, we have been striving to address the key pain points of the automotive service market in China, and to innovate simple and easy automotive service by providing a digitalised and on-demand service experience to our customers. To lay a solid foundation for our long-term development and growth, we have been focused on executing growth strategies, rather than seeking immediate financial returns or profitability. To that end, we have devoted considerable resources to growing our user base, broadening our service and product offerings, expanding our geographic coverage, building our fulfilment infrastructure and investing in technology, which has led to us recording accumulated losses as at 1 January 2019 and net losses during the Track Record Period. See “Risk Factors — Risks Related to Our Business and Industry — We have a history of losses and negative cash flows from operating activities, which may continue in the future.”

### *Our Resilient Historical Growth*

We witnessed resilient growth in our business operations and financial results during the Track Record Period. Our revenues increased from RMB7.0 billion in 2019 to RMB11.5 billion in 2022. Our revenue increased by 10.0% from RMB3.0 billion in the three months ended 31 March 2022 to RMB3.3 billion in the same period of 2023, primarily due to an increase in revenue from automotive products and services. Our gross profit margin increased from 7.4% in 2019 to 19.7% in 2022, and further to 24.2% in the three months ended 31 March 2023. Furthermore, as we improved our operational efficiencies, our operating losses as percentage of revenue narrowed over time. Our operating loss as percentage of revenue changed from 16.1% in 2019, to 6.6% in 2022, and further to 0.1% in the three months ended 31 March 2023. In the six months ended 30 June 2023, we have achieved positive net profit of RMB59.5 million and positive operating cash flow of RMB714.8 million, demonstrating the sustainability of our business model.

- **Service and product offerings expansion:** Since our inception in 2011, we have been continuously adding more service and product offerings and also exploring new business initiatives with strong growth potential. For example, we launched tires, motor oil, chassis parts, storage battery and NEV battery maintenance and repair businesses in 2011, 2013, 2015, 2015 and 2021, respectively, to address the increasing demand in these service categories.
- **Geographic coverage expansion:** We have been continuously expanding our geographic coverage to serve customers in wider areas and also enable them to enjoy our services with greater convenience. The number of Tuhu workshops increased from 1,423 in 141 cities as of 31 December 2019 to 4,770 in 303 cities as of 31 March 2023. We were the largest automotive services provider in China in terms of number of stores operated, as of 31 December 2022, according to the CIC Report.

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	For the Year Ended 31 December								For the Three Months Ended			
									31 March			
	2019		2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except for percentage data)</i>											
	<i>(unaudited)</i>											
<b>Automotive products and services to individual end customers</b>												
Tires and chassis parts . . . . .	3,839,114	54.6	4,202,427	48.0	5,064,102	43.2	4,592,220	39.8	1,214,000	40.9	1,356,163	41.5
Auto maintenance . . . . .	1,870,179	26.6	2,619,116	29.9	3,841,702	32.8	4,025,150	34.9	991,829	33.4	1,194,334	36.6
Others <sup>(1)</sup> . . . . .	494,720	7.0	559,696	6.4	645,531	5.5	639,092	5.5	149,300	5.0	166,321	5.1
Subtotal . . . . .	6,204,013	88.2	7,381,239	84.3	9,551,335	81.5	9,256,462	80.2	2,355,129	79.3	2,716,818	83.2

- Fulfilment infrastructure:** We have built a nationwide warehousing and logistics system to ensure timely delivery of our products and accurate monitoring of the logistics. As of 31 March 2023, we operated 39 RDCs and 267 FDCs across the country. Our logistics solutions covered more than 300 cities in China as of 31 March 2023 and our RDCs support a monthly average of 2.7 million tires and 13.1 million other auto parts received and shipped in the three months ended 31 March 2023.
- Technology innovations:** We have built a research and development team consisting of over 800 R&D personnel as of 31 March 2023 and developed a full suite of proprietary technologies tailored to China’s automotive service industry. Such technology innovations not only include customer-facing digitalised applications, but also include the automotive service technical support system along the automotive service industry chain. We leverage technology to digitalise the industry chain and improve customer experience.
- User base and user engagement:** Growing user base and enhancing user engagement are crucial for our growth and to generate more revenues. We have been continuously improving our user experience. Our efforts have contributed to the loyalty of our customer base, and we continue to attract new customers to our platform across mobile, website and other digital interfaces. Our registered users increased from 44.2 million as of 31 December 2019 to 100.2 million as of 31 March 2023. Our transacting users increased from 8.6 million in 2019 to 17.1 million in the last twelve months ended 31 March 2023. Our average MAU increased from 5.5 million in 2019 to 10.2 million in the three months ended 31 March 2023.

Going forward, we plan to further improve our profitability primarily by: (i) continuing to achieve revenue growth, driven by a larger user base, more product and services offerings and further penetration into an increasing number of lower-tier cities; (ii) improving our cost efficiency, driven by further optimisation of product mix with increased revenue from sale of higher gross margin products and more favourable pricing terms with our suppliers; and (iii) increasing our operating leverage, driven by our economies of scale and optimised supply chain efficiency.



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### *Continuing to Achieve Revenue Growth*

According to CIC, China’s automotive service market size in terms of GMV was RMB1,239.8 billion in 2022 and is forecasted to reach RMB1,931.9 billion in 2027, with a CAGR of 9.0% from 2023 to 2027. Thus, China’s automotive service market enjoys high growth potential. Moreover, in China’s automotive service market, repair and maintenance service accounts for the largest proportion with GMV of RMB845.7 billion in 2022, contributing to approximately 68.2% in the total GMV of automotive service market. As vehicles age, the demand for repair and maintenance is expected to keep growing at a CAGR of 9.1% from 2023 to 2027. Hence, there is sufficient demand in China’s auto maintenance market and we only fulfill small portion of demand.

We will continue to expand the scale of our platform and plan to gradually expand Tuhu workshops to over 9,400 by the end of 2025. Our asset-light franchise model and our strong control over Tuhu workshops allow us to scale up rapidly and efficiently while maintaining service quality and consistency. We historically focused on expansion in tier-1 and new tier-1 cities, where we have established a strong presence in terms of both number of stores and number of franchisees. In the future, we will maintain stable expansion in tier 1 and new tier 1 cities while expanding our footprint in tier 2 and below cities and counties.

We will also continue to enhance our brand recognition through both online interfaces and offline service networks. With the expanded network, we believe we are able to provide our customers with greater convenience for services, which leads to further improved customer experience and better brand recognition. We believe improved customer experience will attract more customers to our platform and to consume our products and services more frequently in an organic manner.

In addition, to accommodate our customers’ diversified needs, we will continue to explore new service offerings that can be seamlessly integrated with our existing offerings. Leveraging on our strengths in tire, maintenance and car detailing, we will continue to improve capabilities in new services such as quick repair and collision repair. We will expand technician training and conduct store floor expansion or renovation to support those expanding services. In addition, the emerging NEV market represents an important market to us and we have been expanding the partnerships with more NEV brands or key suppliers of NEV brands to provide dedicated services addressing the growing NEV market. With more product and service offerings, we expect our users’ consumption frequency and spending to increase, therefore effectively increasing the lifetime value of our customers.

### *Improving Our Cost Efficiency*

We are taking measures to enhance our profit margin by optimising product mix with more exclusive products and private label products with higher gross margin. As one of the leading online and offline integrated automotive service providers in China, our brand recognition, access to the largest car owner community, and business insights make us the go-to partner for global brands to

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design and sell exclusive products in China. We have entered into exclusive partnerships with many major suppliers and manufacturing brands to roll out more exclusive products and private label products to cater to the tiered needs of our customers.

Our revenue from auto maintenance products and services, which generally have higher margins, as a percentage of total revenue increased from 26.6% in 2019 to 36.6% in the three months ended 31 March 2023. We expect the revenue contribution ratio from auto maintenance products and services continue to increase in the future. As our platform continues to expand and our scale continues to increase, we could leverage the scale advantage to increase the leverage in merchandise sourcing and obtain more favourable terms from our suppliers. In addition, we have been continuously expanding the scope of our exclusive products and private label product offerings, which generally have a higher gross margin than branded products. As of 31 March 2023, we had launched 51 private label product brands covering 7,429 SKUs transacted through our platform over the last twelve months, and 54 exclusive product brands covering 2,239 SKUs transacted through our platform over the last twelve months. Revenue contribution from exclusive products increased from 17.5% in 2019 to 36.5% in the three months ended 31 March 2023, and revenue contribution from private label products increased from 4.7% in 2019 to 30.1% in the three months ended 31 March 2023. We expect such trends will continue in the foreseeable future.

### *Increasing Our Operating Leverage*

Our operating expense as a percentage of our total revenue changed from 23.8% in 2019, to 24.3% in 2020, to 28.2% in 2021, to 27.6% in 2022, and to 24.8% in the three months ended 31 March 2023. In the second half of 2020 and first half of 2021, in anticipation of the economic recovery in China, we increased the size of our R&D team and operational support team to better support our store network expansion and new business initiatives. The COVID-19 resurgence in the second half of 2021 and 2022 had a negative impact on our revenue growth. In the future, we will continue to optimise the operating efficiency through technology innovation and benefit from the economy of scale.

Selling and marketing expenses accounted for the largest portion of our operating expenses during the Track Record Period. During the Track Record Period, our selling and marketing expenses as a percentage of our total revenue remained relatively stable, accounting for 14.7%, 14.4%, 14.3%, 13.3% and 12.9% in 2019, 2020, 2021, 2022 and the three months ended 31 March 2023, respectively. Going forward, we will take the following measures to further improve efficiency: (i) increasing operating efficiency with more Tuhu workshop coverage per FDC store. For example, one FDC covered approximately 18 nearby Tuhu workshops as of 31 March 2023 and we expect such ratio will continue to increase in the future as we expand into lower tier cities with smaller city size and more concentrated commercial area; (ii) optimising the warehouse and freight expenses structure through labour efficiency, improving the average sales per unit area of warehouses, lowering the administrative expenses and enhancing the delivery accuracy and efficiency with effective data, and (iii) optimizing customer service team through the application of

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AI to control the labour expense and also increase efficiency of customer service team by optimizing scheduling and hiring plans. Through those efforts, we expect to decrease the number of employees in customer service team in the future. We will continue to evaluate and monitor the effectiveness and efficiency of our selling and marketing spending, as well as strategically focus on marketing efforts customised for different target customer groups. We expect our selling and marketing expenses as a percentage of total revenue will gradually decrease in the foreseeable future.

We continue to invest in our research and development capabilities to improve our technological capabilities to enhance our store management system, fulfilment efficiency and user experience. Research and development expenses as a percentage of our total revenue accounted for 3.2%, 4.2%, 5.3%, 5.4% and 4.7% in 2019, 2020, 2021, 2022 and the three months ended 31 March 2023, respectively. We expect our research and development expenses will continue to increase in absolute amounts as we plan to invest more resources to improve our technological capabilities. We expect the number of our research and development team to remain relatively stable in the future, as we have built a large and capable R&D team consisting of 830 employees as of 31 March 2023, which we believe are sufficient for continuous development and improvement of our technology infrastructure while enabling us to benefit from the economies of scale. As we continue to scale up our business, we expect our research and development expenses as a percentage of total revenue will decrease in the foreseeable future.

Our operations and support expenses accounted for 3.1%, 3.5%, 5.6%, 5.4% and 4.3% of our total revenue in 2019, 2020, 2021, 2022 and the three months ended 31 March 2023, respectively. Going forward, additional hires each year are expected to decrease as a result of increased store operation and management efficiency. For example, we will adopt intelligent online monitoring system to replace part of the onsite manual checking in Tuhu workshop; and as we expand into lower tier cities, which in general are much smaller in terms of city size, and more concentrated in terms of commercial area, each operation and support employee is able to cover more Tuhu workshops effectively. For example, the number of franchised Tuhu workshop per offline operations team member can cover increased from 1.9 in 2019 to 4.4 in the three months ended 31 March 2023, and we expect such ratio will increase to over 5 by 2024. As we continue to scale up our business, we expect our operations and support expenses as a percentage of total revenue will decrease in the foreseeable future.

Our general and administrative expenses accounted for 2.8%, 2.2%, 3.0%, 3.5% and 2.9% of our total revenue in 2019, 2020, 2021, 2022 and the three months ended 31 March 2023, respectively. As we continue to scale up our business and achieve economies of scale, we expect our general and administrative expenses as a percentage of total revenue will decrease in the foreseeable future. In addition, we plan to optimise expense structure through improving business travel efficiency and adopting more prudent approach when exploring new business initiatives.

Overall, although we expect our operating expenses in terms of absolute amount to increase going forward, as we continue to grow in scale, we expect to further benefit from our operating

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leverage and economies of scale on our platform, which is expected to lead to a decrease in our total operating expenses as a percentage of our total revenues.

### *Working Capital Sufficiency*

We have been applying a variety of methods to manage our working capital. We generally offer credit terms of 30 days to franchised Tuhu workshops for orders sourced from Qipeilong and certain key account customers for bulk purchase of automotive services. We maintain strict control over our outstanding receivables and our overdue balances are regularly reviewed by our senior management. Meanwhile, we manage and negotiate flexible credit terms with our suppliers to improve our cash position. For most of our suppliers, the credit terms offered to us range from 30 to 90 days. We are committed to further improving our working capital management.

While our business has been expanding, we incurred net cash outflows from operating activities of RMB251.5 million, RMB98.8 million and RMB312.7 million in 2019, 2021 and 2022, respectively, and net cash inflow from operating activities of RMB331.3 million and RMB183.9 million in 2020 and the three months ended 31 March 2023, respectively. The net cash outflows were mainly due to (i) increases in inventories, which are in line with the growth of our business and operation, and (ii) increases in restricted cash, the reasons of which are stated above. By taking the measures illustrated above, we expect to operating cash flow breakeven in 2023.

Taking into account the financial resources available to us, including our cash and cash equivalents on hand and the estimated net [REDACTED] from the [REDACTED], our Directors are of the view that we have sufficient working capital to meet our present needs and for the next twelve months from the date of this document. We also proactively review and adjust our cash management policy and working capital needs according to general economic conditions and our short-term business plans. Certain unique factors also contributed to our net cash outflow from operating activities in 2021: (i) we paid a deposit of RMB50.0 million in connection with the setup of a financing guarantee company, (ii) as part of our NEV-related efforts, we incurred some expenditure in exploring business opportunities related to NEV, such as purchase of vehicles from certain NEV brands for sale, and (iii) we increased certain cash expenditures, such as research and development expenses, significantly in 2021 to support our business expansion. As such expenses are paid upfront, we expect them to be much more stable in the following years. Certain unique factors contributed to our net cash outflow from operating activities in 2022: (i) a large number of stores temporarily suspended operations in certain cities in 2022 due to the COVID-19 resurgence, which resulted in a decrease in revenue, while we continued to incur certain fixed costs and expenses; and (ii) although we paced our merchandise procurement in light of the COVID-19 resurgence, we were required to settle the bills we issued in relation to the procurement orders placed before the COVID-19 resurgence, and as a result, our trade and bills payables fell faster than the inventories, leading to a net outflow of funds. In addition, in view of our net cash outflow from operating activities in 2019, 2021 and 2022, we plan to ensure our working capital sufficiency by taking advantage of aforementioned measures to narrow our net loss and improve our profitability, which will in parallel translate into improved net operating cash flows. For instance, we plan to achieve revenue growth by

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growing customer base and enhancing customer engagement, and expanding store network as we penetrate in tier 2 and below cities and counties and optimise location and density of our stores in existing cities, which will boost sales and generate more cash inflow. We also plan to optimise our cost structure and operating efficiency, such as effectiveness and efficiency of our selling and marketing spending, which will save more cash outflow. Specifically, we will continue to strategically focus on marketing efforts customised for different target customer groups and invest in our research and development capabilities efficiently to improve our technological capabilities to enhance our store management system, fulfilment efficiency and user experience. We also plan to partner with many major suppliers and manufacturing brands to roll out more exclusive products and private label products with higher gross margin. Moreover, we will continue to improve efficiency of working capital management to accelerate the inventory turnover and better utilize the payment terms offered by our suppliers. Further, as evidenced by our historical equity financing activities, we have a good track record in being able to raise money from renowned investors to finance our business. See the section headed “History, Reorganisation and Corporate Structure — Pre-[REDACTED] Investments” of this [REDACTED]. We believe that potential external financing sources, including those to which we will gain access after the [REDACTED], will provide additional funding to fuel our business operation and expansion until we achieve profitability and positive operating cash flow.

Overall, although we expect our operating expenses in terms of absolute amount to increase going forward, as we continue to grow in scale, we expect to further benefit from our operating leverage and economies of scale on our platform, which will lead to a decrease in our total operating expenses as a percentage of our total revenues.

In summary, we had losses for the years/periods in the Track Record Period as we focused on executing on growth strategies rather than seeking immediate financial returns or profitability. Upon the successful implementation of the foregoing measures, we believe we are well positioned to achieve sustainable profitability.

### **Our Supply Chain Capabilities**

We built our supply chain capabilities from the ground up, which helps us to skip layers of intermediary distributors and procure auto parts at a more competitive cost basis and better manage inventory.

### ***Our Suppliers***

We maintain strong and long-standing relationships with a diverse base of suppliers, including manufacturing brands and wholesalers of various auto parts and equipment to ensure market competitiveness and reliability in our supply chain. We also procure low-frequency auto parts from certified wholesalers to meet various customer demands. We have established close cooperation with major international brands through multiple models, such as direct procurement, exclusive distribution arrangements, and became the largest business partner in China of several major international auto parts and motor oil brands. We also work with selected suppliers to jointly develop

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our private label products that cater to the specific needs of our customers based on our data and business insights. Unlike authorised dealerships, who procure auto parts from OEM’s aftersales department, we directly procure from auto parts manufacturers where possible. Given OEMs’ strong leverage in the automotive service value chain, they often sell auto parts to authorised dealerships at a considerable markup in price, which cost will be passed through with additional markup made by authorised dealerships to its customers. On the other hand, we leverage our direct procurement advantage and our economy of scale to obtain favourable terms from our suppliers and, as a result, have considerable advantage over authorised dealerships and other IAM competitors that lack our scale and traffic. For example, according to CIC, the average procuring price of motor oil from certain premium brands offered to authorised dealerships is around 30% higher than the same obtained by us. We believe that as our business continues to expand, our scale will continue to drive increasing procurement benefits.

We select suppliers based on a number of criteria, such as relevant qualifications, reputation, track record, price, quality and timeliness and accuracy of delivery. When evaluating suppliers, we conduct background and qualification check, sample testing, customer feedback review and, where appropriate, on-site auditing of their production facilities to ensure that their product quality is satisfactory. We emphasise ethical value and commitment when picking suppliers, and we have also implemented an anti-bribery and corruption policy forbidding our employees from receiving any kickbacks from our suppliers.

We closely monitor our supply chain to reduce risk and maintain flexibility in the event of potential supply interruptions, and we continually reevaluate our supplier relationships to ensure that we and our franchisees obtain competitive pricing for high-quality equipment, products and other items. During the Track Record Period, we did not experience any material incidents of supply interruption, early termination of contractual arrangements with our suppliers which materially and adversely affected our operations and financial conditions.

### ***Our Fulfilment Infrastructure***

A flexible and extensive fulfilment infrastructure is critical to the success of our platform. To this end, we have incurred and will continue to incur expenditures in building and operating our nationwide fulfilment infrastructure that consists of a self-operated nationwide warehouse network and stores that provide same-day or next-day delivery and installation service to our customers. Our fulfilment infrastructure also provides inventory management services.

We adopt a multi-level warehousing system consisting of RDCs, FDCs and Tuhu workshops for different type of inventories. We place most frequently-purchased SKUs at each Tuhu workshop and our RDCs, and maintain a large number of low-frequency SKUs in our FDCs to supplement unplanned procurement needs of our Tuhu workshops. We manage our inventories on a real-time basis with our proprietary WMS and SMS.



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### *In-store Inventory Management*

Each Tuhu workshop also has a designated storage area that keeps an inventory of frequently-purchased SKUs based on our algorithm which takes into account our customers’ consumption pattern. Our algorithms predict the optimised level of frequently-purchased SKUs we should maintain at each Tuhu workshop based on historical sales and user data analytics to maintain the flexibility to quickly respond to customers’ comprehensive product and service needs, while minimising in-store inventory. We monitor the real-time inventory level of each Tuhu workshop to ensure that inventory will be replenished as needed, through planned delivery from warehouses.

### *Warehouse Inventory Management*

Our warehouses fulfil different inventory needs of Tuhu workshops. RDCs cover the planned replenishment needs of frequently-purchased SKUs while FDCs mainly cover the instant procurement needs of low-frequency SKUs through Qipeilong platform. We maintain an optimised level of inventory in each type of warehouse to ensure timely replenishment of inventory to Tuhu workshops. As of 31 March 2023, we operated 39 RDCs, which supported a monthly average of 2.7 million tires and 13.1 million other auto parts received and shipped in the three months ended 31 March 2023, respectively.

Each FDC site is strategically located to provide on-demand fulfilment service to our Tuhu workshops. Our FDC network enables us to achieve an average delivery time of approximately 30 minutes for delivery orders within a five-kilometre radius of the FDCs and one hour for delivery orders within a ten-kilometre radius of the FDCs. As of 31 March 2023, we had 267 FDCs in 57 cities, covering all of our Tuhu workshops and partner stores across China. In addition to our self-operated RDCs and FDCs, we also engage third-party warehouse service providers to expand the coverage of our nationwide warehouse network and enhance our inventory management and fulfilment efficiency.

Our warehouse site selection is driven by our algorithm and takes into account parameters such as our store footprint, car parc, accessibility and economic analysis. These selections leverage data we have accumulated from our operations during the past years to provide accurate predictions. We strategically place our RDCs in the best location to reach the largest number of stores and customers in the shortest time.

When a customer places an order, our proprietary WMS and OMS automatically process the order and intelligently match it to the nearest warehouse where such product is available. Product selection is done on the basis of instructions that are generated automatically by our WMS, which assigns orders intelligently. Our TMS will then provide the best delivery route to ensure efficient and on-time delivery to our offline stores across 112 cities. Our intelligent systems will also aggregate orders for delivery to achieve lower cost per order.

As of 31 March 2023, we delivered products directly to our stores and our customers in 111 cities covered by our scheduled routes. We collaborated with around 70 courier companies to deliver

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our products to our stores and customers in more than 300 cities as of 31 March 2023, which allows us to provide same-day or next-day delivery of our products and installation service to our customers. In the three months ended 31 March 2023, over 50% of the tire orders placed online were delivered on the same day or the day after the order was placed, and approximately 75% of the maintenance product orders placed online were delivered on the same day or the day after the order was placed. Our system closely monitors and gives routing instructions to trucks delivering parts to our stores, ensuring delivery efficiency and speed. Once the order has been shipped, our system automatically updates the inventory level, ensuring that inventory will be replenished as needed. Our customers can track the shipping status of their orders in real-time through our online interfaces during each step of the process.

We are in the process of constructing a new automated warehouse. We believe that service automation will increase our storage capacity and allow us to reduce labour costs and improve operational efficiency.

### Quality Control

Quality and product authenticity are essential to our business. We directly procure merchandise from the manufacturing brands where possible to ensure product authenticity. Our quality management team audits our suppliers through visiting their manufacturing facilities or through online video to monitor the production process and inspect products before shipment and entering our warehouse. For our private label products, we examine product samples at the production testing stage to ensure they satisfy all requirements set forth in the agreements with suppliers before mass production. Our quality management team will also conduct aftersales analysis to resolve customer complaints in a timely manner and continue to improve our quality control management.

We also engage with a diverse pool of other supply channels, such as certified wholesalers of various auto parts and equipment, to meet various customer demands. For products we procure from third-party suppliers, including through our Qipeilong, we have adopted additional measures to ensure authenticity of these products, such as proactively reviewing and tracking the authorisation and certification status of these suppliers and holding them accountable for counterfeit, damaged or defected products.

We have implemented a quality management system that provides the framework for continual improvement of products and services. For example, we have developed a “Unique Parts Code” system, through which each product is assigned a unique code when they arrive at our warehouses. The code can be used for monitoring the entire order fulfilment process. Every step of the process will be updated in the online systems, including our WMS, TMS, OMS and SMS, on a real-time basis, making each product sold on our platform traceable from initial purchase to the final installation on customer’s vehicle. In addition, we have a dedicated team to conduct regular and ad hoc site visits at our Tuhu workshops and warehouses and closely monitor the quality of our products and services.



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To ensure our quality service, we have also established standard operational protocols including step-by-step instructions used to guide and monitor store operations and assist stores in training and evaluating technicians. In addition, our mobile app offers live video of the entire service process to ensure service transparency. Our rigorous quality control process allows us to deliver consistent and high-quality services to our customers.

### **Our Proprietary Technologies**

Empowered by our AI and big-data analytics capabilities, our proprietary algorithms help us make informed decisions on every aspect of our business, providing real-time data analytics to optimise operational efficiency across our entire store network management and improve our supply chain capabilities.

#### *Smart Recommendation*

Our algorithms constantly improve from customer and transaction data accumulated on our platform. Given our scale, we have a holistic view of the automotive service market, including supply, demand and pricing trends. These data provide us with valuable insights and help us provide customised products and services to our customers, especially those who are less familiar with various types of auto parts, enabling them to effortlessly find products and services they desire. We believe this helps increase user conversion from online browsing to transactions, and improve customer loyalty.

As illustrated in the graphics below, our system intelligently provides our customers with customised and convenient products and services recommendations based on information of our customers’ vehicles, the condition of the vehicles, common problems for the specific vehicle types, the customers’ orders and browsing history and consumption pattern, click rate, product reviews and sales volume. Additionally, our system takes into account the weather conditions in the local area, the store coverage, and individual stores’ service capabilities to provide customers with the optimised products and services recommendations.

As of 31 March 2023, we had more than 9,000 multi-dimensional data features, including user portrait features, goods and services features, vehicle features and scenarios features. In addition, our AI algorithm model currently covers over 45 core scenarios, such as intelligent growth model, recommendation conversion model, revenue improvement model, intelligent marketing model and intention prediction model. As more and more customers use our online interfaces, including the “Tuhu Automotive Service (途虎養車)” app and Weixin Mini Programme, generating an increasing volume of customer behaviour data, our AI algorithm is also learning and improving in terms of accuracy and efficiency.

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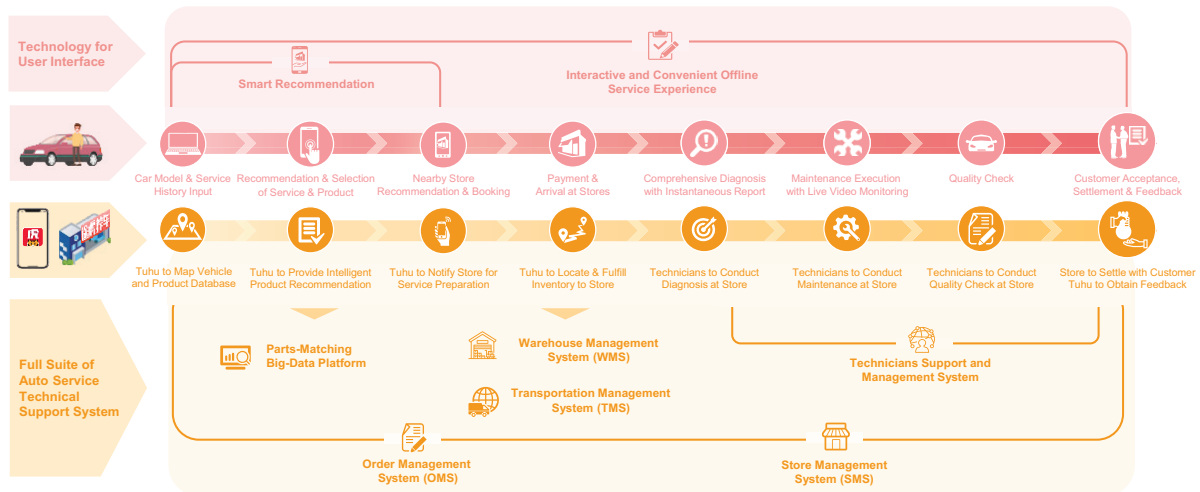


### Full Suite of Auto Service Technical Support Systems

We believe the digitalisation of operations and management is critical to enhancing our transparency, efficiency and service capabilities. With advanced technologies such as big data and commercialised AI, we have developed a comprehensive auto service technical support system along the auto service industry chain that includes our parts-matching big-data platform, warehouse management system, transportation management system, store management system and technician support and management system. Our proprietary technical support systems support the digitalisation of our supply chain, and are coordinated and synchronised by our intelligent algorithms to enable centralised decision-making in areas such as store management, inventory planning and supply chain network optimisation.

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For our customers, technical support systems bring better service quality, including more efficient transaction processing and a more convenient experience, allowing customers to obtain immediate vehicle detection results and live video monitoring of the repair process. For our supply chain, our data analytics capabilities enable comprehensive matching of car models and auto parts stock to customer need, short inventory turnaround and efficient allocation of goods. Set forth below are the key components of our auto service technical support system. The following diagram illustrates how our proprietary technologies are applied to our business operations and user interfaces.



### Parts-Matching Big-Data Platform

Auto parts, such as tires, car lights, ignition coils, shock absorber repair kits and air-conditioning filters, are highly specialised. Across a large number of SKUs, subtle differences in products can render an item unsuitable for a particular vehicle. Therefore, keeping track of and mapping auto parts to specific vehicles and services are traditionally difficult. We have been able to resolve this issue effectively by using the wealth of historical customer data that we have accumulated. Starting with records from the auto parts’ factories of origin, we integrate data from auto parts suppliers and our sales channels, and utilise our AI capabilities for cross-comparison. We also take advantage of our customers’ online and offline activity records to improve the accuracy of our database. Through our research and development capability and industry expertise, we have built a comprehensive and industry-leading big-data platform that matches a vehicle with all major categories of auto parts. Our parts-matching big-data platform intelligently identifies auto parts and accessories suitable to the customer’s car type to streamline the ordering process and improve customer experience. We will continuously improve our big-data platform, leveraging our strong presence in the automotive service market.

### Warehouse Management System (WMS)

We have built our WMS based on our deep understanding of customer demand of various automotive products, and with the help of AI-driven big-data analysis, we can improve inventory

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management efficiency and the service quality from the warehouse end to the store end. Empowered by our data analytics capabilities, we are able to realise comprehensive matching of car models and auto parts stock to customer needs, quick inventory turnaround time and efficient allocation of goods. Our WMS automatically sorts our inventory, which helps to improve sorting efficiency and accuracy, achieve automated goods-to-person sorting and lower labour costs. Our WMS also monitors the movement of the entire flow of inventory and personnel in and out of our warehouse networks, enabling us to better manage inventory by having real-time inventory visibility. In addition, we use predictive modelling to intelligently allocate parts to warehouses and stores that have better access to those who are more likely to purchase these products.

### Transportation Management System (TMS)

When a customer places an order online, our TMS analyses the order information and available third-party fleets and couriers and determines an optimised routing plan to achieve the shortest transportation time while balancing cost. For each batch of products, our TMS automatically implements the routing plan by allocating transportation resources and monitors the process. Our TMS minimises human intervention, improves efficiency and achieves cost optimisation. In addition, our TMS offers real-time track-and-trace capabilities as products move through our fulfilment infrastructure, which enhances transportation process control and resource-matching of products with our fleets and couriers.

### Order Management System (OMS)

Our online order management system synchronises and integrates online order data and digitalises our online order management process to improve efficiency. This system enables customers to monitor each order throughout the entire delivery process. Through the order-management module, our OMS further interfaces with WMS and TMS operations by managing and tracking the entire lifecycle of orders from origination to settlement. By integrating with WMS and TMS across the supply chain, our OMS maximises efficient cooperation of upstream and downstream operations and enables us to efficiently manage the fulfilment of each order.

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### Store Management System (SMS)

Our in-depth operational know-how allows us to provide valuable operational guidance to our stores. All Tuhu workshops employ our proprietary system to unify the operations as well as financial and transaction management. We offer the stores a comprehensive store management and information system, full supply chain support and access to the online interfaces, allowing our franchisees to build a unified Tuhu brand.



We have built from scratch our Blue Tiger system which digitalises and streamlines the process of store management and through which store managers can manage service appointments, customer feedback and real-time operating data. We have also designed a standard operating procedure,

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composed of step-by-step instructions, used to monitor store operations and assist stores in training and evaluating their technicians, which ensures the quality of products and services we provide. For example, we implement reception standardisation to ensure a consistent service experience and operations standardisation to ensure service quality and the efficiency of daily operations of offline stores.

Based on the data collected, our system intelligently projects future customers’ maintenance needs. In addition, we plan to roll out a new function to help stores monitor the lifecycle of store equipment to ensure overall operational safety.

### Technicians Support and Management System

Our technician support and management system consists of a comprehensive training system, intelligent performance evaluations, a know-how database and a technical support team, which improve the skills and professionalism of our technicians and increase the transparency and efficiency of store management.

We have established a comprehensive online training system designed to improve the operational efficiency and productivity of our technicians. We offer various types of regular training courses to our technicians, including: (i) a mandatory onboarding orientation programme; (ii) regular and ad hoc trainings that introduce emerging technical knowledge in the automotive industry; and (iii) customised training modules in which seminars are conducted and case studies are discussed and explained. Blue Tiger system, through its learning portal, connected over 98,000 technicians in March 2023 and provided technicians with access to more than 1,500 online courses and learning materials as of 31 March 2023. Besides the 24/7 access to the online learning portal, technicians can watch livestreaming provided by experienced technicians, through which they can interact with the instructors in real-time. In addition, to assess competency and ensure service quality, our technicians are required to pass our certification exam before they can start providing services to our customers.

We analyse customer reviews and data collected through our system and provide customer feedbacks to our technicians to help them improve on their skills and services. We have a technician-development incentive system which is designed to optimise our technicians’ efficiency and performance. Customers can see our technicians’ reviews and choose the technician that performs their service, which aids our technicians to provide higher standard services to our customers.

We also established our own know-how database, which contains articles, Q&A and videos contributed by our experts. Given the repair process is highly specific car make and model and even year of manufacturing, our technicians can access our database to find solutions to common issues and practical tips shared by our experts. To ensure the safety of the installation process, our database will also offer relevant risk warnings to technicians to help them navigate around these issues.

We have a dedicated team of specialists who are responsible for technical support and providing remote guidance to help our technicians resolve difficult problems in auto maintenance

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and repair. All of our specialists are seasoned technicians with significant experience in working in dealership stores of various renowned automobile brands including German, Japanese, American, and Chinese domestic car makes. Some of them have won awards in national technical competitions. Each vehicle and car make has its own common problems and this knowledge base translates to more effective auto service. In addition to both online and onsite technical support to our technicians, our specialists can also provide remote assistance to our technicians. Our technicians visit our Blue Tiger system to seek technical support from our specialists and our technical support specialists respond to over 2,100 technical inquiries on average per month in the three months ended 31 March 2023.

### **Customer Service**

Providing excellent customer service is a high priority for our platform and is the key to building a loyal customer base. Our stores regularly organise community events to engage with our customers and expand product and service offerings that cater to our customers’ needs. Customers who purchase our tires can also enjoy a series of automotive services free-of-charge, including tire pressure refill, dynamic tire balancing, tire rotation, and tire inspection. We aim to continue optimising our customer service to deliver the best possible automotive service experience to our customers.

In addition, we have a customer service call centre, where customers are able to communicate directly with online representatives through our online interfaces and telephone hotline. We rigorously train our customer service representatives to respond to customer inquiries efficiently and proactively educate potential users about our products and promptly resolve customer complaints. As of 31 March 2023, we had 460 customer service representatives who were dedicated to addressing customer issues and resolving them in a timely and efficient manner.

### ***Warranty and Product Return Policies***

As most of the products sold on our platform are directly procured from auto parts suppliers, they typically come with warranty provided by the original manufacturer. For any product quality issues, customers can contact our customer service hotline and our dedicated customer service representatives will help the customers to coordinate with the manufacturing brand to resolve customers’ complaints.

We strictly abide by our return policy for products sold on our platform. Customers can return the products within seven days of delivery for a full refund, subject to certain terms and conditions. We also offer free replacement of defective products if the product malfunctions within 15 days of delivery. In addition, we provide extended insurance for certain tire products by partnering with major insurance carriers to offer our customers additional protection. For products sold through Qipeilong, customers can return the products within 30 days of delivery for a free replacement or full refund subject to certain terms and conditions, except for tires and other large items which would be considered on a case-by-case basis. Customised products are generally non-refundable upon delivery.



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### **Marketing and Branding**

We believe that our high-quality products and services lead to strong word-of-mouth referrals, which helps us acquire new customers organically and continues to encourage repeat customers on our platform. As we gain trust from customers through maintaining high standards of service, they often refer us to their car-owner friends and social circles, as well as return to our platform when they have additional automotive service needs, be it tire installations, auto repairs, car detailing or other services. We also benefit from walk-in customers whom we seamlessly convert to online customers through our standard protocols. At the same time, we promote our platform and enhance brand awareness through a variety of integrated and targeted online and offline marketing communication campaigns. We cooperate with third-party websites and mobile apps, particularly popular search engines and social media platforms, for online and mobile marketing. We also conduct offline marketing primarily in the form of promotional events, public relations campaigns, outdoor advertisements and television commercials.

In addition, we collaborate with celebrities and KOLs to promote our platform and services among younger car owners, who are tech-savvy and used to online engagement. Although KOLs do not engage in distribution of our products and services, through celebrities and KOLs, we are able to create highly effective touchpoints for customers to access our platform through virtual interactions between KOLs and our customers. We also use short videos, social media communities and livestreaming to facilitate more interactive community discussions and drive user engagement on our platform. We closely monitor the effectiveness of our marketing activities to improve our marketing strategies and resource allocation.

We also have cross-over, co-branding events in collaboration with premium brands such as Shell Helix, Pirelli, and Goodyear. For example, we co-organised offline promotional events with Shell Helix such as racecar test-driving and light shows, where we offered promotions to our customers when they purchased Shell Helix products during our promotional events.

### **Customers and Suppliers**

#### *Customers*

We strive to serve all car owners’ automotive product and service needs, including both for cars that are within warranty periods and cars that are out of warranty coverage. During the Track Record Period, our customers primarily include individual car owners that represent a highly-fragmented customer base. We have a broad base of customers, and our top five customers in each year during the Track Record Period accounted for 2.7%, 2.8%, 1.9%, 1.3% and 1.5% of our total revenues in each year ended 31 December 2019, 2020, 2021, 2022 and the three months ended 31 March 2023, respectively, and our largest customer accounted for 1.8%, 1.9%, 1.0%, 0.6% and 0.6% of our total revenues in each year ended 31 December 2019, 2020, 2021, 2022 and the three months ended 31 March 2023, respectively. Some of our largest customers also include insurance companies and commercial banks that make bulk purchases of our automotive service vouchers and offer them to

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their individual customers. Holders of such vouchers can use them to make service appointments directly with us to be served by our Tuhu workshops and partner stores.

### *Suppliers*

Auto parts suppliers on our platform consist of manufacturing brands and wholesalers of various auto parts and equipment. All of our five largest suppliers are Independent Third Parties. We do not believe that we have supplier concentration risks or counterparty risks. Purchase from our five largest suppliers in each year during the Track Record Period accounted for 31.6%, 37.0%, 36.8%, 36.6% and 38.0% of our total purchases in each year ended 31 December 2019, 2020, 2021, 2022 and the three months ended 31 March 2023, respectively, and purchases from our largest supplier accounted for 12.6%, 14.1%, 14.2%, 13.8% and 11.9% of our total purchases in each year ended 31 December 2019, 2020, 2021, 2022 the three months ended 31 March 2023, respectively. The tables below set forth the details of our five largest suppliers in terms of percentages of total purchase during the Track Record Period.

<u>Name of Suppliers</u>	<u>Products/Services Purchased</u>	<u>Purchase Amount (In RMB Millions)</u>	<u>% of Total Purchase Cost</u>	<u>Length of Relationship</u>
<b>For the Year Ended 31 December 2019</b>				
Supplier A . . . . .	Tires	771.4	12.6%	Since 2015
Supplier B . . . . .	Maintenance products	364.7	6.0%	Since 2017
Supplier C . . . . .	Maintenance products	323.7	5.3%	Since 2017
Supplier D . . . . .	Tires	245.7	4.0%	Since 2018
Supplier E . . . . .	Tires	227.5	3.7%	Since 2016

<u>Name of Suppliers</u>	<u>Products/Services Purchased</u>	<u>Purchase Amount (In RMB Millions)</u>	<u>% of Total Purchase Cost</u>	<u>Length of Relationship</u>
<b>For the Year Ended 31 December 2020</b>				
Supplier A . . . . .	Tires	993.1	14.1%	Since 2015
Supplier B . . . . .	Maintenance products	554.6	7.9%	Since 2017
Supplier D . . . . .	Tires	432.9	6.1%	Since 2018
Supplier C . . . . .	Maintenance products	330.9	4.7%	Since 2017
Supplier E . . . . .	Tires	299.3	4.2%	Since 2016

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Name of Suppliers	Products/Services Purchased	Purchase Amount (In RMB Millions)	% of Total Purchase Cost	Length of Relationship
<b>For the Year Ended 31 December 2021</b>				
Supplier A	Tires	1,263.3	14.2%	Since 2015
Supplier B	Maintenance products	712.5	8.0%	Since 2017
Supplier D	Tires	537.0	6.0%	Since 2018
Supplier C	Maintenance products	425.6	4.8%	Since 2017
Supplier E	Tires	341.2	3.8%	Since 2016

Name of Suppliers	Products/Services Purchased	Purchase Amount (In RMB Millions)	% of Total Purchase Costs	Length of Relationship
<b>For the Year Ended 31 December 2022</b>				
Supplier A	Tires	1,077.4	13.8%	Since 2015
Supplier B	Maintenance products	783.0	10.0%	Since 2017
Supplier C	Maintenance products	426.3	5.5%	Since 2017
Supplier E	Tires	294.8	3.8%	Since 2016
Supplier F	Maintenance products	281.6	3.6%	Since 2017

Name of Suppliers	Products/Services Purchased	Purchase Amount (In RMB Millions)	% of Total Purchase Costs	Length of Relationship
<b>For the Three Months Ended 31 March 2023</b>				
Supplier B	Maintenance products	262.1	11.9%	Since 2017
Supplier A	Tires	248.7	11.3%	Since 2015
Supplier C	Maintenance products	147.0	6.7%	Since 2017
Supplier E	Tires	95.2	4.3%	Since 2016
Supplier G	Tires	84.8	3.8%	Since 2017

As of the Latest Practicable Date, to the knowledge of our directors, none of our directors or their close associates or our shareholders (as defined in the Hong Kong Listing Rules) held a 5% or more shareholding interest in our top five customers or suppliers.

### Environmental Sustainability and Corporate Social Responsibility

We are committed to Environmental Sustainability and corporate social responsibility and meeting society’s changing needs. We have established an internal environmental, social and governance (“ESG”) communications and management mechanism to comprehensively improve our corporate governance and benefit society.

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### *Identification, Assessment and Mitigation of our ESG Risks*

Our business operations are subject to environmental protection laws and regulations promulgated by the PRC government. Maintaining compliance with applicable environmental rules and regulations are critical to our business operations. If we violate any laws and regulations relating to the environmental protection or face any charges of negligence therein, we may be subject to potential fines and penalties. During the Track Record Period and up to the Latest Practicable Date, we have not had any accident or claim for personal or property damage made by our employees which had materially and adversely affected our financial condition or business operations.

We believe that it requires collective effort from our Board to evaluate and manage material ESG issues, therefore we have not established any sub-committee for ESG issues. Our Directors and senior management team have collective and overall responsibility for our ESG strategies, ensuring that our ESG strategies are duly implemented and comply with the applicable laws, regulations and industry standards and managing material ESG issues. Our senior management team will coordinate efforts across departments to review and implement our ESG strategies and make timely report to our Directors on ESG-related performance. Our Directors and senior management team are also responsible for identification, assessment and management of our ESG-related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place. Our Directors and senior management team may engage independent third party to evaluate the ESG risks and review our existing strategies, target and internal controls. Necessary improvement will then be implemented to mitigate the risks.

We have identified the following ESG risks which may have an impact on our business, strategy or financial performance and we have taken measures to manage and mitigate these risks.

- *Storage of hazardous chemicals.* Some of our inventories involve hazardous chemicals. The storage and transportation of chemicals involve inherent safety risks. We may face challenges with respect to the storage, transportation, handling, protection and examination of these chemicals by the governmental authorities. We also face challenges to eliminate all possibilities of hazardous chemical diffusions, combustions, and other types of hazardous chemical accidents. Handling hazardous chemicals involves inherent legal and other risks, and there is increasing governmental scrutiny and public awareness regarding work safety and environmental protection. See “Risk Factors — Risks related to Our Business and Industry — We are subject to risks relating to the warehousing and logistics of our products.” We follow our suppliers’ guidelines to store chemicals in designated warehouses and have established a safety protocol in handling such hazardous chemicals.
- *Disposal of hazardous waste.* Certain activities of our stores involve the handling, storage, transportation, recycling, or disposing of various new and used products, which may generate solid and hazardous wastes. These business activities are subject to stringent laws and regulations governing the storage and disposal of these products and wastes, the release of materials into the environment or otherwise relating to environmental protection. We

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have cooperated with local operators to dispose of the hazardous wastes and will make our best efforts to obtain or cause our franchisees and partners to obtain requisite licence and permits and comply with all applicable laws and regulations. See “Risk Factors — Risks related to Our Business and Industry — Stores in our network are subject to certain environmental laws and regulations.”

- *Managing and disposal of auto parts.* We manage a large number of auto parts in the ordinary course of our operation, which subject us to stringent safety and environmental protection regulations that may impose liabilities for environmental pollutions resulting from improper handling and disposal of these auto parts. To comply with relevant laws and regulations and prevent pollution to the environment, we have formulated internal protocols covering the storage, handling and disposal of unused or waste auto parts to be followed by our Tuhu workshops in their daily operations. Currently, a significant portion of our waste auto parts are waste tires and motor oil products, which accounted for over 60% of the auto parts sold on our platform during the Track Record Period. To effectively reduce environmental impact of our operations, we have implemented the following measures to manage and mitigate risks relating to handling and disposal of auto parts: (i) we have launched a waste tire recycling project in November 2021 to recycle waste or scrap tires and avoid environmental pollution created by landfill disposal. We have been cooperating with third-party waste tire collectors since January 2022 to recycle waste tires. After being taken to their plants, waste tires will be decomposed, processed and converted into materials such as steel wire and rubber. Steel wire will then be recycled by steel manufacturers for reuse and rubber will undergo further processing to be converted into new products such as tire-derived fuels, which can be used as a supplement to traditional fuels; (ii) we have established a disposal protocol and procedure for defective or waste motor oil products in February 2021 and are in the process of establishing cooperation with qualified third-party disposal companies to carry out the recycling of motor oil to reduce landfill and water contamination. Recycled motor oil will then be re-refined into lubricants, processed into fuel oils, or used as raw materials for the petroleum industry; (iii) for Tuhu workshops that intend to engage in painting service, we have established strict entry standard in May 2022 requiring Tuhu workshop operators to obtain the requisite qualifications and will conduct thorough inspection and review of such Tuhu workshops’ qualifications before they can begin providing painting service on our platform; (iv) in support of PRC government’s efforts to accelerate development of power battery recycling system and in connection with our NEV battery repair and replacement service, beginning in February 2022, we have gradually rolled out a used battery management system covering the entire process from storage, transportation to recycling of used batteries. Our used battery storage facilities are gradually equipped with specialized equipment in accordance with applicable regulations and industry standards. We have also obtained permits for transportation of hazardous materials in June 2022 and have established business cooperation with qualified power battery recycling companies since February 2022; and (v) in the process of delivering products from our warehouses to Tuhu workshops, we have been gradually replacing non-recyclable corrugated cartons with eco-friendly shipping boxes since

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November 2020 and recycling them after delivery to reduce the consumption of shipping materials and environmental pollution. We monitor and inspect the operations of our Tuhu workshops to ensure compliance of these protocols and procedures and require any non-compliant Tuhu workshops to rectify any violations. In addition, when selecting suppliers, we emphasize our commitment to supply chain sustainability and generally prefer to partner with ISO 14001-certified suppliers. In addition to the measures taken above, we are also actively exploring other effective ways to recycle or safely dispose waste auto parts to minimise environmental impact of our operations to the extent possible. We plan to gradually implement waste recycling measures for other types of waste auto parts with a goal to have measures in place to recycle all of our waste auto parts by 2025.

In addition, supervised by our Board, we actively identify and monitor the climate-related risks and opportunities over the short, medium and long term and we seek to incorporate such climate-related issues into our businesses, strategy and financial planning. For example, we are committed to reducing energy consumption and pollutions. We will continue to explore ways to contribute to create a more environmentally sustainable society.

### *Environmental Sustainability*

We do not operate any production facilities but some of our inventories involves hazardous chemicals, and certain activities of our stores involve the handling, storage, transportation, recycling, or disposing of hazardous wastes. To ensure compliance with applicable laws and regulations, we would seek legal advice as appropriate and consider making adjustments to our internal policies from time to time. We follow our suppliers’ guidelines to store chemicals in designated warehouses and have established a safety protocol in handling such hazardous chemicals. To the extent practicable, we also cooperate with licenced local operators to dispose of the hazardous waste. For a discussion on PRC laws and regulations on environmental protection and work safety, see “Regulatory Overview — Regulations Relating to Environmental Protection.”

We have implemented health and safety standard operating procedures and conducted related training for our employees. Our workplace safety committee is responsible for formulating quarter operations safety targets, monitoring and enforcing the compliance of our operations with environment, health and safety regulations and policies, and providing detailed reports and recommendations for improvement. In light of the comprehensive health and safety measures we put in place and our strict enforcement of these measures, we believe we are not subject to significant health, safety or environmental risks. During the Track Record Period and up to the Latest Practicable Date, we have not been subject to any material fines or other penalties due to non-compliance in relation to health, work safety, social or environmental regulations, and have not had any accident, or claim for personal or property damage made by our employees which had materially and adversely affected our financial condition or business operations.

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### *Metrics and Targets*

We are committed to operating our business in a manner that protects the environment and improves environmental sustainability. We have established a comprehensive set of key performance indicators to evaluate and guide our business operations.

#### Power Usage

*Metrics and targets.* We evaluate our power usage level using the metric of average annual power usage per Tuhu workshop. In 2022, our average annual power usage per self-operated Tuhu workshop was 24,269 kWh. We intend to reduce the level of our average annual power usage per self-operated Tuhu workshop by more than 20% over the next three years.

*Measures we take to achieve the target.* We will continue to optimise our Tuhu workshop design and apply innovative technologies and systems to improve energy efficiency. We purchase and use environmental-friendly equipment and facilities and will also leverage our video monitoring system to avoid unintended power usage during off-hours. In addition, we also raise energy consumption awareness of our employees during our trainings.

#### Water Usage

*Metrics and targets.* We evaluate our water usage level using the metric of average annual water usage per Tuhu workshop. In 2022, our average annual water usage per self-operated Tuhu workshop was 527 tonnes. We intend to reduce the level of our average annual water usage per self-operated Tuhu workshop by more than 20% over the next three years.

*Measures we take to achieve the target.* We continue to monitor and control water usage for car-washing. We strive to foster water conservation culture in our Company.

### *Employee Care and Training*

We treat the health and safety of our employees as our top priority and have taken measures to enhance the safety of our employees. For instance, we have a safety management system handbook to provide guidance on the safe operations of our business, including the handling, storage, transportation, recycling, or disposing of various new and used products and wastes. Our Tuhu workshops are typically equipped with professional explosion-proof cabinets. In addition, we have an employee assistance programme that offers employees professional counselling for personal issues affecting their work or personal life, in order to help protect their physical, emotional and psychological well-being. In addition, we help our employees balance their work and life and organise various recreational and sports activities to enrich their cultural life.

In addition to trainings and guidance provided to our technicians through Blue Tiger, we provide regular trainings to our employees on work ethics, working procedures, internal policies, management, technical skills and other aspects that are relevant to their day-to-day work, and specialised training tailored to the needs of our employees in different departments.



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### *Corporate Social Responsibility*

We are committed to social responsibilities and high standard of corporate governance, through active participation in various public interest initiatives and contribution to the society at large.

#### *Initiatives to Alleviate the COVID-19 Outbreak*

Our commitment to society is embodied in our efforts during the COVID-19 outbreak. We proactively supported China’s nationwide efforts to contain the spread of COVID-19 and launched a variety of initiatives to combat the pandemic and to support communities. During the Wuhan shutdown in early 2020, we put together a task force to lead our epidemic relief efforts. For example, we mobilised resources and manpower of our company, local franchisees and offline stores to establish a “Tuhu Emergency Rescue Service Team” in Wuhan to offer free emergency services for frontline ambulances. We have launched such emergency services in Xiaogan, Xi’an and Zhengzhou cities to support local epidemic relief efforts and have provided more than 3,000 times of free roadside assistance service. We also made an RMB5 million donation to Wuhan Dongxihu Red Cross Foundation to fund purchases of protective gear for frontline medical staff and local community health institutions. In addition, we launched the “Chujiang initiative (“楚江計劃”)” and “Zhujiang initiative” (“珠江計劃”) online recruitment programmes, offering more than 1,000 job positions to people in the communities that suffered severely from the COVID-19 pandemic. During COVID-19 resurgence in 2022, we provided operational and financial support to our franchisees, which benefited approximately 3,000 service stores. In particular, our emergency service team provided emergency rescue services to more than 1,000 vehicles during COVID-19 resurgence in Shanghai.

We have also made the safety and sustainability of our stores and employees our top priority. During the COVID-19 outbreak, we provided our Tuhu workshops with protective gear including more than 35,000 face masks and more than 2,000 bottles of disinfectant, which were in urgent demand and short supply. We also introduced a series of new policies, such as financial assistance, management fee reductions, relief and waivers, to alleviate the financial burdens of our franchised Tuhu workshops. We believe our supportive efforts in this time strengthened our ties with the communities we serve and reinforced our long-standing value in being socially responsible.

### *Community Care*

We are committed to support the employment and well-being of veterans and have launched the “Veterans Care Initiative” in 2021 with the focus on promoting the employment and entrepreneurship opportunities for veterans. We offered veterans automotive service-related employment training and job positions in Hubei Province and certain other areas in China. We plan to continue to roll out these measures in more areas across China to carry out our commitment to supporting veterans.

### *Supply Chain Management*

Responsible sourcing and supply chain management are essential for us to ensure reliable product quality and sustainability along our supply chain. We directly procure merchandise from the

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manufacturing brands where possible to ensure product authenticity. We carefully select our suppliers and third-party logistics service providers and maintain store control of our supply chain to reduce our exposure to risks of suppliers’ non-compliance with applicable laws and regulations and unethical practises, which could diminish our competitiveness and harm our reputation. If we discover our suppliers or third-party logistics service providers are not in compliance with the applicable laws and regulations regarding safety and quality or commit misconducts, we may terminate our cooperation with them. We require that all products we obtain from our suppliers fully comply with applicable national industrial standards. Our quality management team audits our suppliers through visiting their manufacturing facilities or through online video to monitor the production process and inspect products before shipment and entering our warehouse.

### *Anti-Corruption*

To protect our reputation and integrity, we have implemented an anti-bribery and corruption policy to safeguard against any corruption within our Company. We provide training sessions to our employees to ensure that our employee’s awareness of such policy and their compliance with applicable laws and regulations in the course of conducting business. We make our internal reporting channel open and available for our employees to report any bribery and corruption acts, and our employees can also make anonymous reports to our internal audit committee. We also request our suppliers to comply with all the applicable laws and regulations relating to the procurement transactions. We have an internal control team who is responsible for investigating the reported incidents and taking appropriate measures in response to the relevant incidents.

### **Pricing Policy**

We aim to provide our customers authentic products and high-quality services with attractive prices. To ensure pricing transparency, we adopt a consistent pricing strategy across our online platform by taking into various factors such as procurement costs, our target operating profit margins for each product and service, general market trends, the demand, availability and comparability of identical or similar products and services in the market, purchasing power and pattern of our customers and prices set by our competitors. We will continue to foster our relationship with our suppliers to obtain favourable pricing terms in order to offer our customers more competitive pricing.

### **Competition**

We compete with a variety of service providers within the large, recession-resistant and highly fragmented automotive service industry. In general, we face competition from players who operate a business overlapping with or similar to one or several components of our platform. We believe our integrated online and offline platform is strategically well-positioned compared to incumbent service providers, including authorised dealerships, IAM stores, and various retailers and wholesalers of auto parts.

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We believe we compete based on our customer-centric, integrated online and offline platform that focuses on brand recognition, customer satisfaction, business scale, geographic reach, service pricing and comprehensive supply chain capability. Leveraging on our deep understanding of the automotive service industry, we adopted an platform-friendly philosophy and aim to create value for all platform participants.

### Research and Development

Our technology innovation and business digitalisation is driven by our significant investment in research and development, or R&D, activities and personnel over the years. Our technology and development expenses primarily consist of payrolls and other employee-related expenses for employees involved in research and development functions, cloud and other service expenses, and office supply expenses and depreciation expenses of right-of-use assets in relation to office leases for research and development functions. Our research and development expenses amounted to RMB223.3 million, RMB369.5 million, RMB619.6 million, RMB621.4 million and RMB152.7 million in 2019, 2020, 2021, 2022 and the three months ended 31 March 2023, respectively, representing 3.2%, 4.2%, 5.3%, 5.4% and 4.7%, respectively, of our total revenue during these periods, and representing 13.3%, 17.3%, 18.7%, 19.5% and 18.9%, respectively, of our total operating expenses during these periods, respectively.

As of 31 March 2023, our R&D team consisted of 830 personnel, who were mainly based in our Shanghai headquarters and our R&D centre in Wuhan. Our R&D team is led by experts with distinguished competency in their respective fields, including data analytics, industrial digitisation solutions and intelligent store management, and consists of employees with previous experience in the IT and technology industries, including various renowned technology companies. Our R&D team is responsible for the development, management and maintenance of our digitalised and automated solutions, including our parts-matching big-data platform, warehouse management system, transportation management system, order management system, store management system and technicians support and management system. We also engage a small number of outsourced R&D personnel to supplement our R&D efforts on an as-needed basis. We are committed to continually investing in R&D to strengthen our technology capabilities.

### Data Privacy

We are committed to protecting personal information. We have implemented company-wide policies that set data protection and security standards that regulate the collection, classification, handling, storage and transferring of data pertaining to our customers, suppliers, business partners and employees. We have an internal team dedicated to formulating data protection policy and monitoring data security practises, and we hold relevant personnel accountable for unauthorised access and data breaches. We strictly comply with laws and regulations and do not distribute or sell personal data for any purpose. In addition, we will (a) closely monitor and assess any regulatory development in relation to cybersecurity and data protection; (b) adjust and optimize our practices in data protection in a timely manner to comply with the new requirements imposed by any new laws

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and regulations; (c) continuously improve our data security protection technologies and internal control procedures and engage external professional parties to advise us on cybersecurity and data protection requirements, if needed; and (d) proactively maintain communications with the relevant PRC regulators.

To help ensure the confidentiality and integrity of our data, we take comprehensive and rigorous data security measures. We anonymise, desensitise and encrypt confidential personal information and take other technological measures to help ensure the secure processing, transmission and usage of data. We have developed a company-wide policy on data security to preserve individual personal information and privacy, such as Provisions on Administration of Data Security (《數據安全管理規定》), Data Classified and Categorised Protection Guidelines (《數據分類分級指引》) and Office Security Management Procedures (《辦公安全管理制度》). We strictly comply with laws and regulations and do not distribute or sell our users’ personal data for any illegal or unauthorised purpose.

The user data we collect and process during our operations includes information such as name, birthday, gender, telephone number, delivery address, purchase information and relevant vehicle information. In order to provide service to our users, we collect such user data from our users when they register on our platform, place orders with us and accept the service from us. We enter into Tuhu User Agreement (《途虎用戶協議》) with our users when they register on our mobile App, according to which users grant us authorisation to collect, process and use their personal information and the relevant data generated during the course of our services. We collect, process and use the user data within the scope of such authorisation, and strictly follow the internal policy to encrypt user data. We store the obtained data on our encrypted servers within the territory of mainland China separately. We also strictly follow the shortest storage period principal pursuant to the Personal Information Protection Law, and we will delete users’ data if such user no longer use our service or notify us to delete his/her data. We have obtained the ISO 27001 information security certification and the Level 3 Information Security Protection Certification issued by the Shanghai Institute for Integrated Application of Network Technology.

### **Intellectual Property**

We regard our trademarks, copyrights, patents, domain names, technological know-how, proprietary technologies, and other intellectual properties as critical to our success and competitiveness. We rely on a combination of copyright and trademark law, trade secret protection, confidentiality agreements with employees and contractual restrictions on intellectual property and confidentiality clauses in our agreements with third parties to protect our intellectual property rights. In addition, under the employment agreements we enter into with our employees, they acknowledge that the intellectual property made by them in connection with their employment with us are our property. We also regularly monitor any infringement or misappropriation of our intellectual property rights.

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As of 31 March 2023, we owned 153 copyrights (including 106 software copyrights) and 43 patents in China across various aspects of our operations and maintained 892 trademark registrations in China. As of 31 March 2023, we had registered or acquired three material domain names, including [www.tuhu.cn](http://www.tuhu.cn), among others.

During the Track Record Period, we had not been subject to any material intellectual property infringement claims by third parties or suffered any material intellectual infringement by third parties.

### Seasonality

We have historically recorded higher revenues in the second half of each year. During the first quarter, our Tuhu workshops and partner stores are generally closed for an extended period of time around the Chinese New Year holidays as technicians travel to their hometown to spend time with their families. Spending on automotive maintenance by car owners in China is generally higher in the second half of the year, primarily due to higher demands for maintenance services resulting from climate change in winter seasons and preparation for long-haul travel during the Chinese New Year holidays. Due to the seasonality of our business, we generally open more stores in the second half of the year to benefit from the higher sales in that period.

### Employees

We had 3,407, 5,185, 5,635, 4,960 and 4,572 full-time employees as of 31 December 2019, 2020, 2021, 2022 and 31 March 2023, respectively. All of our full-time employees are located in China. The following table sets forth the number of our full-time employees as of 31 March 2023:

<u>Function</u>	<u>Number of Employees</u>
Store Management and Service .....	487
Warehouse and Supply Chain .....	189
Operations and Supporting .....	2,033
Selling and Marketing .....	659
Research and Development .....	830
General and Administrative .....	<u>374</u>
<b>Total</b> .....	<b><u>4,572</u></b>

Our franchised Tuhu workshops are mostly independently owned and operated businesses. As such, employees of our franchised Tuhu workshops are not employees of Tuhu.

As required by laws and regulations in China, we participate in various employee social security plans that are organised by municipal and provincial governments including, among other things, pensions, medical insurance, unemployment insurance, maternity insurance, work-related

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injury insurance and housing fund plans through a PRC government-mandated benefit-contribution plan. We are required under PRC law to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government from time to time.

We enter into standard employment agreements, as well as confidentiality and non-compete agreements with our employees in accordance with market practice.

Our employees have set up a labor union in China according to the related Chinese labor law. We believe that we maintain a good working relationship with our employees, and we have not experienced any material labour disputes.

### Properties

Our corporate headquarters is located in Shanghai, China. As of 31 March 2023, we owned the land use right with respect to five parcels of land of approximately 335,000 square metres, and we owned five properties on these parcels of land with an aggregate GFA of approximately 57,000 square metres, which were primarily used for office and warehousing functions.

As of 31 March 2023, we leased 482 properties in the PRC with an aggregate GFA of approximately 467,000 square metres. Among such 482 properties, 152 were operated as Tuhu workshops or were in pre-opening phase, and 330 were used as warehouses or offices. Our leased properties were used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. The following table sets forth the lease terms of our leased properties as of 31 March 2023.

	<u>Tuhu workshops</u>	<u>Warehouses</u>	<u>Offices</u>	<u>Total</u>
Less than one year .....	1	180	0	181
One to two years .....	5	105	2	112
Two to five years .....	66	32	9	107
Over five years .....	73	0	1	74
Indefinite Tenancy .....	7	1	0	8
	<u>152</u>	<u>318</u>	<u>12</u>	<u>482</u>

We believe that our existing facilities are generally adequate to meet our current needs. We expect to expand our fulfilment infrastructure by leasing, building, or purchasing additional facilities across China over the next several years.

### *Title Defects*

Of the abovementioned 482 leased properties, 31 leased properties (with an aggregate GFA of approximately 6,064 square metres, representing approximately 1.3% of our total leased GFA) were not used in a manner consistent with their respective title certificate. Among these leased properties,

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four were used as Tuhu workshops (with an aggregate GFA of approximately 2,519 square metres, representing approximately 0.5% of our total leased GFA) and 27 were used as warehouses (with an aggregate GFA of approximately 3,545 square metres, representing approximately 0.8% of our total leased GFA). The respective lease agreement of these properties will expire in the period between one to five years. During the Track Record Period, revenue attributable to these properties were insignificant.

As advised by our PRC Legal Advisor, if any such lease is challenged by any interested parties or if the lessor is penalised by competent government authorities, we may not be able to continue to lease, occupy and use the relevant properties. During the Track Record Period and up to the Latest Practicable Date, none of our relevant subsidiaries had been imposed penalties or required to vacate from the relevant properties for inconsistent usage. Therefore, we believe that such inconsistent usage will not have any material adverse effect on our financial condition or results of operations. See “Risk Factors — Risks Related to Our Business and Industry — Our use of certain leased properties could be challenged by third parties or governmental authorities, which may expose us to potential fines and negatively affect our ability to use the properties we lease.”

In addition, among the abovementioned 482 leased properties, the lessors of 60 leased properties (with an aggregate GFA of approximately 18,777 square metres, representing approximately 4.0% of our total leased GFA) have not provided a valid title certificate or sublease authorisation or other relevant certificate. Among such 60 leased properties, 17 were used as Tuhu workshops (with an aggregate GFA of approximately 11,750 square metres, representing approximately 2.5% of our total leased GFA), one were used as offices (with an aggregate GFA of approximately 454 square metres, representing approximately 0.1% of our total leased GFA), and 42 were used as warehouses (with an aggregate GFA of approximately 6,573 square metres, representing approximately 1.4% of our total leased GFA). The respective lease agreement of such 62 leased properties will expire between one to nine years.

As advised by our PRC Legal Advisor, we will not be subject to any fines or penalties for such defects, but if the title or the lessor’s right to rent is challenged by any third-party right owner, our lease may be affected. See also “Risk Factors — Risks Related to Our Business and Industry — Our use of certain leased properties could be challenged by third parties or governmental authorities, which may expose us to potential fines and negatively affect our ability to use the properties we lease.”

Considering that (i) we have not received any material claim of rights by any third parties in relation to such title defects during the Track Record Period and up to the Latest Practicable Date; (ii) it is unlikely that we would be subject to claim of rights from third parties or be required by authorities to relocate with respect to a significant number of these leased properties at the same time, considering that these properties are geographically dispersed and under the jurisdiction of different authorities, and are leased from different counterparties; (iii) the lessors of 23 out of the 32 leased properties that were not used in a manner consistent with their respective title certificate have undertaken to compensate us for losses that we suffer if we are unable to continue to legally occupy



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and use such properties, and even if our lessors have not provided this undertaking to us, we may still raise a claim against such lessors based on relevant PRC laws and regulations; (iv) we can find alternative properties in the event that we were required to relocate; and (v) we have strengthened our internal control measures and procedures to prevent new leasing properties with title defects in the future, we and our PRC Legal Advisors are of the view that the risk that our business and results of operations would be materially and adversely affected by these title defects is remote.

### *Non-registration of Lease Agreements*

As of 31 March 2023, 480 lease agreements we entered into had not been filed with relevant authorities. The lease agreements of such 480 properties will generally expire in the period between one to nine years.

Our PRC Legal Advisor is of the view that the non-filing of lease agreements would not affect the validity of such lease agreements, but relevant local housing authorities may require us to complete the filing within the prescribed period and we may be subject to penalties of RMB1,000 to RMB10,000 as a result of delay in filing for each of such properties. The aggregate maximum penalty of the Company for the non-filing of these lease agreements is RMB4.8 million. Therefore, we have the right to use the relevant properties in accordance with the lease agreements, but if the lease filing has not been completed in accordance with the requirements of relevant local housing authorities, we may be subject to the risk of penalties. See also “Risk Factors — Risks Related to Our Business and Industry — Our use of certain leased properties could be challenged by third parties or governmental authorities, which may expose us to potential fines and negatively affect our ability to use the properties we lease.”

Having considered the foregoing, our Directors believe that the non-registration of leases described above will not, individually or in the aggregate, materially affect our business and results of operation for the following reasons: (i) we have not been penalised for our failure to register and file the relevant lease agreements during the Track Record Period and up to the Latest Practicable Date; (ii) we have been advised by our PRC Legal Advisor that the non-filing of lease agreements would not affect the validity of such lease agreements, and that if the lease registration can be completed within the prescribed period of time as required by the government authorities, the risk that the government authorities will impose significant penalties on us in respect of such leased properties is remote; (iii) we have been more stringent in terms of requiring our lessors to cooperate with us in registering our lease agreements with the relevant housing administrative authorities.

As of 31 March 2023, none of the properties leased by us had a carrying amount of 15% or more of our total assets. According to Chapter 5 of the Hong Kong Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this [REDACTED] is exempt from the requirements of section 342(1)(b) of the Companies (Winding up and Miscellaneous Provisions) Ordinance to include all interests in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance.

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### **Insurance**

We consider our insurance coverage to be adequate and in accordance with the commercial practises in the industries in which we operate. We maintain certain insurance policies to safeguard us against risks and unexpected events, including products-related policies, such as property insurance, public liability insurance and employer liability insurance. We do not maintain any liability insurance or property insurance policies covering our equipment and facilities for injuries, deaths or losses due to fire, earthquake, flood or any other disasters. We consider our insurance coverage to be in line with that of other companies of similar size and business nature in China.

For a discussion of risks relating to our insurance coverage, see “Risk Factors — Risks Related to Our Business and Industry — Insurance coverage may not be adequate, and increased insurance costs could adversely affect our results of operations.”

### **Legal Proceedings and Compliance**

#### *Legal Proceedings*

During the Track Record Period and up to the Latest Practicable Date, we had not been a party to, and were not aware of any threat of, any legal, arbitral or administrative proceeding, which, in our opinion, would likely have a material and adverse effect on our business, financial conditions or results of operation. We have been, and may from time to time, be subject to various legal or administrative claims and proceedings arising in the ordinary course of our business.

Litigation or any other legal or administrative proceeding, regardless of the outcome, is likely to result in substantial costs and diversion of our resources, including our management’s time and attention. For potential impact of legal or administrative proceedings on us, see “Risk Factors — Risks Related to Our Business and Industry — Regulatory actions, legal proceedings, and customer complaints against us or our constituents could harm our reputation and have a material adverse effect on our business, results of operations, financial condition and prospects.”

#### *Compliance*

Our PRC Legal Advisor is of the opinion that, except as disclosed in this document, during the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material non-compliance incidents that have led to fines, enforcement actions, or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition, and results of operations.

#### *Social Insurance and Housing Provident Funds*

##### *Background and reasons for non-compliance*

During the Track Record Period and as of the Latest Practicable Date, we had not made social insurance and housing provident fund contributions for some of our employees in full in accordance

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with the relevant PRC laws and regulations. In 2019, 2020, 2021, 2022 and the three months ended 31 March 2023, the aggregate shortfall of social insurance and housing provident fund contributions amounted to RMB50.1 million, RMB33.7 million, RMB90.1 million, RMB54.0 million and RMB10.2 million, respectively. We have made adequate provisions for our historical contribution shortfall. Such non-compliance was primarily because (i) we have a large labour force with relatively high mobility, (ii) certain of our employees were not willing to bear the costs associated with social insurance and housing provident funds strictly in proportion to their salary and (iii) a certain number of our employees are migrant workers who are typically not willing to participate in the social welfare schemes of the city where they temporarily reside as such contributions are not transferrable among cities.

### *Potential legal consequences*

According to relevant PRC laws and regulations, (a) in respect of outstanding social insurance contributions, the relevant PRC authorities may demand us to pay the outstanding social insurance contributions within a stipulated deadline and we may be liable to a late payment fee equal to 0.05% of the outstanding amount for each day of delay; if we fail to make such payments, we may be liable to a fine of one to three times the amount of the outstanding contributions; and (b) in respect of outstanding housing provident fund contributions, we may be ordered to pay the outstanding housing provident fund contributions within a prescribed time period; if the payment is not made within such period, the housing provident fund management centre may make an application for compulsory enforcement to PRC courts. As advised by our PRC Legal Advisor, if any of the relevant housing reserve fund authorities or social insurance authorities is of the view that our contributions to the housing reserve fund or social insurance contributions we made for our employees do not satisfy the requirements under the relevant PRC laws and regulations, it may order us to pay the outstanding balance within a prescribed period. In 2019, 2020, 2021, 2022 and the three months ended 31 March 2023, the aggregate shortfall of social insurance and housing provident fund contributions amounted to RMB50.1 million, RMB33.7 million, RMB90.1 million, RMB54.0 million and RMB10.2 million, respectively. As for the penalty amount, as advised by our PRC Legal Advisor, according to the Social Insurance Law, we would be subject to a fine only if the relevant social insurance authorities are of the view that the social insurance contributions we made for our employees do not comply with the requirements under the relevant PRC laws and regulations and order us to pay the outstanding balance within a prescribed time period plus a late fee, and we fail to do so within the prescribed period as requested by the relevant social insurance authorities. We undertake that, if we were ordered to make such payment, we will do so within the prescribed time period.

Having considered the foregoing, our Directors believe that such non-compliance are common in China and would not have a material and adverse effect on our business and results of operations, considering that: (i) we had not been subject to any material administrative penalties with respect to our social insurance and housing provident funds contributions during Track Record Period and up to the Latest Practicable Date; (ii) as of the Latest Practicable Date, we had not received any notification from the relevant PRC authorities requiring us to pay material shortfalls or the penalties with respect to social insurance and housing provident funds; (iii) we were not aware of any material

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employee complaints nor were involved in any material labour disputes with our employees with respect to social insurance and housing provident funds during the Track Record Period and up to the Latest Practicable Date; and (iv) we have made provisions of RMB50.1 million, RMB33.7 million, RMB90.1 million, RMB54.0 million and RMB10.2 million for the social insurance and housing provident fund contribution shortfall in 2019, 2020, 2021, 2022 and the three months ended 31 March 2023, respectively.

### *Internal control and remedial measures*

We have taken the following rectification measures to prevent future occurrences of such non-compliances:

- We have been working to enhance our human resources management policies, which will explicitly require social insurance and housing provident fund contributions to be made in full in accordance with applicable local requirements;
- We are in the process of communicating with our employees with a view to seeking their understanding and cooperation in complying with the applicable payment base, which also requires additional contributions from our employees;
- We have designated our human resources department to review and monitor the reporting and contributions of social insurance and housing provident fund on a monthly basis;
- We will keep abreast of latest developments in PRC laws and regulations in relation to social insurance and housing provident funds; and
- We will consult our PRC legal counsel on a regular basis for advice on relevant PRC laws and regulations to keep us abreast of relevant regulatory developments.

In addition, we undertake to make timely payments for the deficient amount and overdue charges, as soon as requested by the competent governmental authorities.

### ***Fire Safety***

#### *Background and reasons for non-compliance*

As of the date of this [REDACTED], there were 22 self-operated Tuhu workshops that have not completed the required fire safety filings, representing approximately 13.9% of the Tuhu workshops operated by us as of 31 March 2023. In some instances, it usually takes a period of time for the relevant local authorities to conduct fire safety inspection for our workshops after our initial application. After following all of our internal requirements on fire safety to make sure that the Tuhu workshops are safe for operation as set out in “— Risk Management and Internal Control”, we decided to commence operations for these Tuhu workshops before completing all necessary fire

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safety procedures. In some other instances, our employees were not familiar with the constantly evolving requirements and practises relating to the fire safety filings adopted by the different local authorities and erroneously concluded that certain Tuhu workshops do not need to complete the relevant fire safety procedures or obtain the relevant approvals before opening after following all of internal requirements on fire safety.

For the years ended 31 December 2019, 2020, 2021, 2022 and the three months ended 31 March 2023, there were 30, 33, 34, 21 and 22 self-operated Tuhu workshops that failed to complete the necessary fire safety filings, and the revenue attributable to these Tuhu workshops was RMB38.5 million, RMB42.5 million, RMB51.3 million, RMB24.4 million and RMB9.4 million, respectively.

### *Potential legal consequences and latest status*

As of the date of this [REDACTED], among the 22 self-operated Tuhu workshops that have not completed the required fire safety filings, (i) 11 of them are undergoing renovation, for which we plan to submit the fire safety filings within six months after completion of renovation, which is expected by the end of 2023. If we are unable to complete the fire safety filings for some of these Tuhu workshops after renovation, we will close those Tuhu workshops to ensure compliance; and (ii) 11 of them are not able to complete the necessary fire safety filings primarily because (1) the owners of certain leased properties have not completed the fire safety filings for the entire properties within which our leased premises are located, which causes a delay or failure in our completion of the fire safety filings, and (2) the lessors are not able to provide the property ownership certificates for certain leased properties, which are required by the relevant regulatory authorities when applying for the Fire Safety Filing. We will exert best efforts to negotiate with such lessors to complete the fire safety filings for the entire properties or to obtain property ownership certificates. However, we cannot assure you that we will be able to do so in an efficient, cost-effective and timely manner, or at all. If we are not able to complete necessary fire safety filings for all our self-operated Tuhu workshops, we plan to close or relocate such self-operated Tuhu workshops after the expiration of their lease agreements, all between 2023 and 2029, and expect to incur a total estimated costs of approximately RMB2 million for the relocation. As advised by our PRC Legal Advisor, there is no substantial legal impediment for us to complete the required fire safety filings, provided that we have submitted all requisite documents to the relevant governmental authorities in accordance with the relevant PRC laws, regulations, government policies and the specific requirements of the relevant governmental authorities and passed the on-site inspections. Our Fire Safety Consultant has confirmed that we are capable of completing the required fire safety filings for these self-operated Tuhu workshops, except for two Tuhu workshops that are still under its inspection. Our PRC Legal Advisor has advised that once we have completed the fire safety filings with the relevant government authorities as required, the risk of us being subject to material administrative penalties due to the historical non-compliance is low considering that (a) we had not been subject to any material administrative penalties or fines in relation to the fire safety procedural defects during the Track Record Period and up to the Latest Practicable Date; (b) our Fire Safety Consultant has concluded that, after reviewing the relevant premises, except for two Tuhu workshops that are still under its inspection, (x) our Tuhu workshops are in compliance with the relevant fire safety design,

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construction and equipment requirements under the relevant fire safety laws and regulations and (y) no fire safety accident has ever occurred in these Tuhu workshops; and (c) we undertake to make timely rectification and apply for fire safety filings for such Tuhu workshops, as soon as requested by the competent governmental authorities. As advised by our PRC Legal Advisor, according to the Fire Prevention Law of the PRC, a construction project that fails to complete fire safety filing shall be ordered to rectify and be subject to a fine of up to RMB5,000. As advised by our PRC Legal Advisor, pursuant to the Fire Prevention Law of the PRC, if we are not able to complete the applications for these Tuhu workshops, our maximum penalty for failing to complete the fire safety filings for these Tuhu workshops will be approximately RMB110,000.

### *Rectifications*

In order to ensure that these Tuhu workshops operate safely, we have engaged Taitong Construction Co., Ltd., as our Fire Safety Consultant to conduct fire safety inspection on each of the self-operated Tuhu workshops that have not complete the fire safety filings as of the date of this [REDACTED]. Our Fire Safety Consultant primarily engaged in maintenance and inspection of fire safety facilities and fire safety evaluation and is qualified to conduct the relevant inspection and issue credible report and conclusion. Our Fire Safety Consultant holds ISO 9001, ISO 14001 and OHSAS 18001 certificates, and its inspection team consists of engineers, including fire safety specialist engineers who have extensive experience in fire safety evaluation work of various rail transportation, power plants and stadiums.

Our Fire Safety Consultant reviewed and inspected the following aspects of our operations through on-site inspection, surveys and document review: (i) the compliance of our fire protection system with laws and regulations and industry standards, (ii) the adequacy of the fire safety equipment and system and emergency evacuation plan of premises on which our Tuhu workshops are located and (iii) the compliance with applicable building fire protection and fire safety standards of the premises where our Tuhu workshops are located.

Based on its review, other than two Tuhu workshops which are still under inspection by our Fire Safety Consultant as of the date of this [REDACTED], our Fire Safety Consultant has concluded that (i) all of these Tuhu workshops comply with the relevant fire safety design, construction and equipment requirements under the fire safety laws and regulations, including those related to fire safety procedures and emergency evacuation procedures (ii) the premises on which our Tuhu workshops are located have adequate fire safety equipment and signs and emergency evacuation plan, all of which are in good condition (iii) the premises where these Tuhu workshops are located are in compliance with applicable building fire protection and fire safety standards, and (iv) no fire safety accident has ever occurred in these Tuhu workshops and we have never been subjected to any material administrative penalty or public notice of violations due to any fire safety issues with respect to these Tuhu workshops. As confirmed by our Fire Safety Consultant, these Tuhu workshops do not have major fire safety issues, and these Tuhu workshops have not yet completed the relevant procedures primarily due to defects in titles or fire safety filings of the respective Tuhu workshop, which is common in China, or other reasons that are not related to fire safety issues of these Tuhu



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workshops. Our Fire Safety Consultant has also confirmed that there are no material impediments for these Tuhu workshops to complete the required fire safety filings, upon submission of applications and all the requisite documents.

Furthermore, we have enhanced our internal control measures and procedures with respect to fire safety as recommended by our Fire Safety Consultant to manage associated risks and prevent re-occurrence of such non-compliance incidents. Set forth below are key efforts we have made:

- *Training.* We conduct extensive training for our staff, including periodic training on general fire safety awareness and knowledge, regular updates and training on the fire safety rules and regulations, and training on proper use of fire safety equipment and emergency evacuation plans. We also conduct periodic fire drills at our premises to familiarise our staff with our evacuation plans.
- *Personnel.* Each of our Tuhu workshops has designated personnel who is responsible for fire safety. We have also designated personnel at our headquarters, that is responsible for conducting periodic review of fire safety work at our Tuhu workshops. We have also engaged an independent fire safety expert who has around 20 years of experience in the field of fire safety to provide relevant advice to our safety centre.
- *Fire safety policies.* We have established detailed fire safety measures and procedures with respect to our Tuhu workshops, including frequent inspection of the electric appliances in our Tuhu workshops, and the fire safety equipment that we equip on our premises. We have also formulated evacuation plans, fire protection and rescue plans in the event of fire emergency, and have also installed signs for fire evacuation.
- *Equipment.* We equip our premises with the proper fire safety equipment and systems, and regularly assess the need to upgrade our equipment and facilities to achieve better ventilation, humidity, fire and heat protection.

We fully implemented the enhanced management measures and strictly implemented these enhanced management systems in the process of expansion to avoid recurrence of related non-compliance in the future. Particularly, for the site selection and leasing of new self-operated Tuhu workshops, we will inspect the fire safety of the leased property, and clearly require the lessor, in the newly signed lease agreement, to provide assistance in obtaining the Construction Fire Service Completion Inspections filing documents of the leased property and ensure that the leased property possesses the necessary conditions for handling pre-opening fire safety procedures. After taking into account the above rectification and enhanced management measures and the Directors' undertaking that we will timely complete the fire safety filings as required by under PRC laws and regulations for every new Tuhu workshops, going forward, our Directors are of the view that our Group's enhanced management measures (including fire safety measures) are adequate and effective and sufficient to ensure our Group's compliance going forward, considering that (i) the enhanced management measures and procedures with respect to fire safety taken by the Company, (ii) the improvement of the



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Company’s overall fire safety management and control system, (iii) the Fire Safety Consultant’s view that all of the Tuhu workshops that had not obtained the relevant fire safety approvals as of the date of this [REDACTED], except for two Tuhu workshops that are still under inspection by our Fire Safety Consultant, comply with fire safety laws and regulations and the premises where these Tuhu workshops are located are in compliance with the relevant fire safety design, construction and equipment requirements under the fire safety laws and regulations, and (iv) the Company’s management consultant’s review and confirmation on establishment of the enhanced fire safety system currently adopted by the Company.

Our Directors believe that such non-compliance would not have a material and adverse effect on our business and results of operations, considering that: (i) the maximum potential penalty of RMB110,000 accounted for merely 0.0001% of our revenues in 2022, (ii) we have not received any material administrative fines or penalties with respect to the aforementioned non-compliance during the Track Record Period and up to the Latest Practicable Date, (iii) the non-compliance did not and will not affect the safety of our guests and employees given that the Fire Safety Consultant has advised us that these Tuhu workshops, except for two Tuhu workshops that are still under inspection by our Fire Safety Consultant, comply with fire safety standards provided by the relevant PRC laws and regulations and are subject to supervision of and regular fire-related inspection by the relevant authorities, (iv) the Fire Safety Consultant has advised us that all of these Tuhu workshops for which we did not complete the fire safety filing, except for two Tuhu workshops that are still under inspection by our Fire Safety Consultant, have complied with the applicable fire safety laws, regulations and standards to the extent the required fire safety filing for these Tuhu workshops could be completed and there are no material impediments for these Tuhu workshops to complete the required fire safety filing upon submission of applications and all the requisite documents, (v) it is unlikely that we will be required to close or relocate a significant number of Tuhu workshops by the relevant authorities at the same time, considering these Tuhu workshops are geographically dispersed, (vi) we have a list of potential Tuhu workshop locations and believe we will be able to relocate a number of Tuhu workshops to new locations if we are required to do so, (vii) the total estimated costs to relocate all of the other non-compliant self-operated Tuhu workshops would be approximately RMB2 million, which account for less than 0.02% of our total revenues in 2022, (viii) we have enhanced our internal control measures and procedures as recommended by our independent internal control consultant, and (ix) we are actively working on advancing our fire safety filings with the relevant regulatory authorities.

### *Motor Vehicle Maintenance*

As of the date of this [REDACTED], there were four Tuhu workshops operated by us as of 31 March 2023 for which we failed to complete the filings with the relevant local administrative authorities with regard to the motor vehicle maintenance business for record due to the requirements of the local administrative authorities for such filings may vary among various geographic locations. We have prepared and plan to submit the motor vehicle maintenance filings for the four stores within the next six months. However, we cannot assure you that we will be able to effectively complete the filings in an efficient, cost-effective and timely manner, or at all. If we cannot complete such filings, we may be subject to potential fines from RMB5,000 to RMB20,000 for each self-operated

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workshop in the event that we fail to remediate after receiving notice from relevant governmental authorities. As advised by our PRC Legal Advisor, pursuant to the Provisions on Automotive Maintenance and Repair, if we are not able to complete the filings for these four Tuhu workshops, our maximum penalty will be approximately RMB80,000. As of the Latest Practicable Date, neither the Company nor the PRC Legal Advisor was aware of any penalties or fines imposed on the four Tuhu workshops that failed to complete the motor vehicle maintenance filings during the Track Record Period, and if we fail to complete such filings before the expiration of each lease agreement of these four Tuhu workshops, we would have to close or relocate such self-operated Tuhu workshops.

For the years ended 31 December 2019, 2020, 2021, 2022 and the three months ended 31 March 2023, there were 94, 84, five, four and four self-operated Tuhu workshops that failed to complete the necessary motor vehicle maintenance business filings. The revenue attributable to the these self-operated Tuhu workshops was RMB158.1 million, RMB124.9 million, RMB6.7 million, RMB3.2 million and RMB1.6 million, respectively.

### *Franchised Tuhu Workshops*

For the years ended 31 December 2019, 2020, 2021, 2022 and the three months ended 31 March 2023, there were 108, 293, 504, 627 and 638 franchised Tuhu workshops that failed to complete the necessary fire safety filings, and revenue attributable to these franchised Tuhu workshops was RMB71.7 million, RMB162.5 million, RMB363.0 million, RMB505.7 million and RMB154.4 million, respectively.

For the years ended 31 December 2019, 2020, 2021, 2022 and the three months ended 31 March 2023, there were 960, 1,281, 755, 1,201 and 966 franchised Tuhu workshops that failed to complete the necessary motor vehicle maintenance business filings, and the revenue attributable to these franchised Tuhu workshops was RMB560.5 million, RMB826.3 million, RMB340.4 million, RMB697.3 million and RMB182.8 million, respectively.

Our Directors believe that such non-compliance would not have a material and adverse effect on our business and results of operations, considering that: (i) as advised by our PRC Legal Adviser, we bear no legal liabilities for the non-compliance arising from the franchisees’ business operations, (ii) pursuant to the franchise agreement, franchisees should ensure their stores comply with all the regulatory requirements and are solely responsible for any penalties imposed by governmental authorities, (iii) pursuant to the franchise agreement, we are entitled to terminate franchisee agreement and claim damages caused by such regulatory non-compliance and franchisees has no right to require us to indemnify them for any penalties imposed on franchised Tuhu workshops operated by them due to the non-compliance of relevant regulatory filing requirements, and (iv) the risk that we will be required to close or relocate a significant number of franchised Tuhu workshops by the relevant authorities at the same time is relatively remote, considering these franchised Tuhu workshops are geographically dispersed.

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### *List of Classified Management for Environmental Impact Assessment of Construction Projects*

For the years ended 31 December 2019, 2020, 2021, 2022 and the three months ended 31 March 2023, there were 63, 80, nil, nil and nil self-operated Tuhu workshops that failed to fill out the registration form in respect of environmental impact required under the then-applicable version of the List, and revenue attributable to these self-operated Tuhu workshops was RMB84.5 million, RMB113.7 million, nil, nil and nil, respectively. For the years ended 31 December 2019, 2020, 2021, 2022 and the three months ended 31 March 2023, there were 1,023, 1,469, nil, nil and nil franchised Tuhu workshops that failed to fill out the registration form in respect of environmental impact required under the then-applicable version of the List, and revenue attributable to these franchised Tuhu workshops was RMB645.2 million, RMB1,089.6 million, nil, nil and nil, respectively.

We believe the historical non-compliance of the older version of the List will not, individually or in the aggregate, have a material impact on our overall business operation and financial conditions for the following reasons: (i) such registration form filing requirement for auto maintenance or car washing workshops under the older version of the List has been cancelled by the 2021 version of the List, which became effective on 1 January 2021. Under the 2021 version of the List, none of the Tuhu workshops is required to complete such filing; (ii) the Company has not been subjected to any material fines or other penalties as a result of any material violations of the older version of the List during the Track Record Period and up to the Latest Practicable Date; (iii) as advised by our PRC Legal Advisor, the likelihood that we will be penalised retrospectively for failure to fill out the registration form of environmental impact required under the older version of the List is remote given that the older version is no longer applicable to our Tuhu workshops, which has also been confirmed by competent government authorities in certain regions that have Tuhu Workshops in operation; and (iv) we bear no responsibilities for the noncompliance of the business operations of franchised Tuhu workshops, which constitute the majority of the Company’s Tuhu workshops.

### **Licences, Approvals and Permits**

In the opinion of CM Law Firm, our PRC Legal Advisor, during the Track Record Period and up to the Latest Practicable Date, we had obtained all requisite licences, approvals and permits from relevant regulatory authorities that are material to our operations in China, and that as at the Latest Practicable Date, these licences and approvals remained valid and in effect to the extent required for their main business operations.

We renew all such material permits and licences from time to time to comply in all material aspects with the relevant laws and regulations.

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The following table sets out a list of material licences and permits currently held by us:

<u>Licence / Permit</u>	<u>Entity Holding the Licence / Permit</u>	<u>Expiration Date</u>
Registration of Commercial Franchise Licence (商業特許經營備案證明)	Shanghai Lantu Information Technology Co., Ltd.	N/A
Foreign Investment in Value-added Telecommunications Services Filing (外商投資經營增值電信業務試點批復)	Shanghai Mengfan Trade Co., Ltd	11 March 2025
Shanghai Single-use Commercial Prepaid <sup>(1)</sup> Card Filing (上海市單用途商業預付卡備案)	Shanghai Lantu Information Technology Co., Ltd.	N/A

*Note:*

- (1) We have made this filing as required under the Administrative Measures on Single-Purpose Commercial Prepaid Cards (Trial Implementation) (《單用途商業預付卡管理辦法(試行)》) for issuing Tuhu E-card (“途虎E卡”), which is an unregistered prepaid certificate. Customers who bought such prepaid certificate can use it to pay for products or services in our Tuhu Automotive Service app. Tuhu E-card is a supplementary payment method to provide more flexibility and convenience to our customers but not a revenue generating channel of the Company. The revenue generated from issuing such certificate was less than 0.1% of our total revenue and the gross profit contribution from Tuhu E-card was immaterial during the Track Record Period.

### Awards and Recognition

We have received recognition for the quality and popularity of our products and services. Some of the significant awards and recognition we have received are set forth below.

<u>Award/Recognition</u>	<u>Award Year</u>	<u>Awarding Institution/Authority</u>
National E-commerce Model Enterprise	2017-2018	Ministry of Commerce of the People’s Republic of China
Top 100 Franchises in China	2018-2022	China Chain Store & Franchise Association
High and New-Technology Enterprise	2019-2022	The Science and Technology Commission of Shanghai Municipality
Top 100 Shanghai Software and Information Technology Services Enterprises	2020-2022	Shanghai Municipal Commission of Economy and Informatization
Headquarters of Private Companies Certification	2020	Shanghai Municipal Commission of Commerce
Trade-based Headquarters Certification	2020	Shanghai Municipal Commission of Commerce
Civilized Unit in Minhang District	2022	Minhang District Government Authorities
Pilot Enterprise for Integration of Industry and Education in Shanghai	2022	Shanghai Municipal Development and Reform Commission

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### **Risk Management and Internal Control**

We have devoted ourselves to establishing and maintaining risk management and internal control systems consisting of policies and procedures that we consider to be appropriate for our business operations, and we are dedicated to continuously improving these systems.

#### ***Finance Reporting Risk Management***

We have in place a set of accounting policies, including financial management policy, fixed asset management policy, treasury management policy and budget management policies. We have various procedures in place to implement accounting policies, and our finance department is responsible for preparing our management accounts based on such procedures. We also provide trainings to our finance department staff to ensure that they understand the latest changes in the statutory financial accounting policies and our financial management and accounting policies, and implement them in our daily operations.

#### ***Internal Control Risk Management***

We have designed and adopted strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations. Our internal control team works closely with our legal, finance and business departments to perform risk assessments and advise risk management strategies to improve business process efficiency.

Our government relations department works with relevant business departments to obtain requisite governmental approvals or consents, including preparing and submitting all necessary documents for filing with relevant government authorities within the prescribed regulatory timelines.

#### ***Intellectual Property Rights Risk Management***

We have devoted ourselves to establishing and maintaining intellectual property rights risk management and internal control procedures to protect our intellectual property rights and prevent liabilities resulting from infringement of third-party intellectual property rights. Only authorised applications and software can be downloaded to our company-provided devices and our IT back office monitors the download and use of unauthorised software to minimise the intellectual property rights violations. Our legal team is responsible for reviewing and approving contracts, protecting our legal rights, including intellectual property rights, monitoring updates and changes in laws and regulations in the PRC and ensuring the ongoing compliance of our operations with these laws and regulations. Our legal department also assists our business department in ensuring that all necessary applications or filings for trademark, copyright and patent registrations have been timely made to the competent authorities, and that our intellectual properties are under the protection of relevant laws and regulations.

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### *Information System Risk Management*

We pay close attention to risk management relating to our information system as sufficient maintenance, storage and protection of user data and other related information is critical to our success. We have designed and adopted strict internal procedures to ensure that our data is protected and that leakage and loss of such data are avoided.

We have a dedicated data security team that is responsible for (i) monitoring suspicious data extraction and transmission activities or violations of our internal rules relating to data protection, (ii) advising on data protection issues identified in the course of monitoring and reporting to company management for attention, and (iii) enhancing our data protection system in accordance with changes in regulatory requirements and technological developments. We anonymise, desensitise and encrypt confidential personal information and take other technological measures to help ensure the secure processing, transmission and usage of data. We have developed a company-wide policy on data security to preserve individual personal information and privacy, such as Provisions on Administration of Data Security (《數據安全管理規定》), Data Classified and Categorised Protection Guidelines (《數據分類分級指引》) and Office Security Management Procedures (《辦公安全管理制度》).

We also have a data back-up system through which data is encrypted and stored on servers in different locations regularly to reduce the risk of data loss. In addition, we perform back-up recovery tests regularly to examine the status of the back-up system. See “— Data Privacy” in this section for more information about our efforts and measures in personal data and cybersecurity risk management. We will continue to monitor the effectiveness of our data protection system and the evolving regulatory framework for privacy issues to minimise the risk of data leakage and ensure we remain in compliance with applicable data-related regulations.

During the Track Record Period and up to the Latest Practicable Date, (i) we had not experienced any material data or personal information leakage or loss, infringement of data or personal information, or information security incident; (ii) we had not received any cybersecurity, data security and personal data protection related administrative penalties or other sanctions by any relevant regulatory authorities; (iii) we had not been subject to or involved in any official inquiry, examination, material warning, interview or sanction in relation to cybersecurity or data privacy or any cybersecurity review from the CAC or any other relevant government authority; (iv) we had not been notified by any PRC government authorities of being classified as a critical information infrastructure operator; and (v) we had not been involved in any service, product or data processing activities that might give rise to national security risks based on the factors set out in Article 10 of the Cybersecurity Review Measures and have not been inquired, investigated, warned or penalized by any PRC authorities in this respect. In addition, we are committed to protecting personal information. We have implemented company-wide policies that set data protection and security standard. See “Business—Data Privacy” for details. Moreover, we will (a) closely monitor and assess any regulatory development in relation to cybersecurity and data protection; (b) adjust and optimise our practices in data protection in a timely manner to comply with the new requirements



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imposed by any new laws and regulations; (c) continuously improve our data security protection technologies and internal control procedures and engage external professional parties to advise us on cybersecurity and data protection requirements, if needed; and (d) proactively maintain communications with the relevant PRC regulators.

Based on the foregoing, our PRC Legal Advisor and Directors are of the view that (i) we are in compliance with the existing PRC laws and regulations on cybersecurity, data security and personal data protection in all material aspects, and (ii) our business operation is unlikely to be deemed as affecting national security in light of the factors set out in Article 10 of the Cybersecurity Review Measures. In addition, our Directors and PRC Legal Advisor do not believe that the Draft Regulations on Cyber Data Security Management, if implemented in the current form, would have a material adverse impact on our business operations or the proposed [REDACTED], nor do they foresee any material impediments for us to comply with the requirements under the Draft Regulations on Cyber Data Security Management in all material aspects. We will proactively maintain communications with relevant government authorities as necessary in due course, and will adjust and enhance our data protection measures in a timely manner.

### *Human Resources Risk Management*

We have in place an employee handbook and a code of conduct which is distributed to all our employees. The handbook contains internal rules and guidelines regarding work ethics and principles. Our code of conduct includes policies regarding fraud prevention mechanisms, negligence and corruption. In addition to trainings and guidance provided to our technicians through Blue Tiger, we provide regular trainings to our employees on work ethics, working procedures, internal policies, management, technical skills and other aspects that are relevant to their day-to-day work, and specialised training tailored to the needs of our employees in different departments. Through these training sessions, we ensure that our staff’s skill sets and knowledge level of our anti-bribery and anticorruption policy remain up-to-date, enabling them to better comply with applicable laws and regulations in the course of conducting business.

We also have a rigorous background check process when hiring key personnel and conduct periodic performance assessment of our employees. The demand in our industry for skilled employees is intense and we may be adversely affected by the departure of any key employees. See “Risk Factors — Risks Related to Our Business and Industry — Our success depends on the continuing efforts of our senior management and key employees.” Each of our executive officers and key employees has entered into an employment agreement with confidentiality, intellectual property and non-competition provisions with us.

### *Regulatory Compliance and Legal Risk Management*

We have designed and adopted strict internal rules and procedures to ensure the compliance of our business operations with relevant laws, rules and regulations. We have implemented an anti-



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bribery and corruption policy forbidding our management and employees from receiving any kickback from our suppliers. Our in-house legal department conducts regular reviews to ensure that we have obtained all material requisite licences, permits and approvals for our business operation and monitors the status and effectiveness of those licences and approvals. In addition, to comply with the rapidly evolving laws and regulations, our in-house legal department enforce our strict internal procedures including: (i) reviewing and approving contracts; (ii) monitoring updates to and changes in laws and regulations applicable to our business and operations; (iii) conducting relevant researches and studies; (iv) monitoring instructions and requirements issued by the regulatory authorities and communicating with relevant authorities to obtain further instructions when necessary; (v) collecting external professional opinions on any new laws and regulations; and (vi) issuing appropriate plans of compliance for our products and services, carrying out supervision, inspection and feedback on the implementation.

### *Investment Risk Management*

We may from time to time invest in or acquire businesses that are complementary to our business, such as businesses that can expand the services we offer and strengthen our research and development capabilities. In addition, to support our franchisees to develop their businesses, we selectively make minority investment in stores that demonstrate higher growth potential. In general, we intend to hold our investments for the long term.

Our investment department is responsible for investment project sourcing, screening, execution and portfolio management. The department sources investment projects in accordance with our business strategy, and conducts thorough pre-investment due diligence with finance department and in-house legal department to assess the risks and potential of the investment projects.

### *Anti-bribery and corruption management*

We have in place an anti-bribery and corruption policy to safeguard against any corruption within our Company. The policy explains potential bribery and corruption conduct and our anti-bribery and corruption measures. We make our internal reporting channel open and available for our employees to report any bribery and corruption acts, and our employees can also make anonymous reports to our internal audit committee. Our internal control team is responsible for investigating the reported incidents and taking appropriate measures in response to the relevant incidents.

### *Board Oversight*

Our Board of Directors is responsible and has the general power to supervise the operations of our business, and is in charge of managing the overall risks of our company. Our Board of Directors is responsible for considering, reviewing and approving any significant business decision involving material risk exposures. Our Board of Directors will monitor the ongoing implementation of our risk management policies and corporate governance measures. Our audit committee comprises three

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members, namely Ms. Yan Huiping, Mr. Feng Wei and Mr. Wang Jingbo. Ms. Yan Huiping, being our independent non-executive Director, is the chairwoman of the committee and is the director appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules. For the professional qualifications and experiences of the members of our audit committee, see the section headed “Directors and Senior Management” in this [REDACTED].

## REGULATORY OVERVIEW

We are subject to a variety of PRC laws, rules and regulations across a number of aspects of our business. This section sets forth a summary of the most significant laws and regulations that are applicable to our current business activities within the territory of the PRC and that affect the dividends payment to our shareholders.

### REGULATIONS RELATING TO AUTOMOTIVE SERVICE

#### Regulations on Automotive Maintenance

Pursuant to the Road Transport Regulation of PRC (《中華人民共和國道路運輸條例》) promulgated by the State Council on 30 April 2004 and latest amended on 29 March 2022, whoever engages in the business operations of automotive maintenance shall meet the following conditions: (i) having a place for automotive maintenance, (ii) having necessary equipment, facilities and technicians, (iii) having a complete management system for automotive maintenance, and (iv) having necessary environmental protection measures. The Provisions on Automotive Maintenance and Repair (《機動車維修管理規定》) promulgated by the Ministry of Transport of the PRC on 24 June 2005 and latest amended on 11 August 2021 further requires that each of the automotive maintenance service providers shall file with the corresponding road transport administration at the county level where such providers located and be classified into Class I, Class II or Class III maintenance service according to its business and service capabilities. Pursuant to the Provisions on Automotive Maintenance and Repair, only Class I or Class II automotive maintenance services providers may engage in whole-vehicle maintenance and repair, unit repair, whole-vehicle maintenance, while all three classifications of automotive maintenance services providers may engage in comprehensive minor repairs for automobiles or engine maintenance and special motor vehicle maintenance and repair respectively. Any automotive maintenance operator shall conduct the automotive maintenance business in accordance with the national, industrial or local standards for automotive maintenance and the technical information for automotive maintenance published by the automobile manufacturer or importer. Moreover, automotive maintenance operator shall publicise its charging items, typical number of hours required to perform each service and rate at its business premises.

Pursuant to the Provisions on Automotive Maintenance and Repair, the administrative authorities in charge of road transportation at the county level or above may impose correction orders to whoever engages in the automotive maintenance business and fails to meet the regulatory standards for automotive maintenance formulated by the competent authorities of transportation under the State Council; if the circumstance is serious, the road transportation authority at the county level or above may order such entity or individual to suspend business for internal rectification. In addition, if any entity or individual engaging in the automotive maintenance business fails to file as required might be ordered to make corrections by the road transportation administration at the county level or above; anyone who fails to make corrections shall be subject to fines of not less than RMB5,000 but not more than RMB20,000.

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### Regulations on Second-hand Automobiles Sales

On 29 August 2005, the Ministry of Commerce, the Ministry of Public Security, State Administration for Industry and Commerce, and State Administration of Taxation together promulgated the Measures for the Administration of the Circulation of Second-hand Automobiles (《二手車流通管理辦法》), which was amended on 14 September 2017. On 22 November 2005, the Ministry of Commerce further promulgated the Notice on Issues Concerning the Implementation of the Measures for the Administration of the Circulation of Second-hand Vehicles (《商務部辦公廳關於實施〈二手車流通管理辦法〉有關問題的通知》). According to aforesaid regulations, any operator of a trading market for second-hand vehicles or operating entity of second-hand vehicles that has been legally registered with the relevant administrative authorities for industry and commerce and obtained the business licence shall report to the relevant competent commerce authorities at the provincial level for record-filing within two (2) months from the date of obtaining the business licence, and such operator shall regularly report information such as the trading volume and trading value of second-hand vehicles to the relevant competent commerce authorities at the provincial level through the competent commerce authorities at the domicile thereof. In addition, a retail enterprise of second-hand automobiles shall, when selling a second-hand automobile, provide the quality guarantee as well as the service after sales, which shall be clearly publicised in its business place.

### REGULATIONS RELATING TO COMMERCIAL FRANCHISING

Pursuant to the Regulations on the Administration of Commercial Franchising (《商業特許經營管理條例》), or the Franchising Regulations, which took effect on 1 May 2007, commercial franchising refers to the business activities where a franchisor, being an enterprise possessing registered trademarks, corporate logos, patents, proprietary technology, or other business resources, licences through contracts its business resources to the franchisees, being other business operators, and the franchisees carry out business operation under a uniform business model and pay franchising fees to the franchisor pursuant to the contracts. The Franchising Regulations requires that any enterprise engaging in trans-provincial franchise business shall register with the Ministry of Commerce, and any enterprise engaging in franchise business within one province shall register with the provincial counterpart of the Ministry of Commerce. The Franchising Regulations also set forth a number of requirements for the franchisors and to govern the franchise agreements. For example, the franchisors and franchisees are required to enter into franchising agreements containing certain required terms, and the franchise term thereunder shall be no less than three years unless otherwise agreed by the franchisee.

On 12 December 2011, the Ministry of Commerce promulgated the Administrative Measures for the Filing of Commercial Franchisees (《商業特許經營備案管理辦法》), which took effect on 1 February 2012 and sets forth in detail the procedures and documents required for such filing, including, among other things, within 15 days after executing the first franchise agreement, the franchisor shall file with the Ministry of Commerce or its local counterparts for record, and if there occurs any change to the franchisor's business registration, business resources, and the franchisee store network throughout China, the franchisor shall apply to the Ministry of Commerce for

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alteration within 30 days after the occurrence of such change. Furthermore, within the first quarter of each year, the franchisor shall report the execution, revocation, termination, and renewal of the franchise agreements occurring in the previous year to the Ministry of Commerce or its local counterparts, the failure of which may subject the franchisor to an order of rectification and a fine up to RMB50,000. Furthermore, the franchisor is required to implement information disclosure system. The Administrative Measures on the Information Disclosure of Commercial Franchising (《商業特許經營信息披露管理辦法》), which took effect on 1 April 2012, provides a list of information that the franchisor shall disclose to franchisees in writing at least 30 days prior to the execution of the franchising agreements.

### REGULATIONS RELATING TO SINGLE-PURPOSE COMMERCIAL PREPAID CARDS

Pursuant to the Administrative Measures on Single-Purpose Commercial Prepaid Cards (Trial Implementation) (《單用途商業預付卡管理辦法(試行)》) (the “Administrative Measures on Single purpose Prepaid Cards”), which was promulgated by MOFCOM in 2012 and was amended in 2016, single-purpose commercial prepaid cards are prepaid certificates issued by an enterprise engaging in retail industry, accommodation and catering industry and residential services industry which are limited to be used as payment for goods or services by the enterprise or within the group to which the enterprise belongs or within the franchise system of the same brand, including physical cards in various forms such as magnetic stripe cards, chip cards, and paper coupons as well as virtual cards. Card-issuers shall complete filing formalities within 30 days from the date of carrying out single-purpose card businesses. Enterprises may issue registered and non-registered cards. The limit of a single registered card shall not exceed RMB5,000 and the limit of a single non-registered card shall not exceed RMB1,000. A registered card shall not have a validity period and a validity period of a non-registered card shall not be less than three years. Violation of the aforementioned regulations may result in an order of rectification. Where the card issuer fails to rectify within a stipulated period, a fine ranging from RMB10,000 to RMB30,000 may be imposed.

### REGULATIONS RELATING TO FIRE PREVENTION

On 29 April 1998, the Standing Committee of the National People’s Congress, or the SCNPC, promulgated the Fire Prevention Law of the PRC (《中華人民共和國消防法》), which was latest amended on 29 April 2021. According to the Fire Prevention Law and other relevant laws and regulations of the PRC, the emergency management authority of the State Council and local counterparts at or above county level shall monitor and administer the fire prevention affairs, and the fire prevention and rescue authorities are responsible for implementation. The Fire Prevention Law provides that the fire prevention design or construction of a construction project must conform to the national fire prevention technical standards. For a construction project that needs a fire prevention design under the national fire protection technical standards for project construction, the construction entity must submit the fire prevention design documents to the relevant housing and urban-rural development authority for approval or filing purposes (as the case may be), and when a construction project which is designed in accordance with the national standards of construction technology for

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fire control is completed, such project must pass the required as-built acceptance check on fire prevention by, or file with, the relevant housing and urban- rural development authority.

On 12 August 2015, the Ministry of Public Security promulgated Eight Measures to Deepen Reform and Serve Economic and Social Development (《公安消防部門深化改革服務經濟社會發展八項措施》), or the Eight Measures. According to the Eight Measures, construction projects with an investment of less than RMB300,000 or a construction area of less than 300 square metres is not required to obtain the as-built acceptance check on fire prevention or fire safety filing, and competent authorities of housing and urban-rural development at the provincial level may formulate detailed rules of implementation pursuant to these measures. According to the Interim Provisions of Construction Fire Design Review and Acceptance (《建設工程消防設計審查驗收管理暫行規定》), which took effective on 1 June 2020, fire acceptance should be done for special construction projects which meet certain conditions, fire filing should be done for other types of construction projects. Pursuant to the Fire Prevention Law, the construction project that fails to complete the required as-built acceptance check on fire prevention shall be ordered by the relevant governmental authorities to close down and shall be imposed a fine of RMB30,000 up to RMB300,000. The construction project that fails to complete fire safety filing shall be ordered to rectify and be subject to a fine of up to RMB5,000. Even if the construction project has completed the fire safety filing, it may be randomly inspected by the relevant governmental authorities. If the construction project failed to pass the random inspection, the construction entity shall stop using such construction project and organise rectification and apply for re-inspection after the rectification is completed, such construction project can only be used after it passed the re-inspection.

## REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

### Environmental Protection Law

The Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) was promulgated and effective on 26 December 1989, and most recently amended on 24 April 2014. The Environmental Protection Law has been formulated for the purpose of protecting and improving both the living and the ecological environment, preventing and controlling pollution and other public hazards and safeguarding people's health. According to the provisions of the Environmental Protection Law, in addition to other relevant laws and regulations of the PRC, the Ministry of Environmental Protection and its local counterparts are responsible for administering and supervising environmental protection matters. Pursuant to the Environmental Protection Law, construction projects that have environmental impact shall be subject to environmental impact assessment.

### Regulations on Environment Impact Assessment

On 28 October 2002, the SCNPC promulgated the Environmental Impact Assessment Law of PRC (《中華人民共和國環境影響評價法》), which was latest amended on 29 December 2018. According to the Environmental Impact Assessment Law, the State Council implemented the environmental impact assessment to classify construction projects according to the impact of the construction projects on the environment.

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On 30 November 2020, Ministry of Ecology and Environment of the PRC promulgated the Classified Administration Catalogue of Environmental Impact Assessments for Construction Project (2021 version) (《建設項目環境影響評價分類管理名錄(2021年版)》), or Classified Administration Catalogue (2021 version), which became effective on 1 January 2021. According to Classified Administration Catalogue (2021 version), automotive maintenance service provider with an operating area of more than 5,000 square metres using specific coatings (including solvent-based coatings) or car washing yards specially used for hazardous chemical transport vehicles shall file an environmental impact statement. According to the Environmental Impact Assessment Law, where a construction entity commenced construction prior to submission of the environmental impact report and environmental impact statement of the construction project or prior to resubmission of the environmental impact report and environmental impact statement, the ecological environment authorities at the county level or above shall order it to stop the construction, impose a fine of not less than 1% but not more than 5% of the overall investment amount for such construction project according to the seriousness and consequences of such violations, and order it to restore to the original status; and the person-in-charge and responsible personnel of the construction project shall be liable to administrative sanctions in accordance with laws.

### Regulations on Hazardous Chemicals

According to the Work Safety Law of the PRC (《中華人民共和國安全生產法》), which was promulgated by the SCNPC in 2002 and was latest amended in June 2021, where dangerous goods are to be manufactured, sold, transported, stored, used or to be disposed of or scrapped, business operators shall abide by relevant laws and regulations, as well as the national standards or industrial specifications, establish a special system for safety control, adopt reliable safety measures, and subject themselves to supervision and control by the competent departments in accordance with law. The Regulation on the Safety Administration of Hazardous Chemicals (《危險化學品安全管理條例》), which was promulgated by the State Council and latest amended in 2013, has further stipulates that enterprises using hazardous chemicals shall, in accordance with the types and hazard characteristics of the used hazardous chemicals as well as the amount and mode of use, establish and perfect the safety administration regulations and safety operating rules for the use of hazardous chemicals so as to guarantee the safe use of hazardous chemicals, and shall comply with the provisions of laws and regulations regarding the storage hazardous chemicals. Enterprise fails to comply with such regulatory requirements shall be ordered to rectify, to suspend business operations, be imposed fines, or even has its permits or business licence be revoked by the relevant government authorities.

Pursuant to the Regulation on the Safety Administration of Hazardous Chemicals, enterprises engaging in road transportation of hazardous chemicals shall, according to the provisions of the laws and administrative regulations concerning road transportation, obtain the permits for road transportation of dangerous goods, and go through the registration formalities with the administration for industry and commerce. The Regulations on Governing the Road Transportation of Dangerous Goods (《道路危險貨物運輸管理規定》), which was promulgated by the Ministry of Transport in 1993, latest amended in 2019, has further stipulates where a shipper entrusts an entity



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that has not obtained a permit for road transportation of dangerous goods in accordance with the law to carry dangerous chemicals, it shall be ordered to make corrections by the competent road transport administrative authority at or above the county level and shall be imposed a fine ranging from RMB100,000 to RMB200,000.

### Regulations on Disposal of Hazardous Waste

Pursuant to the Law on the Prevention and Control of Environmental Pollution Caused by Solid Waste (《中華人民共和國固體廢物污染環境防治法》), which was promulgated by the SCNPC in 1995 and was latest amended on 29 April 2020, entities generating hazardous waste shall store, utilise and dispose hazardous waste according to the relevant requirements of the state and environmental protection standards, and shall not dump or pile up hazardous waste without authorisation. Furthermore, it is forbidden to entrust hazardous waste to entities without a permit for disposal, or else the competent ecological and environmental authorities shall order it to make rectification, impose fines, confiscate illegal gains, and in serious circumstance, order it to suspend business or close down upon the approval of the government authorities.

### Regulations on Urban Drainage and Sewage Treatment

According to the Regulation on Urban Drainage and Sewage Treatment (《城鎮排水與污水處理條例》), which was promulgated by the State Council in 2013, and the Measures for the Administration of Permits for Discharging Urban Sewage into the Drainage Pipeline (《城鎮污水排入排水管網許可管理辦法》), which was promulgated by the Ministry of Housing and Urban-Rural Development in 2015, enterprises, institutions and individually-owned businesses engaging in industry, construction, food and beverage, medical service and other activities which discharge sewage into urban drainage facilities shall apply to the competent urban drainage authorities for a permit for sewage discharge into the drainage pipe network, or the Drainage Permit. Discharging sewage into urban drainage facilities without obtaining a Drainage Permit shall be ordered by the relevant urban drainage authority to suspend illegal activities, take remedial measures within a time limit, re-apply the Drainage Permit, and may impose a fine of less than RMB500,000.

## REGULATIONS RELATING TO VALUE-ADDED TELECOMMUNICATIONS SERVICES

The PRC Telecommunications Regulations (《中華人民共和國電信條例》), or the Telecommunications Regulations, promulgated on 25 September 2000 by the State Council and most recently amended on 6 February 2016, are the primary regulations governing telecommunications services. Under the Telecommunications Regulations, a telecommunications service provider is required to procure operating licences prior to the commencement of its operation. The Telecommunications Regulations categorise all telecommunication services in China as either basic telecommunications services or value-added telecommunications services, and value-added telecommunications services are defined as telecommunications and information services provided through public network infrastructures.

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According to the Classification Catalogue of Telecommunications Services (2015 version) (《電信業務分類目錄 (2015年版)》), or the Classification Catalogue, which was promulgated by the Ministry of Industry and Information Technology, or the MIIT, in 2015, and latest amended in 2019, the services of online data processing and transaction processing include transaction processing services, electronic data exchange services and network/electronic equipment data processing service, which fall into the category II value-added telecommunications services. Therefore, a telecommunication services operator engaged in online data processing and transaction processing services shall obtain an operating licence for value-added telecommunication business, or the EDI Licence. As of the Latest Practicable Date, Shanghai Mengfan Trade Co., Ltd., one of our wholly-owned subsidiaries, holds an EDI licence for the provision of online data processing and transaction processing services (for-profit e-commerce) through our Qipeilong platform.

Pursuant to the Administrative Measures on Internet Information Service (《互聯網信息服務管理辦法》), which was promulgated by the State Council in 2000 and was last amended in 2011, internet information services are divided into services of commercial nature and non-commercial nature. Commercial internet information services refer to for-profit services which provide information to or create web pages for online users through the Internet, and a commercial internet information services provider shall obtain a license to operate value-added telecommunications business in internet-based information services (the “**ICP License**”), while non-commercial internet information services refer to activities that provide open and shared information to online users free of charge through the Internet, and a non-commercial internet information services provider shall carry out record-filing procedures with counterparts of the MIIT at the provincial level (and Shanghai Lantu has duly made such filing as of the Latest Practicable Date).

We mainly provide automotive products and services through our Tuhu Automotive Service app, and we generate revenues from sales of automotive products and services to individual end customers and from providing franchise services to our franchisees pursuant to the respective franchisee agreements. However, we do not charge any additional service fee for facilitating sales of products and services on our Tuhu Automotive Service app to our stores or customers, which may otherwise fall into the category of value-added telecommunications services. We also provide digital toolkits of non-profit nature on Tuhu Automotive Service app to enhance store and product management and optimize customer experience. Considering that (i) only for-profit services which provide information to or create web pages for online users through the Internet are required to obtain an ICP License; (ii) revenues generated through services provided by Tuhu Automotive Service app are from sales of products and services rather than provision of commercial internet information services; and (iii) as the operator of Tuhu Automotive Service app, Shanghai Lantu does not receive any online information service fees from providing digital toolkits through Tuhu Automotive Service app, our PRC Legal Advisor is of the view that, such services the Company provides through its Tuhu Automotive Service app shall not be regarded as Information Services or Third Party Transaction Platform Business, and we are not required to obtain an ICP License or EDI License for providing such services. In addition, on 30 March 2022, our PRC Legal Advisor and the Joint Sponsors’ PRC legal advisor conducted a consultation with an officer of Shanghai Communications Administration. During the consultation, the officer confirmed that an ICP license

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is not required for our business operation since we do not engage in profit-making internet information services. Likewise, considering Blue Tiger only serves as an internal management and training system through which we do not provide any internet information services to the public, our PRC Legal Advisor is of the view that we are not required to obtain an ICP license for operating Blue Tiger.

On 27 December 2021, the National Development and Reform Commission and the Ministry of Commerce issued the Special Entry Management Measures (Negative List) for the Access of Foreign Investment (2021 version) (《外商投資准入特別管理措施(負面清單)(2021年版)》), or the 2021 Negative List, which took into effect on 1 January 2022. According to the 2021 Negative List, the equity ratio of foreign investment in the value-added telecommunications services (except for e-commerce, domestic multi-party communications, storage and re-transmission and call centres) shall not exceed 50%. As of the Latest Practicable Date, the Group is not subject to any foreign ownership or control restriction under the 2021 Negative List.

### REGULATIONS RELATING TO ONLINE TRADING AND E-COMMERCE

On 26 January 2014, the State Administration for Industry and Commerce (the predecessor of the SAMR) promulgated the Administrative Measures for Online Trading (《網絡交易管理辦法》), or the Online Trading Measures, to regulate all operating activities for product sales and services provision via the internet (including mobile internet). Under the Online Trading Measures, e-commerce platform operators were required to examine, register and archive the identity information of the merchants applying for access to their platforms as sellers, and verify and update such information regularly. On 15 March 2021, the SAMR promulgated the Measures for the Supervision and Administration of Online Transactions (《網絡交易監督管理辦法》), or the Online Transaction Measures, which took into effect on 1 May 2021 and simultaneously repealed the Online Trading Measures. The Online Transaction Measures makes further provisions with regard to emerging models of online trading (such as online social networking and online live streaming), consumer rights protection, personal information protection, etc. It also imposes new obligations on the e-commerce platform operators, such as verifying and registering the identity of trading parties on the platform either that are required to registered with the SAMR or that are exempted from such registration, regular reporting of prescribed information of trading parties on the platform to the relevant branch of the SAMR, establishing a system of inspection and monitoring of information on the goods sold or services provided on the platform.

On 31 August 2018, the SCNPC promulgated the E-Commerce Law of the PRC (《中華人民共和國電子商務法》), or the PRC E-Commerce Law, which established the basic legal framework for the development of China’s E-Commerce business and clarified the obligations of the operators of E-Commerce business and the possible legal consequences. Pursuant to the PRC E-Commerce Law, e-commerce platform operators are required to (i) take necessary actions or report to relevant competent governmental authorities when such operators notice any illegal production or services provided by merchants on the e-commerce platforms; (ii) verify the identity of the business operators on the platforms; (iii) provide identity and tax related information of merchants to local branches of

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SAMR and tax bureaus; and (iv) archive goods and service information and transaction information on the e-commerce platform.

### REGULATIONS RELATING TO PRODUCT QUALITY

According to the Product Quality Law of the PRC (《中華人民共和國產品質量法》), which was effective from 1 September 1993 and was latest amended by the SCNPC in 2018, products for sale must satisfy relevant safety standards and sellers shall adopt measures to maintain the quality of products for sale. For sellers, any violation of state or industrial standards for health and safety or other requirements may result in civil liabilities and administrative penalties, such as compensation for damages, fines, confiscation of products illegally manufactured or sold and the proceeds from the sales of such products and even revocation of business licence; in addition, severe violations may subject the responsible individual or enterprise to criminal liabilities.

According to the Product Quality Law of the PRC and the Civil Code of the PRC (《中華人民共和國民法典》), or the PRC Civil Code, which was promulgated by the NPC in 2020 and took effect on 1 January 2021, where a defective product causes physical injury to another person or damage to another person’s property, such person may claim compensation from the manufacturer or from the seller of the product. If the seller pays the compensation but it is the manufacturer that should bear the liability, the seller has a right of recourse against the manufacturer, and vice versa. The PRC Civil Code further stipulates that if any manufacturer or seller knowingly produces or sells defective products or fails to take effective remedial measures in accordance with the PRC Civil Code and thus causes death or serious injury to the health of another person, such person shall be entitled to claim punitive damages. If the product is defective due to the fault of a third party such as a transporter or a warehouse, causing damage to others, the manufacturer or seller of the product shall have the right to claim compensation from the third party after making compensation.

### REGULATIONS RELATING TO CONSUMER PROTECTION

According to the Consumers Rights and Interests Protection Law of the PRC (《中華人民共和國消費者權益保護法》), or the Consumer Protection Law, which was latest amended in 2013, business operators shall guarantee that the products and services they provide satisfy the requirements for personal or property safety, and provide consumers with authentic information about the quality, function, usage and term of validity of the products or services, failure of which may subject business operators to civil liabilities such as refunding purchase prices, exchange of commodities, repairing, ceasing damages, compensation, and restoring reputation, and even subject the business operators or the responsible individuals to criminal penalties if business operators commit crimes by infringing the legitimate rights and interests of consumers. The Consumer Protection Law also strengthens the protection of consumers and imposes more stringent requirements and obligations on business operators, especially on the business operators through the internet. For example, consumers are entitled to return goods purchased online, subject to certain exceptions, within seven days upon receipt of such goods for no reason. The consumers whose interests are harmed due to their purchase of goods or acceptance of services on online platforms

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may claim damages from the sellers or service providers. Operators of online platforms that clearly knew or should have known that sellers or service providers use their platforms to infringe the legitimate rights and interests of consumers but fail to take necessary measures should not only compensate consumers for their losses, but also bear joint and several liabilities with the sellers or service providers.

### REGULATIONS RELATING TO ADVERTISING SERVICES

On 24 April 2015, the SCNPC enacted the revised Advertising Law of the PRC (《中華人民共和國廣告法(2015修訂)》), or the PRC Advertising Law, which was latest amended on 29 April 2021. The PRC Advertising Law increases the potential legal liability of providers of advertising services, and includes provisions intended to strengthen the identification of false advertising and the power of governmental authorities.

Pursuant to the Interim Measures on the Administration of Online Advertising (《互聯網廣告管理暫行辦法》), or the Internet Advertising Measures, which was promulgated by the State Administration for Industry and Commerce in 2016, the “internet advertising” refers to commercial advertisements which directly or indirectly promote goods or services through websites, web pages, Internet applications and other Internet media in the forms of texts, pictures, audios, videos and others. Internet advertisers shall be responsible for the authenticity of the advertising contents.

The PRC Advertising Law and the Internet Advertising Measures require that online advertisements may not affect users’ normal use of internet, and internet pop-up ads must display a “close” sign prominently and ensure one-key closing of the pop-up windows. In addition, the Internet Advertising Measures provides that all online advertisements must be marked “advertisement” so that consumers can distinguish them from non-advertisement information. Moreover, the Internet Advertising Measures requires that, among other things, sponsored search advertisements shall be prominently distinguished from normal search results and it is forbidden to send advertisements or advertisement links by email without the recipient’s permission or induce internet users to click on an advertisement in a deceptive manner.

On 25 February 2023, the SAMR promulgated the Internet Advertising Administration Measures (《互聯網廣告管理辦法》) effective from 1 May 2023 and the Internet Advertising Measures shall be repealed simultaneously. The Internet Advertising Administration Measures further clarifies the responsibility of advertisers, online advertising operators and publishers, and online information service providers. It also refined the rules for the regulation of advertisements ranked by bidding, released by recommendation algorithm and others.

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### REGULATIONS RELATING TO INTERNET INFORMATION SECURITY AND PRIVACY PROTECTION

#### Regulations on Internet Information Security

The Decisions on Protection of Internet Security enacted by the SCNPC (《全國人民代表大會常務委員會關於維護互聯網安全的決定》) on 28 December 2000, as amended on 27 August 2009, provides that, among other things, the following activities conducted through the internet, if constituted a crime according to PRC laws, are subject to criminal punishment: (i) intrusion into a strategically significant computer or system; (ii) intentionally inventing and disseminating destructive programmes, such as computer viruses, to attack the computer system and the communications network, thereby destroying the computer system and the communications networks; (iii) violating national regulations, suspending the computer networks or the communication services without authorisation; (iv) leaking state secrets; (v) spreading false commercial information; or (vi) infringing intellectual property rights through internet.

On 13 December 2005, the Ministry of Public Security promulgated the Provisions on Technical Measures for the Internet Security Protection (《互聯網安全保護技術措施規定》), which provides that internet service providers to take proper measures including anti-virus, data back-up, keeping records of certain information such as the login-in and exit time of uses, and other related measures, and to keep records of certain information about their users for at least 60 days, and detect illegal information. According to these measures, operators that hold value-added telecommunications service licence must regularly update the information security and content control systems of their websites, and shall also report any public dissemination of prohibited content to the local public security authorities.

On 7 November 2016, the SCNPC promulgated the Cybersecurity Law of PRC (《中華人民共和國網絡安全法》), or the Cybersecurity Law, effective as of 1 June 2017, which applies to the construction, operation, maintenance and use of networks as well as the supervision and administration of cybersecurity in the PRC. The Cybersecurity Law defines “network” as a system comprising computers or other information terminals and relevant facilities used for the purpose of collecting, storing, transmitting, exchanging and processing information in accordance with specific rules and procedures. Network operators, who are broadly defined as owners and administrators of networks and network service providers, are subject to various security protection-related obligations, including: (i) complying with security protection obligations under graded system for cybersecurity protection requirements, which include formulating internal security management rules and operating instructions, appointing cybersecurity responsible personnel and their duties, adopting technical measures to prevent computer viruses, cyber-attack, cyber-intrusion and other activities endangering cybersecurity, adopting technical measures to monitor and record network operation status and cybersecurity events; (ii) formulating an emergency plan and promptly responding and handling security risks, initiating the emergency plans, taking appropriate remedial measures and reporting to regulatory authorities in the event comprising cybersecurity threats; and (iii) providing



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technical assistance and support to public security and national security authorities for protection of national security and criminal investigations in accordance with the law.

On 10 June 2021, SCNPC promulgated the Data Security Law of PRC (《中華人民共和國數據安全法》), or the Data Security Law, which became effective on 1 September 2021. The Data Security Law mainly sets forth specific provisions regarding establishing basic systems for data security management, including hierarchical data classification management system, risk assessment system, monitoring and early warning system, and emergency disposal system. In addition, it clarifies the data security protection obligations of organisations and individuals carrying out data activities and implementing data security protection responsibility.

On 30 July 2021, the State Council promulgated the Regulations on Protection of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》), which became effective on 1 September 2021. Pursuant to the Regulations on Protection of Critical Information Infrastructure, critical information infrastructure shall mean any important network facilities or information systems of the important industry or field such as public communication and information service, energy, communications, water conservation, finance, public services, e-government affairs and national defence science, which may endanger national security, people's livelihood and public interest in case of damage, function loss or data leakage. In addition, competent departments and administration departments of each important industry and field, or the Protection Departments, shall be responsible to formulate determination rules and determine the critical information infrastructure operator in the respective important industry or field. The result of the determination of critical information infrastructure operator shall be informed to the operator. As of the Latest Practicable Date, we have not been informed as a critical information infrastructure operator by any competent departments or administration departments.

On 16 August 2021, the CAC, together with the Ministry of Transport, the NDRC, the MIIT, and the Ministry of Public Security, promulgated Several Provisions on Regulation of Automobile Data Security (for Trial Implementation), (《汽車數據安全管理若干規定(試行)》), or the Automobile Data Security Provisions, to regulate the processing of automobile data, which became effective on 1 October 2021. Relevant automobile data processors including automobile manufacturers, component and software providers, dealers, maintenance providers like us are required to process personal information and critical data in accordance with applicable laws during the automobile design, manufacture, sales, operation, maintenance and management. Pursuant to the Automobile Data Security Provisions, for the important data that processed during the use, operation or maintenance of automobile, such as personal information of more than 100,000 people, or the Important Data, the automotive data processor of such Important Data needs to submit a risk assessment report to the competent cyberspace administration regarding the important data processing activities to be carried out by it, and to annually report and submit the safety management status of the important data. The Automobile Data Security Provisions also dictated that when Important Data need to be provided to overseas parties due to business needs, a security assessment organised by the CAC in concert with the relevant departments of the State Council is required, and an automotive data processor shall not provide overseas parties with any Important Data for any



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reason beyond the purpose, scope and method, as well as the type and scale of the data, etc. specified for risk assessment of cross-border transfer of data. As of the Latest Practicable Date, we have reported and submitted the safety management status of the important data accordingly. See “Risk Factors — Risks Related to Doing Business in the Country Where We Operate — Our business is subject to complex and evolving laws and regulations regarding cybersecurity, privacy, data protection and information security in China. Any privacy or data security breach or failure to comply with these laws and regulations could damage our reputation and brand and substantially harm our business and results of operations.”

On 14 November 2021, the CAC published the Regulations on Cyber Data Security Management (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the “Draft Regulations on Cyber Data Security Management”), which specified that data processor who seeks to go public in Hong Kong, which affects or may affect national security, shall apply for cybersecurity review. In addition, the Draft Regulations on Cyber Data Security Management also regulate other specific requirements in respect of the data processing activities conducted by data processors through the internet in view of personal data protection, important data safety, cross-broader data safety management and obligations of network platform operators. For example, in one of the following situations, data processors shall delete or anonymise personal information within 15 business days: (i) the purpose of processing personal information has been achieved or the purpose of processing is no longer needed; (ii) the storage term agreed with the users or specified in the personal information processing rules has expired; (iii) the service has been terminated or the account has been cancelled by the individual; or (iv) unnecessary personal information or personal information unavoidably collected due to the use of automatic data collection technology but without the consent of the individual. For the processing of important data, specific requirements shall be complied with. For example, processors of important data shall specify the responsible person of data safety, establish a data safety management department and make filing to the cyberspace administration at the districted city level within 15 business days after the identification of their important data.

Data processors processing personal information of more than one million people shall also comply with the provisions for processing of important data stipulated in Draft Regulations on Cyber Data Security Management for important data processors. Data processors dealing with important data or listing overseas (including Hong Kong) should carry out an annual data security assessment by themselves or by entrusting data security service agencies, and each year before 31 January data security assessment report for the previous year shall be submitted to the districted city level cyberspace administration department. When data collected and generated within the PRC are provided to the data processors overseas, if such data includes important data, or if the relevant data processor is a critical information infrastructure operator or processes personal information of more than one million people, the data processor shall go through the security assessment of cross-border data transfer organised by the national Cyberspace Administration. Any failure to comply with such requirements may subject us to, among others, suspension of services, fines, revoking relevant business permits or business licenses and penalties. Since the Draft Regulations on Cyber Data Security Management has not been formally adopted as of the Latest Practicable Date, the revised

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draft (especially its operative provisions) and its anticipated adoption or effective date are subject to further changes with substantial uncertainty.

On 28 December 2021, the CAC and other twelve PRC regulatory authorities jointly revised and promulgated the Measures for Cybersecurity Review (《網絡安全審查辦法》), or the Cybersecurity Review Measures, which became effective on 15 February 2022, and the Measures for Cybersecurity Review (《網絡安全審查辦法》) which took effect on 1 June 2020 will be abolished at the same time. The Cybersecurity Review Measures provides that, among others, (i) the purchase of cyber products and services by critical information infrastructure operators (the “CIIOs”) and the network platform operators (the “Network Platform Operators”) which engage in data processing activities that affects or may affect national security shall be subject to the cybersecurity review by the Cybersecurity Review Office (網絡安全審查辦公室), the department which is responsible for the implementation of cybersecurity review under the CAC; and (ii) the Network Platform Operators with personal information data of more than one million users that seek for listing in a foreign country are obliged to apply for a cybersecurity review by the Cybersecurity Review Office. If (i) our data processing activities are deemed to affect or may affect national security under the Cybersecurity Review Measures, or (ii) the Draft Regulations on Cyber Data Security Management is fully implemented as-is, and our [REDACTED] is deemed to affect or may affect national security, we may be subject to cybersecurity review and failure to conduct such review could result in severe penalties and/or action by the competent government authority. As of the Latest Practicable Date, we have not received any notification from relevant regulatory authorities regarding our identification as CIIO, and as advised by our PRC Legal Advisor, the distinction made under Article 13 of the Draft Regulations on Cyber Data Security Management between “listing in Hong Kong” and “listing in a foreign country” further clarifies that the obligations to proactively apply for cybersecurity review by an entity seeking listing in a foreign country shall not be applicable to the proposed [REDACTED].

During the Track Record Period and up to the date of this document, we had not experienced any material data or personal information leakage or loss, infringement of data or personal information, or information security incident, nor had we been subject to or involved in any official inquiry, examination, warning, interview on cybersecurity, data security and personal information protection by relevant competent regulatory authorities.

On 31 December 2021, the CAC, the MIIT, the Ministry of Public Security, the Ministry of State Security jointly promulgated the Administrative Provisions on Internet Information Service Algorithm Recommendation (《互聯網信息服務算法推薦管理規定》), which came into effect on 1 March 2022. The Administrative Provisions on Internet Information Service Algorithm Recommendation implements classification and hierarchical management for algorithm recommendation service providers based on various criteria, stipulates that algorithm recommendation service providers shall inform users of their provision of algorithm recommendation services in a conspicuous manner, and publicise the basic principles, purpose intentions, and main operating mechanisms of algorithm recommendation services in an appropriate manner, and that algorithm recommendation service providers selling goods or providing services to consumers shall protect consumers’ rights of fair trade, and are prohibited from carrying out illegal conducts such as

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unreasonable differential treatment on transaction conditions based on consumers’ preferences, purchasing habits, and other such characteristics. In addition, algorithm recommendation service providers with public opinion attributes or social mobilization capabilities shall file with the CAC within ten business days from the date of providing such services. Algorithmic recommendation service providers violating such rules may subject us to warnings, be ordered by authorities to correct its non-compliance within a given period of time or impose fines on us. The Internet information service algorithm record-filing system was launched on 1 March 2022 and we have submitted our filing report through such system.

On 7 July 2022, the CAC promulgated the Security Assessment Measures for Outbound Data Transfer (《數據出境安全評估辦法》) (the “Security Assessment Measures”), effective from 1 September 2022, to regulate outbound data transfer activities, protect the rights and interests of personal information, safeguard national security and social public interests, and promote the cross-border security and free flow of data. Furthermore, the Security Assessment Measures provide that the security assessment for outbound data transfers shall follow principles of the combination of pre-assessment and continuous supervision and the combination of risk self-assessment and security assessment, so as to prevent the security risks arising from outbound data transfers, and ensure the orderly and free flow of data according to the law. Considering the nature of our daily operations and the presence of our online interfaces and offline service network, we will not trigger outbound data transfer during our daily operations. We do not expect the Security Assessment Measures to have material impact on our daily operations in respect of the outbound data transfer.

### Regulations on Privacy Protection

Under the Several Provisions on Regulating the Market Order of Internet Information Services (《規範互聯網信息服務市場秩序若干規定》), issued by the MIIT on 29 December 2011, an internet information service provider may not collect any users’ personal information or provide any such information to third parties without the consent of the user, unless otherwise provided by laws or regulations. And the Internet information service provider must expressly inform the users of the method, content and purpose of the collection and processing of such user’s personal information and may only collect and use such information as necessary for the provision of its services. An Internet information service provider is also required to properly maintain the user’s personal information, and in case of any leak or possible leak of the user’s personal information, the Internet information service provider must take immediate remedial measures and, in severe circumstances, make an immediate report to the relevant telecommunication regulatory authority. In addition, pursuant to the Decision on Strengthening the Protection of Online Information issued by the SCNPC (《全國人民代表大會常務委員會關於加強網絡信息保護的決定》) on 28 December 2012 and the Order for the Protection of Telecommunication and Internet User Personal Information (《電信和互聯網用戶個人信息保護規定》) issued by the MIIT on 16 July 2013, any collection and use of a user’s personal information must be subject to the consent of the user, abide by the principles of legality, rationality and necessity and be within the specified purposes, methods and scopes. An internet information service provider must also keep such information strictly confidential, and is further prohibited from divulging, tampering or destroying any such information, or selling or

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providing such information to other parties. An internet information service provider is required to take technical and other measures to prevent the collected personal information from any unauthorised disclosure, damage or loss.

On 4 February 2015, the CAC promulgated the Administrative Provisions on the Account Names of Internet Users (《互聯網用戶賬號名稱管理規定》) which became effective on 1 March 2015. Pursuant to the Administrative Provisions on the Account Names of Internet Users, Internet information service providers shall fulfil security management responsibilities including but not limited to improving user service agreements, stating that Internet information service users shall not include illegal or harmful information in the registration information such as account names, profile photos, and brief introductions etc. in an explicit and clear way, staffing with professionals suitable for the scale of services in charge of reviewing the registration information submitted by Internet users so as to make sure those that contain illegal or harmful information shall not be registered, protecting users’ information and citizens’ personal privacy, consciously accepting social supervision, and dealing with illegal or harmful accounts and information reported by the public in a timely manner. On 27 June 2022, the CAC promulgated the Administrative Provisions on the Account Information of Internet Users (《互聯網用戶賬號信息管理規定》), or the Account Information Provisions, effective from 1 August 2022, which applies to the registration, use, and management of internet users’ account information by internet information service providers. The Account Information Provisions stipulates that internet information service providers shall, in accordance with laws, administrative regulations and relevant state regulations, formulate and disclose internet user account management rules and platform conventions, sign service agreements with internet users, and clarify the rights and obligations related to account information registration, use, and management. The Account Information Provisions also requires that the internet information service providers shall protect and handle internet users’ account information in accordance with law, and take measures to prevent unauthorised access and leakage, tampering, and loss of personal information. The internet information service providers shall set up convenient complaints and reporting portals in prominent locations, publicise complaints and reporting methods, improve mechanisms for acceptance, screening, disposal, and feedback, clarify processing procedures and time limits for feedback, and promptly handle complaints and reports from users and the public. Failure to comply with the above requirements may subject to warning, be ordered to rectify within a prescribed time limit and may be imposed a fine ranging from RMB10,000 to RMB100,000.

On 29 August 2015, the SCNPC issued the Ninth Amendment to the Criminal Law of the PRC (《中華人民共和國刑法修正案(九)》), or the Ninth Amendment, which became effective on 1 November 2015. Pursuant to the Ninth Amendment, any internet service provider that fails to fulfil the obligations related to Internet information security as required by applicable laws and refuses to take corrective measures, will be subject to criminal liability for (i) any large-scale dissemination of illegal information; (ii) any severe effect due to the leakage of users’ personal information; (iii) any serious loss of evidence of criminal activities; or (iv) other severe situations, and any individual or entity that (a) sells or provides personal information to others unlawfully or (b) steals or illegally obtains any personal information will be subject to criminal liability in severe situations.

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The Cyber Security Law reaffirms the basic principles and requirements specified in other existing laws and regulations on personal data protection, such as the requirements on the collection, use, processing, storage and disclosure of personal data, and internet information service providers being required to take technical and other necessary measures to ensure the security of the personal information they have collected and prevent the personal information from being divulged, damaged or lost. Any violation of the Cyber Security Law may subject the internet information service provider to warnings, fines, confiscation of illegal gains, revocation of licences, cancellation of filings, shutdown of websites or criminal liabilities. On 22 July 2020, the MIIT issued the Notice on Carrying out Special Rectification Actions in Depth against the Infringement upon Users’ Rights and Interests by Apps (《工業和信息化部關於開展縱深推進APP侵害用戶權益專項整治行動的通知》), which further provides a list of rectification tasks in which APP service providers are prohibited from illegally processing personal information of users, setting up obstacles and frequently harassing users, and cheating or misleading users.

On 20 August 2021, the SCNPC promulgated the Law of Personal Information Protection of PRC (《中華人民共和國個人信息保護法》), or the Personal Information Protection Law, which became effective on 1 November 2021. Pursuant to the Personal Information Protection Law, the processing of personal information includes the collection, storage, use, processing, transmission, provision, disclosure, deletion, etc. of personal information, and before processing personal information, personal information processors should truthfully, accurately and completely inform individuals of the following matters in a conspicuous manner and in clear and easy-to-understand language: (i) the name and contact information of the personal information processor; (ii) purpose of processing personal information, processing method, type of personal information processed, and retention period; (iii) methods and procedures for individuals to exercise their rights under this law; and (iv) other matters that should be notified as required by laws and administrative regulations. Personal information processors should also take the following measures to ensure that personal information processing activities comply with laws and administrative regulations based on the processing purpose, processing methods, types of personal information, impact on personal rights and interests, and possible security risks, etc., and to prevent unauthorised access and personal information leakage, tampering, and loss: (i) formulate internal management systems and operating procedures; (ii) implement classified management of personal information; (iii) adopt corresponding security technical measures such as encryption and de-identification; (iv) reasonably determine the operating authority for personal information processing, and regularly conduct safety education and training for practitioners; (v) formulate and organise the implementation of emergency plans for personal information security incidents; and (vi) other measures stipulated by laws and administrative regulations.

Where personal information is processed in violation of the provisions of the Personal Information Protection Law, or the processing of personal information fails to fulfil the personal information protection obligations hereunder, the department performing personal information protection duties shall order corrections, give warnings, confiscate illegal gains, and apply programmes for illegal processing of personal information, order to suspend or terminate the provision of services; if the personal information processor refuses to make corrections, a fine of not



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more than RMB1 million shall be imposed; the directly responsible person in charge and other directly responsible personnel shall be fined not less than RMB10,000 but not more than RMB100,000. If the aforesaid illegal act and the circumstances are serious, the department performing personal information protection duties at or above the provincial level shall order the personal information processor to make corrections, confiscate the illegal gains, and impose a fine of less than RMB50 million or less than 5% of the previous year’s turnover. It can also order the suspension of relevant business or suspend business for rectification, notify the relevant competent authority to revoke the relevant permits or the business licence; impose a fine of RMB100,000 up to RMB1 million on the directly responsible person in charge and other directly responsible personnel, and may decide to prohibit he serves as a director, supervisor, senior manager and person in charge of personal information protection of related companies within a certain period of time.

### **Regulations on Mobile Internet Applications**

On 28 June 2016, the CAC promulgated the Administrative Provisions on Mobile Internet Application Information Services (《移動互聯網應用程序信息服務管理規定》), or the Mobile Application Administrative Provisions, which became effective on 1 August 2016. Pursuant to the Mobile Application Administrative Provisions, a mobile internet app refers to an app software that runs on mobile smart devices providing information services after being pre-installed, downloaded or embedded through other means. Mobile internet app providers refer to the owners or operators of mobile internet apps. Internet app stores refer to platforms which provide services related to online browsing, searching and downloading of app software and releasing of development tools and products through the internet.

Pursuant to the Mobile Application Administrative Provisions, an internet app programme provider must verify a user’s mobile phone number and other identity information under the principle of mandatory real name registration at the back-office end and voluntary real name display at the front-office end. An internet app provider must not enable functions that can collect a user’s geographical location information, access user’s contact list, activate the camera or recorder of the user’s mobile smart device or other functions irrelevant to its services, nor is it allowed to conduct bundle installations of irrelevant app programmes, unless it has clearly indicated to the user and obtained the user’s consent on such functions and app programmes. On 14 June 2022, the CAC issued a revised version of the Administrative Provisions on Mobile Internet Application Information Services (《移動互聯網應用程序信息服務管理規定》), or the revised version of Mobile Application Administrative Provisions, which basically reflected the regulatory development since 2016 and further emphasises that mobile internet app providers shall comply with relevant provisions on the scope of necessary personal information when engaging in personal information processing activities. According to the revised version of Mobile Application Administrative Provisions, mobile internet app providers shall not compel users to agree to non-essential personal information collection out of any reason, and are prohibited from banning users from their basic functional services due to the users’ refusal of providing non-essential personal information. As of the Latest Practicable Date, we have adopted real-name registration system and established the user

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information security protection mechanism pursuant to the Mobile Application Administrative Provisions. We will closely monitor and assess any development in the rule-making process.

### REGULATIONS RELATING TO INTELLECTUAL PROPERTY

#### Patent

Patents in the PRC are principally protected under the Patent Law of the PRC (《中華人民共和國專利法》), which was most recently amended on 17 October 2020 and became effective on 1 June 2021. The Chinese patent system adopts a first-to-file principle. To be patentable, an invention or a utility model must meet three criteria: novelty, inventiveness and practicability. The duration of a patent right is 10 years, 15 years or 20 years from the date of application, depending on the type of patent right.

#### Copyright

Copyright in the PRC, including copyrighted software, is principally protected under the Copyright Law of the PRC (《中華人民共和國著作權法》), last amended on 11 November 2020 and became effective as of 1 June 2021 and related rules and regulations. Reproducing, distributing, performing, projecting, broadcasting or compiling a work or communicating the same to the public via an information network without permission from the owner of the copyright therein, unless otherwise provided in the Copyright Law of the PRC, constitute infringements of copyrights. The latest Copyright Law extends copyright protection to internet activities, products disseminated over the internet and software products. In China, there is a voluntary registration system administered by the Copyright Protection Centre of the PRC.

In order to further implement the Computer Software Protection Regulations (《計算機軟件保護條例》), promulgated by the State Council on 4 June 1991 and latest amended on 30 January 2013, the National Copyright Administration issued Computer Software Copyright Registration Procedures (《計算機軟件著作權登記辦法》) on 20 February 2002, which specify detailed procedures and requirements with respect to the registration of software copyrights.

According to the latest Copyright Law, an infringer will be subject to various civil liabilities, including cessation of the infringement and apologising to and compensating the loss. In the case that the actual loss of the copyright owner is difficult to calculate, the income received by the infringer as a result of the infringement shall be deemed as the actual loss. Furthermore, if such illegal income is difficult to calculate as well, compensation may be paid ranging from one to five times the amount determined pursuant to the aforesaid method. Where it is difficult to compute the actual losses of the holder of rights, the illegal income of the infringer or the royalties, the competent people's court shall decide the amount of the actual loss at its own discretion but in no case exceed RMB5,000,000.



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### Trademark

Registered trademarks are protected under the Trademark Law of the PRC (《中華人民共和國商標法》), promulgated by SCNPC in 1982 and latest amended on 23 April 2019, and related rules and regulations. Trademarks are registered with the Trademark office of National Intellectual Property Administration under the SAMR, formerly the Trademark Office of the SAMR. The Trademark Office grants a ten-year term to registered trademarks and the term may be renewed upon request by the trademark registrant, the validity period of each renewal shall be ten years. A trademark registrant may licence its registered trademarks to another party by entering into trademark licence agreements, which must be filed with the Trademark Office for its record. As with trademarks, the Trademark Law has adopted a first-to-file principle with respect to trademark registration. If a trademark applied for is identical or similar to another trademark which has already been registered or subject to a preliminary examination and approval for use on the same or similar kinds of products or services, such trademark application may be rejected. Any person applying for the registration of a trademark may not injure existing trademark rights first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a sufficient degree of reputation through such party’s use.

### Domain Name

Domain names are protected under the Administrative Measures on Internet Domain Names (《互聯網域名管理辦法》) promulgated by the MIIT on 24 August 2017 and effective as of 1 November 2017. Domain name registrations are handled through domain name service agencies established under the relevant regulations, and applicants become domain name holders upon successful registration.

## REGULATIONS RELATING TO FOREIGN EXCHANGE

### Regulations on Foreign Currency Exchange

Under the PRC Foreign Currency Administration Rules (《中華人民共和國外匯管理條例》), or the Foreign Exchange Regulations promulgated by the State Council on 29 January 1996 and last amended on 5 August 2008 and various regulations issued by the State Administration of Foreign Exchange, or the SAFE and other relevant PRC governmental authorities, RMB is convertible into other currencies for the purpose of current account items, such as trade related receipts and payments, payment of interest and dividends. Under the Foreign Exchange Regulations, the RMB is freely convertible for current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions, but not for capital account items, such as direct investments, loans, repatriation of investments and investments in securities outside of the PRC, unless the prior approval of the SAFE, is obtained and prior registration with the SAFE is made.

The SAFE released the Circular of the State Administration of Foreign Exchange on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-

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invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》), or the SAFE Circular 19, on 30 March 2015, and it became effective on 1 June 2015 and was partially repealed on 30 December 2019. In accordance with the SAFE Circular 19, the foreign exchange capital of foreign-invested enterprises shall be subject to the “discretionary foreign exchange settlement” approach. The proportion of Discretionary Foreign Exchange Settlement of the foreign exchange capital of a foreign-invested enterprise is temporarily determined to be 100%, while SAFE can adjust the aforementioned proportion in due time based on the situation of international balance of payments. On 9 June 2016, the SAFE published the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》), or the SAFE Circular 16, and it took effect on the same date. According to the SAFE Circular 16, enterprises that have registered in the PRC may also discretionally determine to convert their foreign debts from foreign currency to RMB.

### Regulations on Offshore Investment

On 4 July 2014, the SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents’ Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), or the SAFE Circular 37, which regulates the relevant matters involving foreign exchange registration for round-trip investment. Under SAFE Circular 37, a PRC resident must register with the local SAFE counterpart before contributing assets or equity interests in an offshore special purpose vehicle, that is directly established or indirectly controlled by such PRC resident for the purpose of overseas investment and financing, with such PRC residents’ legally owned onshore or offshore assets or interests, as a “special purpose vehicle” under SAFE Circular 37. In addition, following the initial registration, in the event of any major change in respect of the offshore special purpose vehicle, including, among other things, any increase or reduction of the offshore special purpose vehicle’s capital, share transfer or swap, and merger or division, the PRC resident shall complete the change of foreign exchange registration procedures for offshore investment with the local SAFE counterpart. According to the procedural guideline as attached to SAFE Circular 37, the principle of review has been changed to “the domestic individual resident shall only register the offshore special purpose vehicle directly established or controlled (first level).” At the same time, the SAFE has issued the Operation Guidance for the Issues Concerning Foreign Exchange Administration over Round-trip Investment (《返程投資外匯管理所涉業務操作指引》) with respect to the procedures for SAFE registration under SAFE Circular 37, which became effective on 4 July 2014 as an attachment to SAFE Circular 37. Under the relevant rules, failure to comply with the registration procedures set out in SAFE Circular 37 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the payment of dividends and other distributions to its offshore parent or affiliate, and may also subject relevant PRC residents to penalties under PRC foreign exchange administration regulations. PRC residents who hold any shares in the company from time to time are required to register with the SAFE in connection with their investments in the company.

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On 13 February 2015, the SAFE promulgated the Notice on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), latest amended on 30 December 2019 and became effective on the same date, which further amended SAFE Circular 37 by requiring domestic residents to register with qualified banks rather than the SAFE or its local counterpart in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing.

On 30 March 2015, the SAFE issued the Circular on the Reforming of the Management Method of the Settlement of Foreign Currency Capital of Foreign-Invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》), or the SAFE Circular 19, which took effect on 1 June 2015, which expands a pilot reform of the administration of the settlement of the foreign exchange capitals of foreign-invested enterprises nationwide. On 9 June 2016, SAFE further promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardising the Foreign Exchange Settlement Management Policy of Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》), or the SAFE Circular 16, which, among other things, amends certain provisions of SAFE Circular 19. Pursuant to SAFE Circular 19 and SAFE Circular 16, the flow and use of the RMB capital converted from foreign currency denominated registered capital of a foreign-invested company is regulated such that RMB capital may not be used for business beyond its business scope or to provide loans to persons other than affiliates unless otherwise permitted under its business scope.

### **Regulations on Stock Incentive Plans**

The Circular of the State Administration of Foreign Exchange on Issues concerning the Administration of Foreign Exchange Used for Domestic Individuals’ Participation in Equity Incentive Plans of Companies Listed Overseas (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), or the SAFE Circular 7, was enacted by SAFE on 15 February 2012 and became effective on the same date. Under the SAFE Circular 7 and other relevant rules, domestic employees, directors, supervisors, consultants and other senior management taking part in any equity incentive plan of an overseas publicly-listed company who is a PRC citizen or non-PRC citizen residing in China for a continuous period of no less than one year shall complete the registration and other several procedures with SAFE and its local branch. The PRC residents joining in the same equity incentive plan of an overseas listed company shall, through their domestic company, collectively entrust one domestic qualified agent to handle the registration in SAFE, opening of bank account, capital transfer and other procedures relevant to the equity incentive plan. At the same time, an overseas institution shall be entrusted, as well, to perform the exercise, trade the corresponding shares or equities, capital transfer and other issues. The income of foreign exchange PRC residents by selling out the shares according to the equity incentive plan and the dividend distributed by the overseas-listed company shall be distributed to the PRC residents after being remitted to the bank account in China opened by the domestic institutions. In addition, SAFE Circular 37 provides that PRC residents who participate in a share incentive plan of an overseas

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unlisted special purpose company may register with SAFE or its local branches before he/she would exercise the rights of share incentive plans.

Failure to complete the SAFE registrations may result in fines and legal sanctions on such domestic individuals and may also limit their capability to contribute additional capital into the wholly foreign-owned subsidiary in China and further limit such subsidiary’s capability to distribute dividends.

### REGULATIONS RELATING TO TAXATION

#### Income Tax

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), or the EIT Law, which was promulgated on 16 March 2007, became effective from 1 January 2008 and amended on 24 February 2017 and 29 December 2018, respectively, an enterprise established outside the PRC with de facto management bodies within the PRC is considered a resident enterprise for PRC enterprise income tax purposes and is generally subject to a uniform 25% enterprise income tax rate on its worldwide income. The Implementing Rules of the Enterprise Income Law of the PRC, or the Implementing Rules of the EIT Law (《中華人民共和國企業所得稅法實施條例》), which was enacted on 23 April 2019, defines a de facto management body as a managing body that in practise exercises “substantial and overall management and control over the production and operations, personnel, accounting, and properties” of the enterprise.

Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as the PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《國家稅務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) (the “Circular 82”) promulgated by the SAT on 22 April 2009 and amended on 29 December 2017, sets out the standards and procedures for determining whether the “de facto management body” of an enterprise registered outside of the PRC and controlled by PRC enterprises or PRC enterprise groups is located within the PRC. According to Circular 82, a Chinese-controlled offshore incorporated enterprise will be regarded as a PRC tax resident by virtue of having a “de facto management body” in the PRC and will be subject to PRC EIT on its worldwide income only if all of the following criteria are met: (i) the primary location of the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise’s financial and human resource matters are made or are subject to approval by organisations or personnel in the PRC; (iii) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholders meeting minutes are located or maintained in the PRC; and (iv) 50% or more of voting board members or senior executives habitually reside in the PRC.

Under the EIT Law and relevant implementing regulations, a uniform enterprise income tax rate of 25% is applied. However, if non-resident enterprises have not formed permanent establishments or premises in the PRC, or if they have formed permanent establishment or premises in the PRC but there is no actual relationship between the relevant income derived in the PRC and the established institutions or premises set up by them, enterprise income tax is set at the rate of 10% with respect to their income sourced from inside the PRC.

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Pursuant to the EIT Law, the EIT tax rate of a high and new technology enterprise is 15%. According to the Administrative Measures on Accreditation of High-tech Enterprises (2016 Revision) (《高新技術企業認定管理辦法(2016修訂)》), the qualifications of an accredited high-tech enterprise shall be valid for three years from the date of issuance of the certificate. After the enterprise obtains the high-tech enterprise qualification, it will enjoy the preferential tax rate starting from the year of the issuance of the high-tech enterprise certificate.

On 3 February 2015, the SAT issued the Announcement on Several Issues Concerning the Enterprise Income Tax on Indirect Transfer of Assets by Non-Resident Enterprises (《國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告》), or the SAT Circular 7. The SAT Circular 7 repeals certain provisions in the Notice of the State Administration of Taxation on Strengthening the Administration of Enterprise Income Tax on Income from Equity Transfer by Non-Resident Enterprises (《國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知》), or the SAT Circular 698, issued by SAT on 10 December 2009, and the Announcement on Several Issues Relating to the Administration of Income Tax on Non-resident Enterprises (《關於非居民企業所得稅管理若干問題的公告》) issued by SAT on 28 March 2011, and clarifies certain provisions in the SAT Circular 698. The SAT Circular 7 provides comprehensive guidelines relating to, and heightening the Chinese tax authorities' scrutiny on, indirect transfers by a non-resident enterprise of assets (including assets of organisations and premises in the PRC, immovable property in the PRC, equity investments in PRC resident enterprises) or the PRC Taxable Assets. For instance, when a non-resident enterprise transfers equity interests in an overseas holding company that directly or indirectly holds certain PRC Taxable Assets and if the transfer is believed by the Chinese tax authorities to have no reasonable commercial purpose other than to evade enterprise income tax, the SAT Circular 7 allows Chinese tax authorities to reclassify the indirect transfer of PRC Taxable Assets into a direct transfer and therefore impose a 10% rate of PRC enterprise income tax on the non-resident enterprise. The SAT Circular 7 lists several factors to be taken into consideration by tax authorities in determining if an indirect transfer has a reasonable commercial purpose. However, regardless of these factors, the overall arrangements in relation to an indirect transfer satisfying all the following criteria will be deemed to lack a reasonable commercial purpose: (i) 75% or more of the equity value of the intermediary enterprise being transferred is derived directly or indirectly from PRC Taxable Assets; (ii) at any time during the one year period before the indirect transfer, 90% or more of the asset value of the intermediary enterprise (excluding cash) is comprised directly or indirectly of investments in the PRC, or during the one year period before the indirect transfer, 90% or more of its income is derived directly or indirectly from the PRC; (iii) the functions performed and risks assumed by the intermediary enterprise and any of its subsidiaries and branches that directly or indirectly hold the PRC Taxable Assets are limited and are insufficient to prove their economic substance; and (iv) the foreign tax payable on the gain derived from the indirect transfer of the PRC Taxable Assets is lower than the potential PRC tax on the direct transfer of those assets. On the other hand, indirect transfers falling into the scope of the safe harbours under the SAT Circular 7 may not be subject to PRC tax under the SAT Circular 7. The safe harbours include qualified group restructurings, public market trades and exemptions under tax treaties or arrangements.



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On 17 October 2017, SAT issued the Announcement on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprises (《國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告》), or the SAT Circular 37, which took effect on 1 December 2017. Certain provisions of the SAT Circular 37 were repealed by the Announcement of the State Administration of Taxation on Revising Certain Taxation Normative Documents (《國家稅務總局關於修改部分稅收規範性文件的公告》). According to the SAT Circular 37, the balance after deducting the equity net value from the equity transfer income shall be the taxable income amount for equity transfer income. Equity transfer income shall mean the consideration collected by the equity transferor from the equity transfer, including various income in monetary form and non-monetary form. Equity net value shall mean the tax computation basis for obtaining the said equity. The tax computation basis for equity shall be: (i) the capital contribution costs actually paid by the equity transferor to a Chinese resident enterprise at the time of investment and equity participation, or (ii) the equity transfer costs actually paid at the time of acquisition of such equity to the original transferor of the said equity. Where there is reduction or appreciation of value during the equity holding period, and the gains or losses may be confirmed pursuant to the rules of the finance and tax authorities of the State Council, the equity net value shall be adjusted accordingly. When an enterprise computes equity transfer income, it shall not deduct the amount in the shareholders' retained earnings, such as undistributed profits, of the investee enterprise, which may be distributed in accordance with the said equity. In the event of partial transfer of equity under multiple investments or acquisitions, the enterprise shall determine the costs corresponding to the transferred equity in accordance with the transfer ratio, out of all costs of the equity.

Under the SAT Circular 7 and the Law of the PRC on the Administration of Tax Collection (《中華人民共和國稅收徵收管理法》) promulgated by the SCNPC on 4 September 1992 and newly amended on 24 April 2015, in the case of an indirect transfer, entities or individuals obligated to pay the transfer price to the transferor shall act as withholding agents. If they fail to make withholding or withhold the full amount of tax payable, the transferor of equity shall declare and pay tax to the relevant tax authorities within seven days from the occurrence of tax payment obligation. Where the withholding agent does not make the withholding, and the transferor of the equity does not pay the tax payable amount, the tax authority may impose late payment interest on the transferor. In addition, the tax authority may also hold the withholding agents liable and impose a penalty ranging from 50% to 300% of the unpaid tax on them. The penalty imposed on the withholding agents may be reduced or waived if the withholding agents have submitted the relevant materials in connection with the indirect transfer to the PRC tax authorities in accordance with the SAT Circular 7.

### **Withholding Tax on Dividend Distribution**

The EIT Law prescribes a standard withholding tax rate of 20% on dividends and other China-sourced income of non-PRC resident enterprises which have no establishment or place of business in the PRC, or if established, the relevant dividends or other China-sourced income are in fact not associated with such establishment or place of business in the PRC. However, the Implementing Rules of the EIT Law reduced the rate from 20% to 10%, effective from 1 January 2008. However, a lower withholding tax rate might be applied if there is a tax treaty between China and the jurisdiction

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of the foreign holding company, for example, pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income, or the Double Tax Avoidance Arrangement, and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under the Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends that the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5% upon receiving approval from the tax authority in charge.

Based on the Notice on Relevant Issues Relating to the Enforcement of Dividend Provisions in Tax Treaties (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) issued on 20 February 2009 by the SAT, if the relevant PRC tax authorities determine, at their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. The Announcement of the State Administration of Taxation on Issues concerning “Beneficial Owners” in Tax Treaties (《國家稅務總局關於稅收協定中“受益所有人”有關問題的公告》), promulgated by the SAT on 3 February 2018 and took effect on 1 April 2018, further clarifies the analysis standard when determining one’s qualification for beneficial owner status.

### Value-Added Tax

Pursuant to the Interim Regulations on Value-Added Tax of the PRC (《中華人民共和國增值稅暫行條例》), which was promulgated by the State Council on 13 December 1993 and amended on 10 November 2008, 6 February 2016 and 19 November 2017, respectively, and the Implementation Rules for the Interim Regulations on Value- Added Tax of the PRC (《中華人民共和國增值稅暫行條例實施細則》), which was promulgated by the Ministry of Finance and SAT on 15 December 2008 and became effective on 1 January 2009 and as amended on 28 October 2011, entities or individuals engaging in sale of goods, provision of processing services, repairs and replacement services or importation of goods within the territory of the PRC shall pay value- added tax, or VAT. Unless provided otherwise, the rate of VAT is 17% on sales and 6% on the services. On 4 April 2018, the Ministry of Finance and SAT jointly promulgated the Circular of the Ministry of Finance and the State Administration of Taxation on Adjustment of Value-Added Tax Rates (《財政部、國家稅務總局關於調整增值稅稅率的通知》), or the SAT Circular 32, according to which (i) for VAT taxable sales acts or import of goods originally subject to VAT rates of 17% and 11%, respectively, such tax rates shall be adjusted to 16% and 10%, respectively; (ii) for purchase of agricultural products originally subject to tax rate of 11%, such tax rate shall be adjusted to 10%; (iii) for purchase of agricultural products for the purpose of production and sales or consigned processing of goods subject to tax rate of 16%, such tax shall be calculated at the tax rate of 12%; (iv) for exported goods originally subject to tax rate of 17% and export tax refund rate of 17%, the export tax refund rate shall be adjusted to 16%; and (v) for exported goods and cross-border taxable acts originally subject to tax rate of 11% and export tax refund rate of 11%, the export tax refund rate shall be adjusted to 10%. SAT Circular 32 became effective on 1 May 2018 and shall supersede existing provisions which are inconsistent with SAT Circular 32.



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Since 16 November 2011, the Ministry of Finance and the SAT have implemented the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax (《營業稅改徵增值稅試點方案》), or the VAT Pilot Plan, which imposes VAT in lieu of business tax for certain “modern service industries” in certain regions and eventually expanded to nation-wide application in 2013. According to the Implementation Rules for the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax (《營業稅改徵增值稅試點實施辦法》) released by the Ministry of Finance and the SAT on the VAT Pilot Programme, the “modern service industries” include research, development and technology services, information technology services, cultural innovation services, logistics support, lease of corporeal properties, attestation and consulting services. The Notice on Comprehensively promoting the Pilot Plan of the Conversion of Business Tax to Value-Added Tax (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》), which was promulgated on 23 March 2016, became effective on 1 May 2016 and amended on 11 July 2017 and 20 March 2019, respectively, sets out that VAT in lieu of business tax be collected in all regions and industries.

On 20 March 2019, the Ministry of Finance, SAT and the General Administration of Customs jointly promulgated the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》), which became effective on 1 April 2019 and provides that (i) with respect to VAT taxable sales acts or import of goods originally subject to VAT rates of 16% and 10% respectively, such tax rates shall be adjusted to 13% and 9%, respectively; (ii) with respect to purchase of agricultural products originally subject to tax rate of 10%, such tax rate shall be adjusted to 9%; (iii) with respect to purchase of agricultural products for the purpose of production or consigned processing of goods subject to tax rate of 13%, such tax shall be calculated at the tax rate of 10%; (iv) with respect to export of goods and services originally subject to tax rate of 16% and export tax refund rate of 16%, the export tax refund rate shall be adjusted to 13%; and (v) with respect to export of goods and cross-border taxable acts originally subject to tax rate of 10% and export tax refund rate of 10%, the export tax refund rate shall be adjusted to 9%.

## REGULATIONS RELATING TO EMPLOYMENT AND SOCIAL WELFARE

### Labour Contract Law

The PRC Labour Contract Law (《中華人民共和國勞動合同法》), which became effective on 1 January 2008 primarily aims at regulating rights and obligations of employment relationships, including the establishment, performance, and termination of labour contracts. Pursuant to the Labour Contract Law, labour contracts must be executed in writing if labour relationships are to be or have been established between employers and employees. Employers are prohibited from forcing employees to work above certain time limits and employers must pay employees for overtime work in accordance with national regulations. In addition, employee wages must not be lower than local standards on minimum wages and must be paid to employees in a timely manner.

In December 2012, the Labour Contract Law was amended to impose more stringent requirements on the use of employees of temp agencies, who are known in China as “dispatched

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workers”. Dispatched workers are entitled to equal pay with fulltime employees for equal work. Employers are only allowed to use dispatched workers for temporary, auxiliary or substitutive positions. According to the Interim Provisions on Labour Dispatch, which came into effect on 1 March 2014, the number of dispatched workers hired by an employer may not exceed 10% of the total number of its employees.

### Social Insurance

As required under the Regulation of Insurance for Labour Injury (《工傷保險條例》) implemented on 1 January 2004 and amended on 20 December 2010, the Provisional Measures for Maternity Insurance of Employees of Corporations (《關於發佈〈企業職工生育保險試行辦法〉的通知》) implemented on 1 January 1995, the Decisions on the Establishment of a Unified Programme for Old-Aged Pension Insurance of the State Council (《國務院關於建立統一的企業職工基本養老保險製度的決定》) issued on 16 July 1997, the Decisions on the Establishment of the Medical Insurance Programme for Urban Workers of the State Council (《國務院關於建立城鎮職工基本醫療保險製度的決定》) promulgated on 14 December 1998, the Unemployment Insurance Measures (《失業保險條例》) promulgated on 22 January 1999, and the PRC Social Insurance Law (《中華人民共和國社會保險法》) implemented on 1 July 2011 and amended on 29 December 2018, employers are required to provide their employees in China with welfare benefits covering pension insurance, unemployment insurance, maternity insurance, work-related injury insurance, and medical insurance. These payments are made to local administrative authorities. Any employer that fails to make social insurance contributions may be ordered to rectify the non-compliance and pay the required contributions within a prescribed time limit and be subject to a late fee. If the employer still fails to rectify the failure to make the relevant contributions within the prescribed time, it may be subject to a fine ranging from one to three times the amount overdue. On 20 July 2018, the Plan for Reforming the State and Local Tax Collection and Administration Systems (《國稅地稅征管體制改革方案》) was issued, which stipulated that the SAT will become responsible for the collection of social insurance premiums.

### Housing Provident Fund

In accordance with the Regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》), which was promulgated by the State Council on 3 April 1999 and amended on 24 March 2002 and 24 March 2019, employers must register at the designated administrative centres and open bank accounts for depositing employees’ housing provident funds. Employers and employees are also required to pay and deposit housing provident funds, with an amount no less than 5% of the monthly average salary of the employee in the preceding year in full and on time.

## REGULATIONS RELATING TO LEASING

Pursuant to the Law on Administration of Urban Real Estate of the PRC (《中華人民共和國城市房地產管理法》) promulgated by the SCNPC on 5 July 1994 and amended in 2007, 2009, and 2019, when leasing premises, the lessor and lessee are required to enter into a written lease contract,

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containing such provisions as the leasing term, use of the premises, rental and repair liabilities, and other rights and obligations of both parties.

On 1 December 2010, the Ministry of Housing and Urban-Rural Development promulgated the Administrative Measures on Leasing of Commodity Housing (《商品房屋租賃管理辦法》). According to such measures, the lessor and the lessee are required to complete property leasing registration and filing formalities within 30 days from execution of the property lease contract with the development authorities or real estate authorities of the municipality or county where the leased property is located. If a company fails to do as aforesaid, a fine ranging from RMB1,000 to RMB10,000 could be imposed.

According to the PRC Civil Code, the lessee may sublease the leased premises to a third party, subject to the consent of the lessor. Where a lessee subleases the premises, the lease contract between the lessee and the lessor remains valid. The lessor is entitled to terminate the lease if the lessee subleases the premises without the consent of the lessor. In addition, if the ownership of the leased premises changes during the lessee’s possession in accordance with the terms of the lease contract, the validity of the lease contract shall not be affected.

## REGULATIONS RELATING TO COMPETITION AND ANTI-MONOPOLY

On 30 August 2007, the SCNPC adopted the PRC Anti-Monopoly Law (《中華人民共和國反壟斷法》), or the Anti-Monopoly Law, which became effective on 1 August 2008 and was latest amended on 24 June 2022 and provides the regulatory framework for the PRC anti-monopoly. Under the Anti-Monopoly Law, the prohibited monopolistic acts include monopolistic agreements, abuse of a dominant market position and concentration of businesses that may have the effect to eliminate or restrict competition.

Pursuant to the Anti-Monopoly Law, a business operator that possesses a dominant market position is prohibited from abusing its dominant market position, including conducting the following acts: (i) selling commodities at unfairly high prices or buying commodities at unfairly low prices; (ii) without justifiable reasons, selling commodities at prices below cost; (iii) without justifiable reasons, refusing to enter into transactions with their trading counterparts; (iv) without justifiable reasons, allowing trading counterparts to make transactions exclusively with itself or with the business operators designated by it; (v) without justifiable reasons, tying commodities or imposing unreasonable trading conditions to transactions; (vi) without justifiable reasons, applying differential prices and other transaction terms among their trading counterparts who are on an equal footing; and (vii) other acts determined as abuse of dominant market position by the relevant governmental authorities.

Pursuant to the Anti-Monopoly Law and relevant regulations, when a concentration of undertakings occurs and reaches any of the following thresholds, the undertakings concerned shall file a prior notification with the anti-monopoly agency (i.e., the SAMR), (i) the total global turnover of all operators participating in the transaction exceeded RMB10 billion in the preceding fiscal year

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and at least two of these operators each had a turnover of more than RMB400 million within China in the preceding fiscal year, or (ii) the total turnover within China of all the operators participating in the concentration exceeded RMB2 billion in the preceding fiscal year, and at least two of these operators each had a turnover of more than RMB400 million within China in the preceding fiscal year) are triggered, and no concentration shall be implemented until the anti-monopoly agency clears the anti-monopoly filing. “Concentration of undertakings” means any of the following: (i) merger of undertakings; (ii) Anti-monopoly Commission of the State Council acquisition of control over another undertaking by acquiring equity or assets; or (iii) acquisition of control over, or exercising decisive influence on, another undertaking by contract or by any other means. On 27 June 2022, the SAMR issued the revision draft of the Rules of the State Council on Declaration Threshold for Concentration of Undertakings (《國務院關於經營者集中申報標準的規定(修訂草案徵求意見稿)》) for public comments, which raises the reporting thresholds for concentration of undertakings, and adds circumstances that need an advanced declaration. The deadline for public comments of such revision draft is 27 July 2022.

On 7 February 2021, the Anti-monopoly Commission of the State Council promulgated the Anti-monopoly Guidelines on Platform Economy (《國務院反壟斷委員會關於平臺經濟領域的反壟斷指南》), which provides that the calculation of turnover in the field of platform economy may be different depending on the business model of the operators: for platform operators who only provide information matchings and collect commissions, their turnovers should be calculated including the service fee charged by the platform and other platform income; for the platform operators who participate in the market competition on the platform side, their turnovers shall be calculated including the transaction amount involved in the platform and other platforms. Where the concentration of undertakings meets the declaration standards set by the State Council in Rules of the State Council on Declaration Threshold for Concentration of Undertakings (Revised in 2018) (《國務院關於經營者集中申報標準的規定(2018修訂)》), the operators shall declare to the Anti-monopoly Law Enforcement Agency of the State Council in advance, and the concentration shall not be implemented if such operators have not filed the declaration. According to the latest amended Anti-Monopoly Law, effective from 1 August 2022, if business operators fail to comply with the mandatory declaration requirement and the concentration has or may have the effect of eliminating or restricting competition, the anti-monopoly authority is empowered to terminate and/or unwind the transaction, dispose of relevant assets, shares or businesses within certain periods or take other necessary measures to restore the status before such concentration, and impose fines of no more than 10% of the sale amount of the previous year; if the concentration does not have the effect of eliminating or restricting competition, a fine up to RMB5 million will be imposed.

Competition among business operators is generally governed by the Anti-unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》), or the Anti-unfair Competition Law, which was promulgated by SCNPC on 2 September 1993 and amended on 4 November 2017 and 23 April 2019 respectively. According to the Anti-unfair Competition Law, when trading on the market, operators must abide by the principles of voluntariness, equality, fairness and honesty and observe laws and business ethics. Acts of operators constitute unfair competition where they contravene the provisions of the Anti-unfair Competition Law and disturb market competition with a result of

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damaging the lawful rights and interests of other operators or consumers. When the lawful rights and interests of an operator are damaged by the acts of unfair competition, it may institute proceedings in a people’s court. In comparison, where an operator commits unfair competition in contravention of the provisions of the Anti-unfair Competition Law and causes damage to another operator, it will be responsible for compensating for the damages. Where the losses suffered by the injured operator are difficult to calculate, the amount of damages will be the profit gained by the infringer through the infringing act. If an operator seriously infringes a trade secret in bad faith, the amount of compensation the operator will undertake will be up to not more than five times the amount of such damages. The infringer will also bear all reasonable costs paid by the injured operator to prevent the infringement.

### REGULATIONS RELATING TO M&A AND OVERSEAS LISTINGS

On 8 August 2006, six PRC governmental and regulatory agencies, including the Ministry of Commerce and the China Securities Regulatory Commission, or the CSRC, promulgated the Rules on Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》), or the M&A Rules, governing the mergers and acquisitions of domestic enterprises by foreign investors that became effective on 8 September 2006 and was revised on 22 June 2009. The M&A Rules, among other things, requires that if an overseas company established or controlled by PRC companies or individuals, or PRC Citizens, intends to acquire equity interests or assets of any other PRC domestic company affiliated with the PRC Citizens, such acquisition must be submitted to the Ministry of Commerce for approval. The M&A Rules also requires that an offshore special vehicle, or a special purpose vehicle formed for overseas listing purposes and controlled directly or indirectly by the PRC companies or individuals, shall obtain the approval of the CSRC prior to overseas listing and trading of such special purpose vehicle’s securities on an overseas stock exchange.

The M&A Rules also establish procedures and requirements that could make some acquisitions of PRC companies by foreign investors more time-consuming and complex, including requirements in some instances that the Ministry of Commerce be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. In addition, the Rules on Implementation of Security Review System for the Merger and Acquisition of Domestic Enterprises by Foreign Investors issued by the Ministry of Commerce (《商務部實施外國投資者併購境內企業安全審查制度的規定》) in 2011 specify that mergers and acquisitions by foreign investors that raise “national defence and security” concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise “national security” concerns are subject to strict review by the Ministry of Commerce, and prohibit any activities attempting to bypass such security review, including by structuring the transaction through a proxy or contractual control arrangement.

On February 17, 2023, the CSRC released several regulations regarding the filing requirements for overseas offerings and listings by domestic companies, including the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行



## REGULATORY OVERVIEW

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證券和上市管理試行辦法》) (the “Trial Measures”) together with five supporting guidelines (together with the Trial Measures, the “New Regulations on Filing”), effective from March 31, 2023.

According to the Trial Measures, domestic companies that seek to offer or list securities overseas, both directly and indirectly, shall fulfill the filing procedure and report relevant information to the CSRC. If a domestic company fails to complete the filing procedure or conceals any material fact or falsifies any major content in its filing documents, such domestic company may be subject to administrative penalties, such as order to rectify, warnings, fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines.

According to the New Regulations on Filing, initial public offering or listing in overseas market shall be filed with the CSRC within three working days after the relevant application is submitted overseas. Furthermore, domestic enterprises offering and listing overseas will need to comply with continuous filing and reporting requirements with the CSRC after its filing, including (i) a reporting obligation in respect of any material event which arose prior to such offering and listing; (ii) filing for follow-on offerings after the initial offering and listing; (iii) filing for transactions by which a domestic company’s assets seek to list in overseas markets; and (iv) a reporting obligation for material events after the initial offering and listing. Meanwhile, overseas securities offering and listing by domestic company are explicitly prohibited under any of the following circumstances: (i) where such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) where the intended securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) where the domestic company intending to make the securities offering and listing, or its controlling shareholders and actual controller have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) where the domestic company intending to make the securities offering and listing is suspected of committing crimes or major violations of laws and regulations, and is under investigation according to law, and no conclusion has yet been made thereof; or (v) where there are material ownership disputes over equity held by the controlling shareholder or by other shareholders that are controlled by the controlling shareholder and/or actual controller.

According to the Notice on the Filing Management Arrangements for the Overseas Offering and Listing by Domestic Companies (《關於境內企業境外發行上市備案管理安排的通知》), if an application of indirect overseas offering and listing by a domestic company has been approved by overseas regulators or overseas stock exchanges (e.g., has passed the hearing in the Hong Kong market) by the effective date of Trial Measures and such overseas offering and listing will be completed before 30 September 2023, no immediate filing with the CSRC will be required for the domestic company with respect to such overseas offering and listing as long as no re-hearing is required. If a re-hearing for such application is required or if the domestic company fails to complete the offering and listing before 30 September 2023, the domestic company will be subject to the filing requirements under the New Regulations on Filing. However, since the New Regulations on Filing

## REGULATORY OVERVIEW

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was newly promulgated, there remains uncertainties as to their interpretation, implementation and enforcement and how they will affect our operations and our future financing.

To our best knowledge and our PRC Legal Advisor’s due inquires, we and our PRC Legal Advisor are not aware of the existence of any circumstances that would prohibit us from conducting overseas securities **[REDACTED]** and **[REDACTED]** under the New Regulations on Filing as of the Latest Practicable Date. Therefore, if we are required to file with the CSRC for the **[REDACTED]** and the **[REDACTED]**, other than the uncertainties regarding to the further implementation and interpretation of the New Regulations on Filing, we do not foresee any impediment for us to comply with the New Regulations on Filing in any material respect.

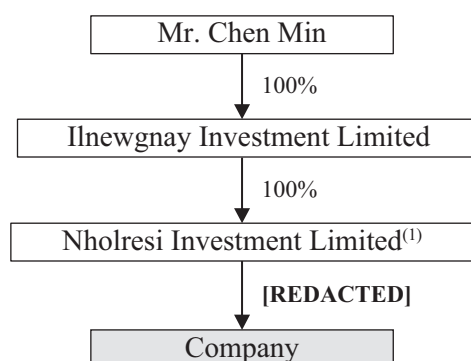


## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

### OUR CONTROLLING SHAREHOLDERS

Immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no Shares are issued under the Equity Incentive Schemes), Mr. Chen Min will be interested in and will control (i) [REDACTED] Class A Shares and (ii) [REDACTED] Class B Shares, both through Nholresi Investment Limited. Mr. Chen Min will be interested in approximately [REDACTED] of our issued Shares, representing approximately [REDACTED] of the voting rights of our issued Shares in general meetings (except for resolutions with respect to the Reserved Matters, in relation to which each Share is entitled to one vote). Mr. Chen Min, Ilnewgnay Investment Limited and Nholresi Investment Limited together will constitute Controlling Shareholders of our Company after the [REDACTED].

The following simplified diagram illustrates the ultimate beneficial interest of our Controlling Shareholders’ voting rights for resolutions in general meetings with respect to matters other than the Reserved Matters, immediately following completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no Shares are issued under the Equity Incentive Schemes):



Note:

- (1) Immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no Shares are issued under the Equity Incentive Schemes), Nholresi Investment Limited will be interested in (i) [REDACTED] Class A Shares and (ii) [REDACTED] Class B Shares, representing approximately [REDACTED] of the voting rights in our Company capable of being exercised on resolutions in general meetings except in relation to Reserved Matters, and approximately [REDACTED] of the voting rights in our Company in relation to Reserved Matters on a one-share-one-vote basis. Nholresi Investment Limited is wholly owned by Ilnewgnay Investment Limited. The entire interest in Ilnewgnay Investment Limited is held by a trust that was established by Mr. Chen Min (as the settlor) with him as the beneficiary. Mr. Chen Min acts as the sole director of Nholresi Investment Limited, and possesses the sole voting power over the shares held by Nholresi Investment Limited. [REDACTED] of the Class A Shares will be issued to Mr. Chen Min as restricted shares pursuant to the 2019 Share Incentive Plan before [REDACTED] (the “Award Shares”) and will be released from the below repurchase and transfer restrictions if the consolidated gross profit of the Company for any period of 12 months reaches RMB[REDACTED] (the “Financial Condition”). If (i) Mr. Chen Min no longer holds the position of chief executive officer, (ii) Mr. Chen Min no longer is employed by our Company, (iii) Mr. Chen Min commits gross misconduct as specified under the employees manual of our Company, or (iv) upon the occurrence of any of the events as set out under Rule 8A.17 of the Listing Rules, our Company shall repurchase the Award Shares from Mr. Chen Min at a time that may be determined by us at our discretion. In addition, before the Financial Condition is met, Mr. Chen Min (a) will be entitled to exercise the voting rights and to receive dividends with respect to the Award Shares, but (b) shall not transfer, sell, pledge or in any way dispose of the interest in the Award Shares. Our Company will disclose in each of our interim and annual reports to be issued after the [REDACTED] the following

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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matters: (1) the number of Award Shares held by Mr. Chen Min and the foregoing details, (2) whether the Financial Condition has been met, (3) whether any of the Award Shares has been released to Mr. Chen Min during the relevant reporting period and the number thereof and (4) whether our Company has repurchased any of the Award Shares from Mr. Chen Min during the relevant reporting period and the number thereof.

See section headed “Share Capital — Weighted Voting Rights Structure” for details of the weighted voting rights attached to the Class B Shares.

Our Group operates independently of our Controlling Shareholders. Apart from their interest in our Company, our Controlling Shareholders do not currently have any interest in a business that competes or is likely to compete, either directly or indirectly, with our Group’s business.

## INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

### Management independence

Our business is managed and conducted by our Board and senior management. Mr. Chen Min, our Controlling Shareholder, is also one of our executive Directors and is chief executive officer of our Company.

Our Directors consider that our Board and senior management will function independently of our Controlling Shareholders because:

- a) each Director is aware of their fiduciary duties as a Director which require, among others, that they act for the benefit and in the interest of our Company and do not allow any conflict between their duties as Directors and their personal interests;
- b) our daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group;
- c) we have three independent non-executive Directors and certain matters of our Company must always be referred to the independent non-executive Directors for review;
- d) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) is(are) required to declare the nature of such interest before voting at the relevant Board meeting; and
- e) we have adopted other corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders, as detailed in the subsection headed “—Corporate Governance Measures”.

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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Based on the above, our Directors believe that our business is managed independently of our Controlling Shareholders.

### **Operational independence**

Our Group is not operationally dependent on the Controlling Shareholders. Our Group (through our subsidiaries) holds all material licences and owns all relevant intellectual properties and research and development facilities necessary to carry on our business. We have sufficient capital, facilities, equipment and employees to operate our business independently from our Controlling Shareholders. We also have independent access to our customers.

Based on the above, our Directors believe that we are able to operate independently of our Controlling Shareholders.

### **Financial independence**

Our Group has an independent financial system and makes financial decisions according to our Group’s own business needs. We have an independent internal control and accounting system and also have an independent finance department responsible for discharging the treasury function. We are capable of obtaining financing from third parties, if necessary, without reliance on our Controlling Shareholders.

There will be no outstanding loans or guarantees provided by, or granted to, our Controlling Shareholders or their respective associates as of the [REDACTED].

Based on the above, our Directors believe that our business is financially independent of our Controlling Shareholders.

## CORPORATE GOVERNANCE MEASURES

Our Company and our Directors are committed to upholding and implementing the highest standards of corporate governance and recognise the importance of protecting the rights and interests of all Shareholders, including the rights and interests of our minority Shareholders.

In light of this, our Company [has established] a corporate governance committee pursuant to Rule 8A.30 which has adopted terms of reference consistent with Code Provision D.3.1 of Appendix 14 to, and Rule 8A.30 of, the Listing Rules. The members of the corporate governance committee are independent non-executive Directors with extensive experience in overseeing corporate governance related functions of private and Hong Kong and overseas listed companies. The primary duties of the corporate governance committee are to ensure that our Company is operated and managed for the benefit of all shareholders and to ensure our Company’s compliance with the Listing Rules and safeguards relating to the WVR structure of our Company.

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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Under the Articles of Association, extraordinary general meetings of our Company may be convened on the written requisition of any one or more members holding, as at the date of deposit of the requisition, in aggregate shares representing not less than one-tenth of the paid up capital of our Company which carry the right of voting at general meetings of our Company. In addition, pursuant to the Shareholder communication policy to be adopted by our Company upon [REDACTED], Shareholders are encouraged to put governance related matters to the Directors and to our Company directly in writing.

We will also adopt the following corporate governance measures to resolve actual or potential conflict of interests between our Group and our Controlling Shareholders:

- a) where a Shareholders’ meeting is held pursuant to the Listing Rules to consider proposed transactions or arrangements in which our Controlling Shareholders or any of their associates has a material interest, our Controlling Shareholder(s) shall abstain from voting and their votes shall not be counted;
- b) our Company has established internal control mechanisms to identify connected transactions, and we will comply with the applicable Listing Rules if we enter into connected transactions with our Controlling Shareholders or any of their associates after the [REDACTED];
- c) the independent non-executive Directors will review, on an annual basis, whether there is any conflict of interests between our Group and our Controlling Shareholders (the “**Annual Review**”) and provide impartial and professional advice to protect the interests of our minority Shareholders;
- d) our Controlling Shareholders will undertake to provide all information necessary or requested by the independent non-executive Directors for the Annual Review, including all relevant financial, operational and market information;
- e) our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its annual reports or by way of announcements as required by the Listing Rules;
- f) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company’s expense;
- g) we have appointed Guotai Junan Capital Limited as our compliance advisor to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance; and

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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- h) we have established our audit committee, remuneration committee, nomination committee and corporate governance committee with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code in Appendix 14 to the Listing Rules.

Based on the above, our Directors believe that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Group and our Controlling Shareholders, and to protect minority Shareholders’ interests after the [REDACTED].

## CONNECTED TRANSACTIONS

Upon [REDACTED], the following transactions between us and our connected persons will constitute our continuing connected transactions under Chapter 14A of the Listing Rules.

### OUR CONNECTED PERSONS

The table below sets forth the party who will become our connected persons upon the [REDACTED] and who have entered into certain transactions with us which will constitute our continuing connected transactions following the [REDACTED]:

Name	Connected Relationship
Shenzhen Tencent Computer System Co., Ltd. (深圳市騰訊計算機系統有限公司) (“Tencent Computer”)	Subsidiary of Tencent, one of our substantial shareholders

### SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

Nature of Transaction	Applicable Listing Rules	[Waivers granted]	Proposed annual cap for the years ending 31 December (in millions of RMB)		
			2023	2024	2025
<b>Tencent Group</b>					
<b>Framework Agreement</b>					
<i>Partially -exempt continuing connected transaction</i>					
1. Provision of cloud services by Tencent Group to our Group	14A.35, 14A.53 and 14A.105	Announcement requirement	18	20	25
<i>Non-exempt continuing connected transactions</i>					
2. Provision of advertising services by Tencent Group to our Group	14A.35, 14A.36, 14A.53 and 14A.105	Announcement, circular and independent Shareholders’ approval requirements	85	95	100
3. Provision of payment services by Tencent Group to our Group	14A.35, 14A.36, 14A.53 and 14A.105	Announcement, circular and independent Shareholders’ approval requirements	65	90	120

## CONNECTED TRANSACTIONS

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### TENCENT GROUP FRAMEWORK AGREEMENT

#### Background

On [●] 2023, we entered into a business cooperation and service framework agreement with Tencent Computer (the “**Tencent Group Framework Agreement**”), pursuant to which Tencent Computer and its affiliates would provide to our Group, (i) cloud services, (ii) advertising services and (iii) payment services.

The terms of the Tencent Group Framework Agreement were entered into on normal commercial terms after arm’s length negotiations and the transactions under the Tencent Group Framework Agreement will commence on the [REDACTED] and continue until 31 December 2025 (both dates inclusive).

#### Details of the transactions contemplated under the Tencent Group Framework Agreement

##### *Cloud services provided by Tencent Group to our Group*

###### Principal terms

Tencent Group will provide certain technology services, including but not limited to provision of cloud services and other cloud-related technical services to our Group (the “**Tencent Cloud Services**”), for which our Group will pay service fees. Tencent Cloud Services include but are not limited to computing and network, cloud servers, cloud database, cloud security, instant messages delivery, domain name resolution services, video services, big data and AI and other products and services.

Separate underlying agreements will be entered into which will set out the precise scope of services, service fees calculation, method of payment, assignment of responsibilities between parties and other details of the service arrangement in the manner provided in Tencent Group Framework Agreement.

###### Reasons for the transactions

We collaborate with Tencent Group and leverage their cloud computing infrastructure to enhance our cloud-based applications and technology capabilities. There are limited choices of cloud service providers in the PRC, and Tencent Group is one of the leading integrated service providers for a wide range of cloud services and technical services in the PRC that is able to provide high quality, reliable and cost-efficient services. Leveraging on the Tencent Cloud Services provided by Tencent Group, we could adjust our computing resources purchase amount dynamically per our varied demand from period to period, allowing a higher degree of flexibility in managing the IT infrastructure. Considering our business has undergone and is expected to undergo rapid growth, we believe that obtaining such services from an integrated service provider is a cost-effective alternative



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## CONNECTED TRANSACTIONS

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to building all supporting technology infrastructure internally. We therefore engaged the Tencent Cloud Services and entered into the Tencent Group Framework Agreement to govern any cloud services and technical services to be provided by Tencent Group to us.

### Pricing policies

Before entering into any cloud service agreement pursuant to the Tencent Group Framework Agreement, we will assess our business needs and compare the cloud service fees proposed by Tencent Group with the fees offered by other comparable cloud service providers. In addition, the pricing policies will take into account a number of factors, including but not limited to (i) the efficiency and prevalence of cloud services provided by different cloud service providers; (ii) the cloud service rates as compared to our other service providers. We will only enter into a cloud service agreement with Tencent Group if (i) the terms and conditions are fair and reasonable and based on normal commercial terms as those offered by other Independent Third Party service providers who can provide comparable services; and (ii) it is in the best interests of our Company and the Shareholders as a whole.

The service fee proposed by Tencent Group is based on a predetermined pricing mechanism set by Tencent Group, which is published on Tencent Cloud’s website. The service fee rates of the cloud services and technical services vary depending on the exact type of services involved and projects that utilise such services. In particular, (i) the service fee of those cloud services listed on Tencent Cloud’s website is charged on a monthly or annually basis, or is charged per unit data consumed; (ii) service fee of instant messages delivery services (including service that blocks click-farming on our platform) is charged on the basis of number of instant messages delivered to the target customers; (iii) service fee in relation to location data service is charged annually with a fixed amount; and (iv) vehicle recognition service fee is charged on a monthly basis for each partner store and Tuhu workshop that connects onto this service.

### *Historical amounts*

The historical transaction amounts of the Tencent Cloud Services over the Track Record Period are set out below:

#### **Transaction amount of the Tencent Cloud Services over the Track Record Period (in RMB million)**

<b>Year ended</b>	<b>Year ended</b>	<b>Year ended</b>	<b>Year ended</b>	<b>Three months</b>
<b>31 December 2019</b>	<b>31 December 2020</b>	<b>31 December 2021</b>	<b>31 December 2022</b>	<b>ended</b>
				<b>31 March 2023</b>
1.7	4.1	9.4	15.0	6.1

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## CONNECTED TRANSACTIONS

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### *Annual caps*

In respect of the Tencent Cloud Services, the transaction amounts to be paid by our Group to Tencent Group for the three years ending 31 December 2025 shall not exceed the proposed annual caps as set out in the table below:

### **Expected maximum transaction amount of the Tencent Cloud Services for the three years ending 31 December (in RMB million)**

<b>2023</b>	<b>2024</b>	<b>2025</b>
18	20	25

### *Basis of annual caps*

The above proposed annual caps have been determined primarily based on the following factors:

- (i) the historical transaction amounts. During the Track Record Period, the costs for the Tencent Cloud Services paid by us to Tencent Group increased significantly from RMB1.7 million in the year ended 31 December 2019 to RMB4.1 million in the year ended 31 December 2020, and further to RMB9.4 million in the year ended 31 December 2021 and RMB15.0 million in the year ended 31 December 2022. In addition, such cost paid by us to Tencent Group was RMB6.1 million for the three months ended 31 March 2023. The historical transaction amounts for this transaction, as a percentage of other research and development expenses, were 3.5%, 6.6%, 7.4%, 10.3% and 17.6%, respectively, for each of the four years ended 31 December 2022 and three months ended 31 March 2023. We expect the increasing trend will continue for the next three years ending 31 December 2025; and
- (ii) our growing demand for Tencent Group’s cloud technologies. As our business expands, we will need more technological infrastructure to deliver our services to customers, to improve efficiency of our business operation and to store data. In addition, we plan to obtain from Tencent Group certain AI-related services including video-on-demand cloud technology in the next three years ending 31 December 2025, which is not reflected in the historical transaction amount. The increase in fees we paid to the Tencent Group in respect of the Tencent Cloud Services during the Track Record Period reflects the deepening of the collaboration between our Group and Tencent Group. Nonetheless, we expect the growth rate of the transaction amount will decelerate and the transaction amount as a percentage of our research and development expenses will stabilize in the next three years ending 31 December 2025 due to the effect of economy of scale. Coupled with our existing Tencent Cloud Services, we expect the costs for the cloud services will increase as our user community continues to expand and we engage in more facets of the Tencent Cloud Services.

## CONNECTED TRANSACTIONS

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### Listing Rules implications

Our Directors expect that the highest applicable percentage ratio calculated under Chapter 14A of the Listing Rules in relation to the Tencent Cloud Services is more than 0.1% but less than 5%, pursuant to Rule 14A.76(2)(a) of the Listing Rules. As such, this transaction will be a partially-exempt continuing connected transaction, exempt from the circular and independent shareholders’ approval (including recommendation from an independent financial advisor) requirements, but will be subject to announcement and annual reporting requirements under Chapter 14A of the Listing Rules. We have applied for[, and the Stock Exchange has granted us,] waivers from these requirements.

### *Advertising services provided by Tencent Group to our Group*

Tencent Group will provide our Group with advertising solutions utilising its communication channels, social media channels and online advertising platforms, on which our Group will send promotional messages to potential users in relation to our mobile application and website (“**Tencent Advertising Services**”). We shall in return pay promotional and advertising service fees to Tencent Group. Separate underlying agreements will be entered into which will set out the precise scope of services, advertising service commission fees, the applicable advertising platforms, method of payment, assignment of responsibilities between parties and other details of the service arrangement in the manner provided in Tencent Group Framework Agreement.

The service fee we pay to Tencent Group in respect of the Tencent Advertising Services is charged on the basis of (i) the price of each click and the aggregate number of clicks of online users, (ii) the number of impressions generated by the Tencent Advertising Services to online users, and (iii) the number of advertisement served or delivered through the Tencent Advertising Services.

### Reasons for the transactions

The Tencent Advertising Services provided by Tencent Group allow us to reach a vast amount of internet and mobile users, given Tencent Group’s leading position in the online advertising service industry, the massive user base of Tencent Group’s communication and social media services in the PRC and Tencent’s technological capability to match us with our target customers. Many of our users and potential new users are users of Tencent Group’s channels through which we deliver our services. We believe that the Tencent Advertising Services will enable us to increase our user and potential new users’ awareness of and familiarity with our business as well as to attract more franchisees to join our extensive store network, which will in turn contribute to our success.

### Pricing policies

Before entering into any advertising service agreement pursuant to the Tencent Group Framework Agreement, we will assess our business needs and compare the fee rates proposed by Tencent Group with the rates offered by other comparable service providers which are Independent

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## CONNECTED TRANSACTIONS

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Third Parties. We take into account a number of factors before any decision is made, including but not limited to (i) whether the fee rates proposed by Tencent Group are in line with the market rates; (ii) the effectiveness of the marketing and promotional services provided by Tencent Group as compared to those provided by different online marketing and promotion service providers; (iii) the breadth of user base of Tencent Group as compared to those of other online marketing and social media platforms. We will only enter into the Tencent Advertising Service if (i) the terms and conditions are fair and reasonable and based on normal commercial terms as those offered by other Independent Third Party service providers who can provide comparable services; and (ii) the agreement is in the best interests of our Company and our Shareholders as a whole. The fees that we pay Tencent Group are based on advertisement placement volume.

### *Historical amounts*

The historical transaction amounts of the Tencent Advertising Services over the Track Record Period are set out below:

### **Transaction amount of the Tencent Advertising Services over the Track Record Period (in RMB million)**

<b>Year ended 31 December 2019</b>	<b>Year ended 31 December 2020</b>	<b>Year ended 31 December 2021</b>	<b>Year ended 31 December 2022</b>	<b>Three months ended 31 March 2023</b>
114.9	69.9	48.6	26.7	17.1

### *Annual caps*

In respect of the Tencent Advertising Services, the transaction amounts to be paid by our Group to Tencent Group for the three years ending 31 December 2025 shall not exceed the proposed annual caps as set out in the table below:

### **Expected maximum transaction amount of the Tencent Advertising Services for the three years ending 31 December (in RMB million)**

<b>2023</b>	<b>2024</b>	<b>2025</b>
85	95	100

### *Basis of annual caps*

The declining trend of the historical transaction amounts during the Track Record Period was mainly due to our enlarged expenditures in other emerging social media platforms, as we conducted part of our advertising and marketing efforts through platforms other than that provided by Tencent Group, and COVID-19 resurgence in the PRC in 2022. Nevertheless, we expect the growth in our advertising and marketing effort in such emerging social media platforms will stabilise, which in turn stabilises the transaction amounts as a percentage of our total advertising and promotion-related

## CONNECTED TRANSACTIONS

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expenses in connection with such emerging social media platforms. In addition, given (a) the ease in COVID-19 related restrictions in the PRC throughout the year ending 31 December 2023, (b) the expansion of our user base, (c) the growth of our store network and (d) the rising allocation of our advertising and promotion-related expenses to Tencent Advertising Services due to other future collaborations between our Group and Tencent Group such as potential new product offerings by Tencent Group that we may subscribe to in respect of Tencent Advertising Services, which have not been accounted for during the Track Record Period, we expect there will be increase in the transaction amounts in respect of Tencent Advertising Services for the next three years ending 31 December 2025.

The above proposed annual caps have been determined primarily based on the following factors:

- (i) the historical transaction amounts. During the Track Record Period, the costs for the Tencent Advertising Services paid by us to Tencent Group were RMB114.9 million, RMB69.9 million, RMB48.6 million, RMB26.7 million and RMB17.1 million in each of the years ended 31 December 2019, 2020, 2021 and 2022, and three months ended 31 March 2023, respectively. The declining trend during the Track Record Period was mainly due to our enlarged expenditures in other emerging social media platforms but we expect such growth will stabilise in the next three years ending 31 December 2025. In particular, the historical transaction amount for the year ended 31 December 2022 declined sharply due to the decrease in overall advertising and promotion-related expenses (including the service fees paid by our Group in connection with the Tencent Advertising Services) as a result of the COVID-19 resurgence in the PRC in 2022. We expect the level of engagement of Tencent Advertising Services to gradually return to normal in the first half of 2023, as supported by the transaction amount for the three months ended 31 March 2023, as the COVID-19 related restrictions ease in the cities we operate and the needs for automobile aftermarket services rise, which will translate to our rising investment in advertisement and marketing. In reaching the annual caps for the next three years ending 31 December 2025, we have taken into account the stable growth of our total advertising and marketing expenditure moving forward as we expand our business, and the approximate average percentage ratio of the historical transaction amount of Tencent Advertising Services to the total advertising and promotion-related expenses of our Company during the Track Record Period, which is approximately 11.4% but we expect such ratio to decrease slightly for the three years ending 31 December 2025. As our business expands, we continue to invest more in advertising and marketing services including Tencent Advertising Services. As such, we expect our service fees to be paid in respect of the Tencent Advertising Services will also rise proportionally for the three years ending 31 December 2025;
- (ii) expansion of user base. The primary purpose of engaging an external service provider to provide advertising services for us is to acquire and retain users, increase user engagement and enhance the brand image of our brand. When estimating the proposed annual caps, we took into account (a) the expected growth of our user base and user engagement; (b) our expected investments in advertising efforts which in turn ties with our selling efforts; and (c) the estimated portion of the advertising services to be provided by the Tencent Group among all

## CONNECTED TRANSACTIONS

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other third-party advertising and promotional service providers to be engaged by us. Further and as mentioned in the terms of the Tencent Advertising Services, the service fee we pay to Tencent Group in respect of the Tencent Advertising Services depends on various factors, including but not limited to the aggregate number of clicks by and impression generated on online users. As we invest more in our advertising efforts, our user base expands and our brand is more well-known, we believe our target customers will be exposed to our advertisements more and chances of them clicking into our advertisements increase. As such, we expect that the advertising fees we pay to Tencent Group will gradually increase from 2023 to 2025 as we aim to expand our user base;

- (iii) growth of our store network. As we continue to expand the geographical coverage of Tuhu workshop, especially the expansion into tier 2 and below cities and counties, we will invest more in marketing efforts to enhance our brand awareness in order to enhance our penetration into these target cities and counties. For details of our store expansion plan, please see the subsection headed “Future Plans and Use of [REDACTED] - Use of [REDACTED]”. Given the massive user base of Tencent Group’s communication and social media services in the PRC and Tencent’s technological capability to match us with our target customers in tier 2 and below cities and counties, we expect our collaboration with Tencent will strengthen and as such, the transaction amount we expect to incur in respect of Tencent Advertising Services will increase steadily for the next three years ending 31 December 2025; and
- (iv) additional services to be engaged with Tencent Group. In addition to the above, we are of the view that the declining trend in terms of the fees we paid annually to Tencent Group in respect of the Tencent Advertising Services during the Track Record Period will likely end since we may subscribe to additional new product offered by Tencent Group, which have not been reflected in the historical transaction amounts and which we anticipate will incur rising advertising fees in the next three years ending 31 December 2025.

### Listing Rules implications

Our Directors expect that the highest applicable percentage ratios under the Listing Rules in respect of the Tencent Advertising Services, on an annual basis, will be more than 5%. As such, the Tencent Advertising Services will be subject to the reporting, annual review, announcement, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. We have applied for[, and the Stock Exchange has granted us,] waivers from the requirements as described below.

### ***Payment services provided by Tencent Group to our Group***

Tencent Group will provide our Group with payment services through its payment channel (the “**Tencent Payment Services**”) in order to enable our users to conduct online transactions on our platform through Tencent Group payment channels. We shall in return pay payment processing costs to Tencent Group. Separate underlying agreements will be entered into which will set out the precise

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## CONNECTED TRANSACTIONS

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scope of services, payment service commissions, the applicable payment channels, method of payment, assignment of responsibilities between parties and other details of the service arrangement in the manner provided in Tencent Group Framework Agreement.

### Reasons for the transactions

Our users use online payment services mainly to settle their payments in connection with our services. There are limited choices of online payment channels in the PRC, and the payment channel operated by Tencent Group is one of the preferred payment channels of our customers. The Tencent Payment Services provided by Tencent Group enable us to provide our users with more convenient payment methods and hence enhance our users’ satisfaction with our services, given Tencent Group’s leading position in the online payment service industry and the massive user base of Tencent Group’s online payment service in the PRC.

### Pricing policies

Before entering into any payment service agreement pursuant to the Tencent Group Framework Agreement, we will consider (i) the efficiency and prevalence of payment channels operated by different online payment service providers; (ii) our customers’ preference among different online payment service providers; and (iii) the fee rates proposed by Tencent Group with the rates offered by other comparable service providers, which are Independent Third Parties. We will only enter into a payment service agreement with Tencent Group (i) when the fee rates proposed by Tencent Group are in line with the market rates provided by independent third-party service providers and (ii) the agreement is in the best interests of our Company and our Shareholders as a whole. The fees that we pay Tencent Group are based on payment service fee rates and actual payment volumes processed on our platform. The fee rates reflect, among other things, Tencent Group’s bank-processing costs and operating costs allocable to the services provided to us, and accordingly are subject to adjustment on an annual basis to the extent these costs increase or decline.

### *Historical amounts*

The historical transaction amounts of the Tencent Payment Services over the Track Record Period are set out below:

#### **Transaction amount of the Tencent Payment Services over the Track Record Period (in RMB million)**

<b>Year ended</b>	<b>Year ended</b>	<b>Year ended</b>	<b>Year ended</b>	<b>Three months</b>
<b>31 December 2019</b>	<b>31 December 2020</b>	<b>31 December 2021</b>	<b>31 December 2022</b>	<b>ended</b>
				<b>31 March 2023</b>
21.1	32.0	48.6	46.0	12.7



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## CONNECTED TRANSACTIONS

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### *Annual caps*

In respect of the Tencent Payment Services, the transaction amounts to be paid by our Group to Tencent Group for the three years ending 31 December 2025 shall not exceed the proposed annual caps as set out in the table below:

### **Expected maximum transaction amount of the Tencent Payment Services for the three years ending 31 December (in RMB million)**

2023	2024	2025
65	90	120

### *Basis of annual caps*

The above proposed annual caps have been determined primarily based on the following factors:

- (i) the historical transaction amounts. During the Track Record Period, the costs for the Tencent Payment Services paid by us to Tencent Group were RMB21.1 million, RMB32.0 million, RMB48.6 million, RMB46.0 million and RMB12.7 million in each of the years ended 31 December 2019, 2020, 2021 and 2022, and the three months ended 31 March 2023, respectively. Given the leading position of the online payment channel offered by the Tencent Group in the PRC, we expect the online payment channel offered by the Tencent Group will continue to be one of the most popular and convenient payment channels among our customers. Since our users utilise online payment channels when engaging in our services, and given the expected increase in our business volume and online transaction volume, the service fees payable by our Group to the Tencent Group as to payment processing for the next three years will continue to rise;
- (ii) expansion of merchandise and services. The annual maximum transaction amount is calculated on the basis of the following: (a) the expected average growth rate of our GMV for each of the three years ending 31 December 2025, which is generally in line with the average growth rate of our GMV over the Track Record Period; (b) the historical percentage of the transaction amount of the Tencent Payment Services over the Track Record Period to our Company’s GMV for the same period, which was approximately 0.2-0.3%, and we expect that the online payment channel offered by the Tencent Group will be one of the main payment means chosen by our customers moving forward. Hence, the percentage of the transaction amount of the Tencent Payment Services to our Company’s GMV will remain at a similar level with a slight increase for the next three years ending 31 December 2025; and (c) the estimated commission rate charged by Tencent Group for the Tencent Payment Services, with reference to the current market rates. We expect our GMV for the next three years ending 31 December 2025 will experience rapid growth as we continue to expand our merchandise after the [REDACTED], which will lead to a corresponding increase in the transaction amount; and

## CONNECTED TRANSACTIONS

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- (iii) expansion of user base and store network. The transaction amount we paid to Tencent Group in respect of the Tencent Payment Services is divided into two major components, namely the handling fees we paid to Tencent Group (a) in respect of the payment function on our online platform, and (b) in respect of the payment made by our users at Tuhu workshops and franchised stores using a digital payment code offered through Tencent Group’s online payment channels. Our number of Tuhu workshops and franchised stores, as well as our number of users, have been increasing during the Track Record Period and is expected to continue to increase in the three years ending 31 December 2025, which in turn will elevate the level of use of the Tencent Payment Services. As such, we expect our overall transaction costs for Tencent Payment Services will continue to increase for the next three years.

### Listing Rules implications

Our Directors expect that the highest applicable percentage ratios under the Listing Rules in respect of the Tencent Payment Services, on an annual basis, will be more than 5%. As such, the Tencent Payment Services will be subject to the reporting, annual review, announcement, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. We have applied for[, and the Stock Exchange has granted us,] waivers from the requirements as described below.

### **WAIVERS**

We expect the non-exempt and partially exempt continuing connected transactions disclosed above will be carried out on a continuing basis and will extend over a period of time, and our Directors consider that strict compliance with the announcement, circular and independent shareholders’ approval (as applicable) requirements under the Listing Rules would be impractical, unduly burdensome and would impose unnecessary administrative costs on our Company.

Accordingly, we have applied for[, and the Stock Exchange has granted us,] in respect of the partially exempt continuing connected transactions mentioned above, waivers from strict compliance with the announcement requirements under Chapter 14A of the Listing Rules.

We have applied for[, and the Stock Exchange has granted us,] in respect of the non-exempt continuing connected transactions mentioned above, a waiver from strict compliance with the announcement, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

### **DIRECTORS’ CONFIRMATION**

Our Directors (including independent non-executive Directors) are of the view that the continuing connected transactions set out above have been entered into in our ordinary and usual course of business on normal commercial terms or better which are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and the proposed monetary annual caps

## CONNECTED TRANSACTIONS

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in respect of the partially-exempt and non-exempt continuing connected transactions are fair and reasonable and in the interests of us and our Shareholders as a whole.

### JOINT SPONSORS’ CONFIRMATION

The Joint Sponsors have (i) reviewed the relevant documents and information provided by the Company in relation to the above continuing connected transactions; (ii) obtained necessary representations and confirmations from the Company and the Directors, and (iii) participated in the due diligence and discussions with the management of the Group. Based on the above, the Joint Sponsors are of the view that the aforesaid continuing connected transactions, for which waivers have been sought, have been entered into in the ordinary and usual course of its business on normal commercial terms (or better) that are fair and reasonable and in the interest of the Company and its Shareholders as a whole, and the proposed monetary annual caps of the aforesaid continuing connected transactions are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## DIRECTORS AND SENIOR MANAGEMENT

### DIRECTORS

Upon [REDACTED], our Board will consist of six Directors, including two executive Directors, one non-executive Director and three independent non-executive Directors, namely:

Name	Age	Position	Roles and responsibilities	Date of joining our Group	Date of appointment as Director
Mr. Chen Min (陳敏) . . . . .	42	Co-founder, Chairman of the Board, Chief Executive Officer and Executive Director	Overall strategic planning, day-to-day business operation and management	October 2011	July 2019
Mr. Hu Xiaodong (胡曉東) . . . . .	51	Co-founder, President and Executive Director	Overall strategic planning with a focus on research and development	October 2011	October 2019
Mr. Yao Leiwen (姚磊文) . . . . .	41	Non-executive Director	Provide professional advice, opinion, and guidance to our Board	August 2018	October 2019
Ms. Yan Hui ping (顏惠萍) . . . . .	57	Independent non-executive Director	Supervising and providing independent judgement to our Board	[REDACTED]	[REDACTED]
Mr. Feng Wei (奉瑋) . . . . .	44	Independent non-executive Director	Supervising and providing independent judgement to our Board	[REDACTED]	[REDACTED]
Mr. Wang Jingbo (王靜波) . . . . .	41	Independent non-executive Director	Supervising and providing independent judgement to our Board	[REDACTED]	[REDACTED]

## DIRECTORS AND SENIOR MANAGEMENT

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### Executive Directors

**Mr. Chen Min (陳敏)**, aged 42, is our co-founder, chairman of the Board, chief executive officer and executive Director. Mr. Chen is primarily responsible for the overall strategic planning, day-to-day business operation and management of our Group.

Mr. Chen worked at Shanghai Yingdao Trading Co., Ltd. from June 2010 to September 2011, and at Shanghai Yidao Network Technology Co., Ltd. from September 2009 to May 2010. Prior to that, Mr. Chen served as an IT Operation Manager at Baixing Co., Ltd. from May 2008 to May 2009 and worked at Chemeng (China) Network Co., Ltd. from March 2006 to December 2007. Mr. Chen also served as a software engineer at Hewlett-Packard Company from February 2005 to January 2006 and quality analyst at Shanghai Wicresoft Co., Ltd. from July 2003 to January 2005. Mr. Chen has over 18 years of experience in software development and data management and over 11 years of experience in automotive service market and business data analysis.

Mr. Chen received a bachelor’s degree in economics from Shanghai University of Finance and Economics in July 2003 in the PRC.

**Mr. Hu Xiaodong (胡曉東)**, aged 51, is our co-founder, president and executive Director. Mr. Hu is primarily responsible for overall strategic planning with a focus on research and development aspect of our business.

Prior to co-founding our Group, Mr. Hu served in various engineering leadership roles. Mr. Hu worked at Shanghai Naijia Software Technology Development Co., Ltd. from 2009 to 2011, responsible for business and system analysis. Mr. Hu also worked at Shanghai Yidao Network Technology Co., Ltd. from 2008 to 2009. Prior to that, he worked as research and development director at Chemeng (China) Network Co., Ltd. from 2006 to 2007, senior programmer at Shanghai Branch of SAP (Beijing) Software System Co., Ltd. from June 2001 to June 2006, and engineer and E-commerce consultant at Shanghai Branch of Microsoft (China) Co., Ltd. from 2000 to 2001.

Mr. Hu received a bachelor’s degree in engineering with major in telecommunications engineering from North China Electric Power University in July 1993 and completed his postgraduate programme of telecommunications and information systems at Shanghai Jiao Tong University in September 1999 in the PRC.

### Non-executive Director

**Mr. Yao Leiwen (姚磊文)**, aged 41, is a non-executive Director of our Company. Mr. Yao is primarily responsible for providing professional advice, opinion, and guidance to our Board.

Mr. Yao is currently a Vice General Manager of the Investment Department in Tencent and serves as a non-executive director of Kingsoft Corporation Limited, a company listed on the Stock Exchange of Hong Kong (stock code: 3888), since August 2022. Prior to joining Tencent in June

## DIRECTORS AND SENIOR MANAGEMENT

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2011, he served as an investment director of Mindray Bio-Medical Electronics from October 2010 to June 2011 and served as an associate of Deutsche Bank from February 2005 to August 2008.

Mr. Yao received a bachelor’s degree in Economic Information Management in July 2002 and his master’s degree of finance in June 2005 from University of International Business and Economics in the PRC. He received a master’s degree of business administration from the Institut Européen d’Administration des Affaires in France in July 2010.

Mr. Yao shall abstain from voting on the transactions related to or in connection with Tencent which he may be in conflict of interest.

### Independent non-executive Directors

**Ms. Yan Huiping** (顏惠萍), aged 57, is an independent non-executive Director of our Company. Ms. Yan is primarily responsible for supervising and providing independent judgement to our Board.

Ms. Yan is currently chief financial officer of ZTO Express (Cayman) Inc. (“**ZTO Express**”), a company listed on the Main Board of the Stock Exchange (stock code: 2057) and on the New York Stock Exchange (stock symbol: ZTO), and she served as vice president of finance at ZTO Express from January 2018 to May 2018. Ms. Yan also worked as a senior vice-president responsible for financial affairs at Neoglory Holdings Group Co. Ltd. from March to November 2017. Prior to that, Ms. Yan served as chief financial officer from May 2014 to January 2016 at Zhejiang Cainiao Supply Chain Management Co., Ltd., which is the logistics arm of Alibaba Group Holding Ltd., a company listed on the Main Board of the Stock Exchange (stock code: 9988) and the New York Stock Exchange (stock symbol: BABA). Ms. Yan also served as a senior vice president of finance and strategy from September 2009 to April 2010 and chief financial officer from April 2010 to April 2014 at Home Inns & Hotel Management Inc., a company listed on NASDAQ (stock symbol: HMIN, which was delisted in April 2016). Prior to that, Ms. Yan held various key positions in corporate and operational finance management at General Electric Company from August 1998 to August 2009, and she worked in various positions at Deloitte & Touche from February 1992 to July 1998. Ms. Yan accumulated corporate governance knowledge and experience through her aforementioned management positions at General Electric Company, Home Inns & Hotel Management Inc., Zhejiang Cainiao Supply Chain Management Co., Ltd. and ZTO Express.

Ms. Yan studied in English Literature and Linguistics major at Shanghai International Studies University, and received her bachelor’s degree in business and administration at Hawaii Pacific University in August 1991. Ms. Yan has been a U.S. certified public accountant since 1994 and became a CGMA designation holder (AICPA) in 2012.

**Mr. Feng Wei** (奉偉), aged 44, is an independent non-executive Director of our Company. Mr. Feng is primarily responsible for supervising and providing independent judgement to our Board.

## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Feng has served as chief financial officer at NIO Inc., a company listed on the New York Stock Exchange (stock symbol: NIO), the Main Board of the Stock Exchange (stock code: 9866) and the Singapore Exchange (stock symbol: NIO), since November 2019. Prior to joining NIO Inc., Mr. Feng served as managing director and head analyst of the auto industry team at China International Capital Corporation Limited, a company listed on the Main Board of the Stock Exchange (stock code: 3908) and on the Shanghai Stock Exchange (stock code: 601995), from November 2013 to November 2019. Prior to that, Mr. Feng served as an industry analyst at Everbright Securities Co. Ltd., a company listed on the Shanghai Stock Exchange (stock code: 601788) and on the Main Board of the Stock Exchange (stock code: 6178), from July 2010 to November 2013. Mr. Feng’s career also includes more than five years’ work experience from March 2005 to June 2010 at the ZF (China) Investment Co., Ltd. where he served as a manager of market analysis. Mr. Feng accumulated corporate governance knowledge and experience through his aforementioned management positions at China International Capital Corporation Limited and NIO Inc.

Mr. Feng received his bachelor’s degree in Engineering from the Department of Automotive Engineering at Tsinghua University in the PRC in July 2001, and his joint master’s degree in Automotive System Engineering from Rheinisch-Westfälische Technische Hochschule Aachen University in Germany and Tsinghua University in the PRC in July 2004.

**Mr. Wang Jingbo (王靜波)**, aged 41, is an independent non-executive Director of our Company. Mr. Wang is primarily responsible for supervising and providing independent judgement to our Board.

Mr. Wang has served chief financial officer of Agora Inc., a company listed on NASDAQ (stock symbol: API), since January 2020. Mr. Wang previously served as a director and the chief financial officer of Qutoutiao Inc., a company previously listed on the NASDAQ Stock Market under the stock symbol of QTT, from February 2018 to January 2020, and as the chief financial officer of Yintech Investment Holdings Limited, a company listed on NASDAQ (stock symbol: YIN), from October 2014 to February 2018. Prior to that, Mr. Wang worked at Deutsche Bank from 2009 to 2014 as a vice president in the corporate finance division. Mr. Wang accumulated corporate governance knowledge and experience through his aforementioned management positions and directorship at Yintech Investment Holdings Limited, Qutoutiao Inc. and Agora Inc.

Mr. Wang graduated from Tsinghua University in the PRC with a bachelor’s degree in engineering in July 2003, and obtain his master’s degree of philosophy from the University of Hong Kong in December 2005. He was awarded a PhD degree in management studies from the University of Oxford in the United Kingdom, in March 2010.

Mr. Wang was named as one of the defendants in an ongoing securities class action lawsuit against Qutoutiao Inc. (the “**Lawsuit**”) originally filed on August 20, 2020 in the United States District Court for the Southern District of New York. Mr. Wang was named as one of the defendants in his capacity as Qutoutiao Inc.’s then chief financial officer and director. This class action lawsuit



## DIRECTORS AND SENIOR MANAGEMENT

alleged materially false or misleading statements or omissions in offering documents in connection with initial public offering of Qutoutiao Inc. in September 2018 and follow-on equity offering in April 2019. As of the Latest Practicable Date, the Lawsuit was at a preliminary stage and Qutuotiao has filed motions to dismiss the Lawsuit on the ground of no well-pleaded factual allegations by the plaintiffs, which were granted in full by the United States District Court for the Southern District of New York in August 2023. No conclusive judicial decision had been made with respect to the Lawsuit.

Based on the currently available information and independent due diligence work conducted by the Joint Sponsors with the assistance of Joint Sponsors’ counsels, including but not limited to, (1) reviewing the court documents made available to the Joint Sponsors and public records and announcements issued by Qutoutiao Inc. relating to the class action lawsuits (the “**Class Action**”) in the United States, (2) conducting background searches and litigation searches on Mr. Wang, (3) reviewing representations made by Mr. Wang during the due diligence interviews, and (4) discussing with the Company to understand that the Directors are of the view that the Class Action does not have any impact on the suitability of Mr. Wang as a Director of the Company under Rules 3.08 and 3.09 of the Listing Rules, the Joint Sponsors concur with the Directors’ view on the suitability of Mr. Wang to serve as a Director as stated above, with the qualification that Mr. Wang will not ultimately be personally liable for the Class Action for any reason that implicates their integrity, competence and suitability to act as a Director.

### SENIOR MANAGEMENT

The senior management team of our Group comprises the following:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Roles and responsibilities</u>	<u>Date of joining our Group</u>
Mr. Chen Min (陳敏) . . . . .	42	Co-founder, Chairman of the Board, Chief Executive Officer and Executive Director	Overall strategic planning, day-to-day business operation and management	October 2011
Mr. Hu Xiaodong (胡曉東) . . . . .	51	Co-founder, President and Executive Director	Overall strategic planning with a focus on research and development	October 2011
Mr. Zhu Yan (朱炎) . . . . .	41	Co-founder	Manage Business Innovative Centre	February 2012

## DIRECTORS AND SENIOR MANAGEMENT

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Roles and responsibilities</u>	<u>Date of joining our Group</u>
Ms. Wang Lingjie (王玲潔) . .	39	Senior Vice President	Manage Human Resources Department and Offline Operation Development Department	September 2019
Mr. Zhang Zhisong (張志嵩) . . . . .	40	Chief Financial Officer	Manage Finance Department and Investor Relations Centre	July 2021

**Mr. Chen Min (陳敏)**, aged 42, is our co-founder, chairman of the Board, chief executive officer and executive Director. Please see his biography in the sub-section headed “— Directors — Executive Directors” above.

**Mr. Hu Xiaodong (胡曉東)**, aged 51, is our co-founder, president and executive Director. Please see his biography in the sub-section headed “— Directors — Executive Directors” above.

**Mr. Zhu Yan (朱炎)**, aged 41, is our co-founder and is primarily responsible for formulating our new initiative strategies.

Prior to co-founding our Group, Mr. Zhu served as legal representative at Shanghai Longjin Information Technology Co., Ltd.. Prior to that, Mr. Zhu worked as business analyst at Mary Kay (China) Cosmetics Co., Ltd. Shanghai Branch from July 2006 to July 2011.

Mr. Zhu received his bachelor’s degree in management from Shanghai University of Finance and Economics in the PRC in July 2004. Mr. Zhu also received a certificate of board secretary from the Shanghai Stock Exchange in March 2016.

**Ms. Wang Lingjie (王玲潔)**, aged 39, is our senior vice president and is primarily responsible for managing the human resources department and the offline operation development department.

Prior to joining our Group, Ms. Wang worked as human resources director at Tianjin Sankuai Technology Co., Ltd, a subsidiary of Meituan, a company listed on the Main Board (stock code: 3690), from July 2015 to September 2019. Ms. Wang co-founded Shanghai Xiangfenxiang Information Technology Co., Ltd. and served as a supervisor from November 2014 to June 2015. Prior to that, Ms. Wang served as a human resources leader at Shanda Computer (Shanghai) Co., Ltd. from July 2011 to August 2014. Prior to that, Ms. Wang served as a human resource manager at Ctrip Computer Technology (Shanghai) Co., Ltd. from July 2010 to July 2011.

## DIRECTORS AND SENIOR MANAGEMENT

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Ms. Wang received her bachelor’s degree in English from Inner Mongolia University in the PRC in July 2005 and her master’s degree of arts in language and culture from Linköping University in Sweden in 2008.

**Mr. Zhang Zhisong (張志嵩)**, aged 40, is our chief financial officer and is primarily responsible for managing the finance department and investor relations centre.

Mr. Zhang was our deputy chief financial officer and senior vice president from July 2021 to July 2022. Prior to joining our Group, Mr. Zhang served as executive director at Goldman Sachs (Asia) L.L.C. from 2018 to 2021. Prior to that, Mr. Zhang served as vice president at Citigroup Global Markets Asia Limited from 2015 to 2018 and associate at Merrill Lynch (Asia Pacific) Ltd. from 2014 to 2015. He also worked at Deutsche Bank AG as an associate from 2008 to 2014.

Mr. Zhang received his master’s degree in management from Cass Business School in the United Kingdom in October 2008.

### JOINT COMPANY SECRETARIES

**Mr. Chen Zhe (陳哲)**, joined our Company on 20 December 2021 as head of investor relations centre and is our joint company secretary. Prior to joining our Company, Mr. Chen served as head of investor relations department at Ping An Healthcare and Technology Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1833), from December 2019 to December 2021. Prior to that, Mr. Chen worked as a senior associate at strategic investment department and a senior manager at investor relations department from July 2017 to December 2019 at Tongcheng Network Technology Limited, a consolidated affiliated entity of Tongcheng-Elong Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 0780). Prior to that, Mr. Chen worked at Wanda Group from September 2016 to June 2017, and worked at Huabao (Shanghai) Management Co., Ltd. from June 2015 to September 2016.

Mr. Chen obtained his bachelor’s degree in Japanese from Southeast University in China in June 2012, and his master’s degree of science in management with international finance from University of Glasgow in the United Kingdom in December 2013.

**Mr. Lee Chung Shing (李忠成)** is our joint company secretary. Mr. Lee has over 20 years of experience in providing auditing, financial management, company secretarial and investor relations services to listed companies in Hong Kong. He is currently an assistant vice president of Governance Services of Computershare Hong Kong Investor Services Limited and the joint company secretary and the company secretary of various companies listed on the Stock Exchange.

Mr. Lee obtained his bachelor’s degree in accountancy from City University of Hong Kong in December 1994 and a master’s degree in business administration (financial services) from The Hong Kong Polytechnic University in November 2002. Mr. Lee is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

## DIRECTORS AND SENIOR MANAGEMENT

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### MANAGEMENT AND CORPORATE GOVERNANCE

#### Board Committees

##### *Audit committee*

We have established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of our Group, review and approve connected transactions and provide advice and comments to the Board. The audit committee comprises three members, namely Ms. Yan Huiping, Mr. Feng Wei and Mr. Wang Jingbo as the members of the audit committee, with Ms. Yan Huiping as chairperson of the audit committee.

##### *Remuneration committee*

We have established a remuneration committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to review and make recommendations to the Board on the terms of remuneration packages, bonuses and other compensation payable to our Directors and other senior management. The remuneration committee comprises three members, namely Ms. Yan Huiping, Mr. Wang Jingbo and Mr. Chen Min, with Ms. Yan Huiping as chairperson of the remuneration committee.

##### *Nomination committee*

We have established a nomination committee with written terms of reference in compliance with Rule 3.27A of the Listing Rules and the Corporate Governance Code in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to our Board on the appointment of Directors and management of Board succession. The nomination committee comprises three members, namely Mr. Wang Jingbo, Mr. Feng Wei and Mr. Hu Xiaodong, with Mr. Wang Jingbo as chairperson of the nomination committee.

##### *Corporate governance committee*

We have established a corporate governance committee in compliance with the Corporate Governance Code and Chapter 8A of the Listing Rules. The primary duties of the corporate governance committee are to ensure that our Company is operated and managed for the benefit of all shareholders and to ensure our Company’s compliance with the Listing Rules and safeguards relating to the weighted voting rights structures of our Company.

The corporate governance committee comprises of three independent non-executive Directors namely Mr. Feng Wei, Ms. Yan Huiping and Mr. Wang Jingbo. Mr. Feng Wei is the chairperson of

## DIRECTORS AND SENIOR MANAGEMENT

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the committee. For details of their experience in corporate governance related matters, please refer to the biographies of each of our independent non-executive Directors in the section headed “— Directors — Independent non-executive Directors” above.

In accordance with Rule 8A.30 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 of the Listing Rules, the work of our corporate governance committee as set out in its terms of reference includes:

- (a) to develop and review our Company’s policies and practises on corporate governance and make recommendations to the Board;
- (b) to review and monitor the training and continuous professional development of directors and senior management;
- (c) to review and monitor our Company’s policies and practises on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors;
- (e) to review our Company’s compliance with the code and disclosure in the Corporate Governance Report;
- (f) to review and monitor whether our Company is operated and managed for the benefit of all its shareholders;
- (g) to confirm, on an annual basis, that the beneficiaries of weighted voting rights have been members of our Company’s board of directors throughout the year and that no matters under Rule 8A.17 of the Listing Rules have occurred during the relevant financial year;
- (h) to confirm, on an annual basis, whether or not the beneficiaries of weighted voting rights have complied with Rules 8A.14, 8A.15, 8A.18 and 8A.24 of the Listing Rules throughout the year;
- (i) to review and monitor the management of conflicts of interests and make a recommendation to the Board on any matter where there is a potential conflict of interest between our Company, its subsidiary or consolidated affiliated entity and/or shareholder on one hand and any beneficiary of weighted voting rights on the other;
- (j) to review and monitor all risks related to our Company’s WVR structure, including connected transactions between our Company and/or its subsidiary or consolidated affiliated entity and/or shareholder on one hand and any beneficiary of weighted voting rights on the other and make a recommendation to the Board on any such transaction;

## DIRECTORS AND SENIOR MANAGEMENT

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- (k) to make a recommendation to the Board as to the appointment or removal of the Compliance Advisor;
- (l) to seek to ensure effective and on-going communication between our Company and its shareholders, particularly with regards to the requirements of Rule 8A.35 of the Listing Rules; and
- (m) to report on the work of the corporate governance committee on at least a half-yearly and annual basis covering all areas of its terms of reference, including disclosing, on a comply or explain basis, its recommendations to the Board in respect of the matters in items (i) to (k) above.

Pursuant to Rule 8A.32 of the Listing Rules, the Corporate Governance Report prepared by our Company for inclusion in our interim and annual reports after the [REDACTED] will include a summary of the work of the corporate governance committee for the relevant period.

### **Role of our Independent Non-executive Directors**

Pursuant to Rule 8A.26 of the Listing Rules, the role of the independent non-executive Directors of a listed company with WVR structure must include, but is not limited to, the functions described in code provisions A.6.2, A.6.7 and A.6.8 of the Corporate Governance Code. The functions of our independent non-executive Directors include:

- a) participating in board meetings to bring an independent judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct;
- b) taking the lead where potential conflicts of interests arise;
- c) serving on the audit, remuneration, nomination and other governance committees, if invited;
- d) scrutinising our Company’s performance in achieving agreed corporate goals and objectives, and monitoring performance reporting;
- e) giving the Board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation;
- f) making a positive contribution to the development of our Company’s strategy and policies through independent, constructive and informed comments; and
- g) attending general meetings and developing a balanced understanding of the views of our Shareholders.

## DIRECTORS AND SENIOR MANAGEMENT

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### Corporate Governance Code

We aim to achieve high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. In order to accomplish this, we expect to comply with the Corporate Governance Code set out in Appendix 14 to the Listing Rules save for the below.

Pursuant to code provision A.2.1 of the Corporate Governance Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairman of the Board and the chief executive officer should be segregated and should not be performed by the same individual. We do not have a separate chairman of the Board and chief executive officer and Mr. Chen Min currently performs these two roles. The Board believes that vesting the roles of both chairman of the Board and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and the chief executive officer of our Company if and when it is appropriate taking into account the circumstances of the Group as a whole. For further information relating to our Company’s corporate governance measures, please see the section headed “Relationship with our Controlling Shareholders — Corporate Governance Measures.”

### Board diversity

Our Company [has adopted] a board diversity policy which sets out the approach to achieve diversity of the Board. Our Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining our Company’s competitive advantage and enhancing its ability to attract, retain and motivate employees from the widest possible pool of available talent. Pursuant to the board diversity policy, in reviewing and assessing suitable candidates to serve as a Director, the nomination committee will consider a number of factors, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry experience. The nomination committee will discuss periodically and when necessary, agree on the measurable objectives for achieving diversity, including gender diversity, on the Board and recommend them to the Board for formal adoption.

We recognise the particular importance of gender diversity. Our Board currently comprises six Directors, including one female Director. We will maintain the current gender ratio of our Board within 12 months of the [REDACTED] and aim to have at least 30% female members on the Board by 31 December 2025. We have taken and will continue to take steps to promote and enhance gender diversity at all levels of our Company, including but without limitation at our Board and senior management levels. Our board diversity policy provides that our Board shall take opportunities when



## DIRECTORS AND SENIOR MANAGEMENT

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selecting and making recommendations on suitable candidates for Board appointments with the aim to maintain the proportion of female members after [REDACTED]. We will also ensure that there is gender diversity when recruiting staff at mid to senior level, as well as engage more resources in training more female staff with the aim of providing a pipeline of female senior management and potential successors to our Board going forward. It is our objective to maintain an appropriate balance of gender diversity with reference to the stakeholders’ expectation and international and local recommended best practices.

### Management presence

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong. This will normally mean that at least two of its executive directors must be ordinarily resident in Hong Kong. We do not have sufficient management presence in Hong Kong for the purposes of Rule 8.12 of the Listing Rules.

Accordingly, we have applied for[, and the Stock Exchange has granted], a waiver from strict compliance with Rule 8.12 of the Listing Rules. See “Waivers and Exemptions” for further details.

### REMUNERATION

Our Directors receive remuneration, including salaries, allowances and benefits in kind, including our contribution to the pension plan on their behalf.

The aggregate amount of remuneration (including basic salaries, housing allowances, other allowances and benefits in kind, contributions to pension plans and discretionary bonuses) for our Directors for each of the years ended 31 December 2019, 2020, 2021, 2022 and the three months ended 31 March 2023, was approximately RMB18.4 million, RMB7.0 million, RMB18.8 million, RMB10.3 million and RMB2.87 million, respectively. None of our Directors waived any remuneration during the aforesaid periods.

It is estimated that remuneration and benefits-in-kind (excluding share-based compensation, which may be paid to any Directors) equivalent to approximately RMB5 million in aggregate will be paid to our Directors by us in respect of the financial year ending 31 December 2023 under arrangements in force at the date of this document.

The aggregate amount of remuneration of our five highest paid individuals (including 1, nil, 1, 1 and 1 Director) for the years ended 31 December 2019, 2020, 2021 and 2022, and the three months ended 31 March 2023, were approximately RMB55 million, RMB13 million, RMB32 million, RMB91 million and RMB24 million, respectively.

Save as disclosed above, no other payments have been paid or are payable, in respect of the years ended 31 December 2019, 2020, 2021 and 2022, and the three months ended 31 March 2023, by our Company to our Directors.

## DIRECTORS AND SENIOR MANAGEMENT

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No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. No compensation was paid to, or receivable by, our Directors or past directors for the Track Record Period for the loss of office as director or any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the same period.

See paragraphs headed “Statutory and General Information — D. Equity Incentive Schemes” in Appendix IV for details regarding the incentive plans for our Directors and the senior management.

### COMPETITION

Each of the Directors confirms that as of the Latest Practicable Date, save as disclosed in this [REDACTED], he or she did not have any interest in a business which materially competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules.

From time to time our non-executive Director may serve on the boards of both private and public companies within the technology and/or automotive service industries. However, as the non-executive Director is neither our Controlling Shareholder nor member of our executive management team, we do not believe that his interests in such companies as Director would render us incapable of carrying on our business independently from the other companies in which he may hold directorships from time to time.

### COMPLIANCE ADVISOR

We have appointed Guotai Junan Capital Limited as our Compliance Advisor pursuant to Rule 3A.19 and 8A.33 of the Listing Rules. The Compliance Advisor will provide us with guidance and advice as to compliance with the requirements under the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 and 8A.34 of the Listing Rules, the Compliance Advisor will advise our Company, among others, in the following circumstances:

- (a) before the publication of any regulatory announcement, circular, or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (c) where we propose to use the [REDACTED] of the [REDACTED] in a manner different from that detailed in this [REDACTED] or where the business activities, development or results of our Group deviate from any forecast, estimate or other information in this document;
- (d) where the Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules;

## DIRECTORS AND SENIOR MANAGEMENT

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- (e) the WVR structure;
- (f) transactions in which any beneficiary of weighted voting rights in our Company has an interest; and
- (g) where there is a potential conflict of interest between our Company, its subsidiary and/or Shareholders (considered as a group) on one hand and any beneficiary of weighted voting rights in our Company on the other.

The term of appointment of the Compliance Advisor shall commence on the [REDACTED]. Pursuant to Rule 8A.33 of the Listing Rules, our Company is required to engage a compliance advisor on a permanent basis.

### DIRECTORS’ AND SENIOR MANAGEMENT’S INTERESTS

Save as disclosed above in this section, none of our Directors or senior management has been a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this [REDACTED].

Save as disclosed above in this section, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

As of the Latest Practicable Date, save for the interests in the shares of our Company held by our Directors which are disclosed in the section headed “Statutory and General Information – C. Further Information about Our Directors” in Appendix IV to this [REDACTED], none of our Directors held any interest in the securities within the meaning of Part XV of the SFO.

As of the Latest Practicable Date, none of our Directors or members of our senior management are related to other Directors or members of our senior management of our Company.

## SUBSTANTIAL SHAREHOLDERS

### SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no Shares are issued under the Equity Incentive Schemes), the following persons will have an interest or short position in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the issued voting shares of any class of shares of our Company or any other member of our Group:

<u>Name of Shareholder</u>	<u>Capacity / Nature of interest</u>	<u>Number of Shares</u>	<u>% of issued share capital held by each substantial shareholder in each class of Shares as of the Latest Practicable Date<sup>(6)</sup></u>	<u>Approximate % of shareholding in each class of Shares of our Company immediately after the [REDACTED]<sup>(6)</sup></u>
<b><u>Class A Shares</u></b>				
<b><i>Tencent</i></b>				
Tencent <sup>(1)</sup> . . . . .	Interest in controlled corporation	151,889,835	21.52%	[REDACTED]
<b><i>Image Frame Investment (HK) Limited</i></b>				
Image Frame Investment (HK) Limited . . . . .	Beneficial owner	144,786,950	20.52%	[REDACTED]
<b><i>Joy Capital</i></b>				
Joy Capital Entities <sup>(2)</sup> . . . . .	Beneficial owner	70,295,645	9.96%	[REDACTED]
<b><i>Sequoia China</i></b>				
Max Hope Limited <sup>(3)</sup> . . . . .	Beneficial owner	39,167,585	5.55%	[REDACTED]
<b><i>FountainVest</i></b>				
Ubiquity Holdings Ltd <sup>(4)</sup> . . . . .	Beneficial owner	42,707,045	6.05%	[REDACTED]
<b><u>Class B Shares</u></b>				
<b><i>Nholresi Investment Limited</i></b>				
Nholresi Investment Limited . . . . .	Beneficial owner	68,949,580	100%	[REDACTED]
<b><i>Ilnewgnay Investment Limited<sup>(5)</sup></i></b>				
Ilnewgnay Investment Limited <sup>(5)</sup> . . . . .	Interest in controlled corporation	68,949,580	100%	[REDACTED]
Mr. Chen Min <sup>(5)</sup> . . . . .	Interest in controlled corporation	68,949,580	100%	[REDACTED]

*Notes:*

(1) Represents (i) 144,786,950 Class A Shares directly held by Image Frame Investment (HK) Limited, a limited liability company incorporated in Hong Kong, and (ii) 7,102,885 Class A Shares directly held by Cool Dragon Holding Limited, an exempted company with limited liability incorporated under the laws of Cayman Islands. Image Frame Investment (HK) Limited and Cool Dragon Holding Limited are controlled by Tencent. Tencent is a limited liability company incorporated in the Cayman Islands and is listed on the Main Board of the Stock Exchange (stock code: 0700). Accordingly, Tencent is deemed to be interested in the total number of Class A Shares held by Image Frame Investment (HK) Limited and Cool Dragon Holding Limited.

## SUBSTANTIAL SHAREHOLDERS

- (2) Represents (i) 15,335,735 Class A Shares directly held by Joy Capital Opportunity, L.P., a limited partnership incorporated under the laws of the Cayman Islands, (ii) 3,818,520 Class A Shares directly held by Joy Jade Limited, a limited liability company incorporated in Hong Kong, (iii) 24,505,905 Class A Shares directly held by JOY FLY INVESTMENT MANAGEMENT LIMITED, a limited liability company incorporated in Hong Kong, (iv) 4,723,535 Class A Shares directly held by Joy Amber Limited, a limited liability company incorporated in Hong Kong, (v) 17,745,950 Class A Shares directly held by Joy Gem Limited, a limited liability company incorporated in Hong Kong and (vi) 4,166,000 Class A Shares directly held by BOLD HIGHLIGHT HK LIMITED, a limited liability company incorporated in Hong Kong. Joy Capital Opportunity, L.P., Joy Jade Limited, JOY FLY INVESTMENT MANAGEMENT LIMITED, Joy Amber Limited, Joy Gem Limited and BOLD HIGHLIGHT HK LIMITED are collectively referred to as “Joy Capital Entities”. Joy Amber Limited, Joy Jade Limited and Joy Gem Limited are ultimately controlled by Mr. Liu Erhai. The remaining Joy Capital Entities are ultimately controlled by the directors of Joy Capital GP, Ltd, the ultimate general partner of such remaining Joy Capital Entities. Mr. Liu Erhai disclaims beneficial ownership of the Class A Shares of our Company held by Joy Capital Opportunity, L.P., JOY FLY INVESTMENT MANAGEMENT LIMITED and BOLD HIGHLIGHT HK LIMITED, except to the extent of Mr. Liu Erhai pecuniary interest therein, if any.
- (3) Represents 39,167,585 Class A Shares directly held by Max Hope Limited. Max Hope Limited, which was incorporated in the Cayman Islands and wholly owned by Beijing Sequoia Jingtu Management Consulting Centre (L.P.), or Jingtu, and ultimately controlled by Jingtu’s general partner, Ningbo Meishan Bonded Port Area Sequoia Huanjia Equity Investment Management Co., Ltd. (寧波梅山保稅港區紅杉桓嘉投資管理有限公司, “Sequoia Huanjia”). Mr. Zhou Kui held 70% interests in Sequoia Huanjia. As such, Mr. Kui Zhou is deemed to be interested in the Class A Shares held by Max Hope Limited.
- (4) Represents 42,707,045 Class A Shares directly held by Ubiquity Holdings Ltd., an exempted company incorporated under the laws of the Cayman Islands. Ubiquity Holdings Ltd. is 76.84% owned by FountainVest China Capital Partners Fund III, L.P., 22.72% owned by FountainVest China Capital Parallel Fund III, L.P. and 0.44% owned by FountainVest China Capital Parallel-A Fund III, L.P. FountainVest China Capital Partners Fund III, L.P., FountainVest China Capital Parallel Fund III, L.P. and FountainVest China Capital Parallel-A Fund III, L.P. are Cayman Islands limited partnerships. FountainVest China Capital Partners GP3 Ltd., a Cayman Islands company, is the sole general partner of FountainVest China Capital Partners Fund III, L.P., FountainVest China Capital Parallel Fund III, L.P. and FountainVest China Capital Parallel-A Fund III, L.P. FountainVest China Capital Partners GP3 Ltd. is controlled by its directors, Kui Tang and George Jian Chuang, each an Independent Third Party.
- (5) Represents 68,949,580 Class B Shares directly held by Nholresi Investment Limited, a company incorporated in British Virgin Islands. Mr. Chen acts as the sole director of Nholresi Investment Limited, and possesses the sole voting power over the shares held by Nholresi Investment Limited. Nholresi Investment Limited is wholly owned by Ilnewgnay Investment Limited, a company incorporated in the British Virgin Islands. The entire interest in Ilnewgnay Investment Limited is held by Iserlohn Nholresi Trust that was established by Mr. Chen (as the settlor) with him as the beneficiary and with TMF (Cayman) Ltd. as the trustee, the purpose of which was for Mr. Chen’s estate-planning. Mr. Chen is the only member of the investment committee of Iserlohn Nholresi Trust which has the sole power to make all decisions for the trust in relation to any purchase, sale, exchange or retention of the beneficial interests in the Class B Shares, and may give written directions to the trustee of Iserlohn Nholresi Trust or Ilnewgnay Investment Limited for the execution of aforementioned decisions. Mr. Chen is also the only member of the protective committee of Iserlohn Nholresi Trust, which has the power to appoint and remove its trustee. Accordingly, Mr. Chen is considered to have retained control over the Class B Shares held by Iserlohn Nholresi Trust and no other person is able to control the Class B Shares.
- (6) Assuming that [REDACTED] Class A ordinary shares have been issued to Mr. Chen Min pursuant to the 2019 Share Incentive Plan. For details of such issuance, see section headed “Relationship with our Controlling Shareholders”.

Except as disclosed above and in the section headed “Statutory and General Information” of this document, our Directors are not aware of any other person who will, immediately following completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no Shares are issued under the Equity Incentive Schemes), have an interest or short position in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the issued voting shares of any class of shares of our Company or any other member of our Group.

## SHARE CAPITAL

### AUTHORISED AND ISSUED SHARE CAPITAL

The following is a description of our authorised share capital and the amount in issue and to be issued as fully paid or credited as fully paid immediately prior to and following completion of the [REDACTED], assuming that (i) each Class B ordinary share held by Nholresi Investment Limited is converted into one Class B Share; (ii) each Class A ordinary share and Series D-2 Preferred Share held by Nholresi Investment Limited, and each Class A ordinary share and Preferred Share held by other shareholders is converted into one Class A Share; (iii) the [REDACTED] becomes unconditional and the [REDACTED] are issued pursuant to the [REDACTED]; (iv) the [REDACTED] is not exercised and no Shares are issued under the Equity Incentive Schemes; (v) no Shares are issued or cancelled and no potential changes to the share capital materialise as described in the section headed “— Potential Changes to Share Capital” below; and (vi) no Class B Shares are converted into Class A Share.

#### Share capital as at the date of this document

##### *Authorised share capital*

Number	Description of share	Aggregate nominal value
1,884,499,230 . . . . .	ordinary share with a par value of US\$0.00002 each	US\$37,689.98
615,500,770 . . . . .	Preferred Share with a par value of US\$0.00002 each	US\$12,310.02
<b>2,500,000,000 . . . . .</b>	<b>Shares in total</b>	<b>US\$50,000.00</b>

##### *Issued, fully paid, or credited to be fully paid*

Number	Description of share	Aggregate nominal value
[159,150,720] . . . . .	ordinary share with a par value of US\$0.00002 each	US\$ [3,183.01]
615,500,770 . . . . .	Preferred Share with a par value of US\$0.00002 each	US\$ 12,310.02
<b>[774,651,490] . . . . .</b>	<b>Shares in total</b>	<b>US\$[15,493.03]</b>

#### Share capital immediately following completion of the [REDACTED]

##### *Authorised share capital*

Number	Description of share	Aggregate nominal value
2,431,050,420 . . . . .	Class A Share	US\$48,621.01
68,949,580 . . . . .	Class B Share	US\$ 1,378.99
<b>2,500,000,000 . . . . .</b>	<b>Shares in total</b>	<b>US\$50,000.00</b>

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## SHARE CAPITAL

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### *Issued, fully paid, or credited to be fully paid*

<u>Number</u>	<u>Description of share</u>	<u>Aggregate nominal value</u>
[705,701,910] . . . . .	Class A Share in issue	US\$[14,114.04]
[68,949,580] . . . . .	Class B Share in issue	US\$ [1,378.99]
[REDACTED] . . . . .	Class A Share to be issued pursuant to the [REDACTED]	[REDACTED]
[REDACTED] . . . . .	<b>Shares in total</b>	<b>[REDACTED]</b>

### **Ranking**

The [REDACTED] are Class A Shares and rank equally with all Class A Shares currently in issue and to be issued as mentioned in this document and, in particular, will rank equally for all dividends and other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this document.

### **WEIGHTED VOTING RIGHTS STRUCTURE**

#### **WVR structure**

Our Company is proposing to adopt a weighted voting rights structure effective immediately prior to completion of the [REDACTED]. Under this structure, our Company’s share capital will comprise Class A Shares and Class B Shares. Each Class B Share will entitle the holder to exercise ten votes, and each Class A Share will entitle the holder to exercise one vote, on any resolution tabled at our Company’s general meetings, except for resolutions with respect to the Reserved Matters, in relation to which each Share is entitled to one vote.

The Reserved Matters are:

- (a) any amendment to the Memorandum or Articles, including the variation of the rights attached to any class of shares;
- (b) the appointment, election or removal of any independent non-executive Director;
- (c) the appointment or removal of our Company’s auditors; and
- (d) the voluntary liquidation or winding-up of our Company.

In addition, Shareholders, including holders of Class A Shares, holding not less than one-tenth of the paid up capital of our Company that carries the right of voting at general meetings (i.e. on a one vote per share basis) are entitled to convene an extraordinary general meeting of our Company and add resolutions to the meeting agenda.



## SHARE CAPITAL

For further details, see the section headed “Summary of the Constitution of Our Company and Cayman Islands Company Law — 2 Articles of Association” in Appendix III.

The table below sets out the ownership and voting rights controlled by Mr. Chen Min upon completion of the [REDACTED]:

	Number of shares	Approximate % of issued share capital <sup>(1)</sup>	Approximate % of voting rights <sup>(1)(2)</sup>
Class A Shares <sup>(3)</sup> .....	[REDACTED]	[REDACTED]	[REDACTED]
Class B Shares .....	[REDACTED]	[REDACTED]	[REDACTED]

*Notes:*

- (1) Assuming that the Class B ordinary shares held by Nholresi Investment Limited will be reclassified and redesignated as Class B Shares and Class A ordinary shares and Preferred Shares held by it will be reclassified and redesignated as Class A Shares upon the [REDACTED] becoming unconditional and assuming that the [REDACTED] is not exercised and no Shares are issued under the Equity Incentive Schemes.
- (2) Class B Shares entitle the Shareholder to exercise ten votes per share and Class A Shares entitle the Shareholder to exercise one vote per share, except for resolutions with respect to the Reserved Matters for which each Share entitles each Shareholder to exercise one vote per share.
- (3) Class A Shares are held by Nholresi Investment Limited, which is wholly owned by Ilnewgnay Investment Limited. The entire interest in Ilnewgnay Investment Limited is held by a family trust that was established by Mr. Chen Min (as the settlor) with him as the sole beneficiary. [REDACTED] of the Class A Shares will be issued to Mr. Chen Min as restricted shares pursuant to the 2019 Share Incentive Plan before [REDACTED] and will be released from the below repurchase and transfer restrictions if the consolidated gross profit of the Company for any period of twelve months reaches RMB[REDACTED] (the “**Financial Condition**”). If (i) Mr. Chen Min no longer holds the position of chief executive officer, (ii) Mr. Chen Min no longer is employed by our Company, (iii) Mr. Chen Min commits gross misconduct as specified under the employees manual of the Company, or (iv) upon the occurrence of any of the events as set out under Rule 8A.17 of the Listing Rules, our Company shall repurchase the such Class A Shares from Mr. Chen Min. In addition, before the Financial Condition is met, Mr. Chen Min (a) will be entitled to exercise the voting rights and to receive dividends with respect to such Class A Shares, but (b) shall not transfer, sell, pledge or in any way dispose of the interest in such Class A Shares.

Class B Shares may be converted into Class A Shares on a one to one ratio. Upon the conversion of all the issued and outstanding Class B Shares into Class A Shares, our Company will issue [REDACTED] Class A Shares, representing approximately [REDACTED] of the total number of issued and outstanding Class A Shares upon such conversion (assuming the [REDACTED] is not exercised and no Shares are issued under the Equity Incentive Schemes).

The weighted voting rights attached to our Class B Shares will cease when the WVR Beneficiary no longer has beneficial ownership of any of our Class B Shares, in accordance with Rule 8A.22 of the Listing Rules. This may occur:

- (i) upon the occurrence of any of the circumstances set out in Rule 8A.17 of the Listing Rule, in particular where the WVR Beneficiary is: (1) deceased; (2) no longer a member of our Board; (3) deemed by the Stock Exchange to be incapacitated for the purpose of

## SHARE CAPITAL

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performing his duties as a director; or (4) deemed by the Stock Exchange to no longer meet the requirements of a director set out in the Listing Rules;

- (ii) when the holder of Class B Shares has transferred to another person the beneficial ownership of, or economic interest in, all of the Class B Shares or the voting rights attached to them, other than in the circumstances permitted by Rule 8A.18 of the Listing Rule;
- (iii) where a vehicle holding Class B Shares on behalf of a WVR Beneficiary no longer complies with Rule 8A.18(2) of the Listing Rule; or
- (iv) when all of the Class B Shares have been converted to Class A Shares.

Save for the weighted voting rights attached to Class B Shares, the rights attached to all classes of Shares are identical. For further information about the rights, preferences, privileges and restrictions of the Class A Shares and Class B Shares, see the section headed “Summary of the Constitution of Our Company and Cayman Islands Company Law — 2 Articles of Association” in Appendix III for further details.

### **WVR Beneficiary**

Immediately upon the completion of [REDACTED], the WVR Beneficiary will be Mr. Chen Min. Mr. Chen Min will beneficially own [REDACTED] Class A Shares and [REDACTED] Class B Shares, representing approximately [REDACTED] of the voting rights in our Company (assuming the [REDACTED] is not exercised and no Shares are issued under the Equity Incentive Schemes) with respect to shareholder resolutions relating to matters other than the Reserved Matters. Mr. Chen Min will hold these Class A Shares and Class B Shares through Nholresi Investment Limited, which is wholly-owned by Ilnewgnay Investment Limited, where the entire interest in Ilnewgnay Investment Limited is held by a trust that was established by Mr. Chen Min (as the settlor) with him as the sole beneficiary.

Our Company is adopting the WVR structure to enable the WVR Beneficiary to exercise voting control over our Company. This will enable our Company to benefit from the continuing vision and leadership of the WVR Beneficiary who will control our Company with a view to its long-term prospects and strategy.

Prospective [REDACTED] are advised to be aware of the potential risks of [REDACTED] in companies with WVR structure, in particular that interests of the WVR Beneficiary may not necessarily always be aligned with those of our Shareholders as a whole, and that the WVR Beneficiary will be in a position to exert significant influence over the affairs of our Company and the outcome of shareholders’ resolutions, irrespective of how other Shareholders vote. Prospective [REDACTED] should make the decision to [REDACTED] in our Company only after due and careful consideration. For further information about the risks associated with the WVR structure adopted by our Company, please refer

## SHARE CAPITAL

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to the section headed “Risk Factors – Risks Related to the WVR Structure – Holders of our Class B Shares may exert substantial influence over us and may not act in the best interests of our independent Shareholders” of this document.

Save for the weighted voting rights attached to Class B Shares, the rights attached to Class A Shares and Class B Shares are identical. For further information about the rights, preferences, privileges and restrictions of the Class A Shares and Class B Shares, please see the section headed “Summary of the Constitution of our Company and Cayman Islands Company Law – 2 Articles of Association” in Appendix III to this [REDACTED].

### Undertakings by the WVR Beneficiary

Pursuant to Rule 8A.43 of the Listing Rules, the WVR Beneficiary is required to give a legally enforceable undertaking to our Company that he will comply with the relevant requirements as set out in Rule 8A.43, which is intended to be for the benefit of and enforceable by the Shareholders. On 28 September 2022, Mr. Chen Min made an undertaking to our Company (the “**Undertaking**”), that for so long as he is a WVR Beneficiary:

- (1) he shall comply with (and, if the shares to which the weighted voting rights that he is beneficially interested in are attached are held through a limited partnership, trust, private company or other vehicle, use his best endeavours to procure that that limited partnership, trust, private company or other vehicle complies with) all applicable requirements under Rules 8A.09, 8A.14, 8A.15, 8A.17, 8A.18, and 8A.24 of the Listing Rules from time to time in force (the “**Requirements**”); and
- (2) he shall use his best endeavours to procure that our Company complies with all applicable Requirements.

For the avoidance of doubt, the Requirements are subject to Rule 2.04 of the Listing Rules. The WVR Beneficiary acknowledged and agreed that the Shareholders rely on the Undertaking in acquiring and holding their Shares. The WVR Beneficiary acknowledged and agreed that the Undertaking is intended to confer a benefit on our Company and all Shareholders and may be enforced by our Company and/or any Shareholder against the WVR Beneficiary.

The Undertaking shall automatically terminate upon the earlier of (i) the date of [REDACTED] of our Company from the Stock Exchange; and (ii) the date on which the relevant WVR Beneficiary ceases to be a beneficiary of weighted voting rights in our Company. For the avoidance of doubt, the termination of the Undertaking shall not affect any rights, remedies, obligations or liabilities of our Company and/or any Shareholder and/or the relevant WVR Beneficiary himself that have accrued up to the date of termination, including the right to claim damages and/or apply for any injunction in respect of any breach of the Undertaking which existed at or before the date of termination.

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The Undertaking shall be governed by the laws of Hong Kong and all matters, claims or disputes arising out of the Undertaking shall be subject to the exclusive jurisdiction of the courts of Hong Kong.

### POTENTIAL CHANGES TO SHARE CAPITAL

#### **Circumstances under which general meeting and class meeting are required**

Our Company may by ordinary resolution (i) increase its share capital by the creation of new shares; (ii) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares; (iii) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person; and (iv) sub-divide its shares or any of them into shares of smaller amount. In addition, our Company may by special resolution reduce its share capital or any capital redemption reserve subject to any conditions prescribed by the Cayman Companies Act.

See the section headed “Summary of the Constitution of Our Company and Cayman Islands Company Law — 2 Articles of Association — 2.5 Alteration of capital” in Appendix III for further details.

If at any time the share capital of our Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Cayman Companies Act, be varied or abrogated only with (in addition to a special resolution to amend the Memorandum or the Articles) the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a resolution passed at a separate meeting of the holders of the shares of that class by members holding shares representing three-fourths in nominal value of the shares Present (as defined in the Articles) and voting at such meeting.

See the section headed “Summary of the Constitution of Our Company and Cayman Islands Company Law — 2 Articles of Association — 2.4 Variation of rights of existing shares or classes of shares” in Appendix III for further details.

#### **General mandate to issue Shares**

Subject to the [REDACTED] becoming unconditional, our Directors [were] granted a general mandate to allot, issue and deal with any Class A Shares or securities convertible into Class A Shares of not more than the sum of:

- 20% of the total number of Shares in issue immediately following completion of the [REDACTED] (but excluding any Shares which may be issued pursuant to the exercise of the [REDACTED], any Shares which may be issued under the Equity Incentive

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Schemes, and any Class A Shares that are issuable upon conversion of the Class B Shares on a one to one basis); and

- the total number of Shares repurchased by our Company pursuant to the authority referred to in the section headed “— General mandate to repurchase Shares” below.

This general mandate to issue Class A Shares will remain in effect until the earliest of:

- the conclusion of the next annual general meeting of our Company unless, by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to condition;
- the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws of the Cayman Islands or the memorandum and the articles of association of our Company; and
- the passing of an ordinary resolution by our Shareholders in a general meeting revoking or varying the authority.

### **General mandate to repurchase Shares**

Subject to the [REDACTED] becoming unconditional, our Directors [were] granted a general mandate to repurchase our own Class A Shares up to 10% of the total number of Shares in issue immediately following completion of the [REDACTED] (but excluding any Shares which may be issued pursuant to the exercise of the [REDACTED], any Shares which may be issued under the Equity Incentive Schemes, and any Class A Shares that are issuable upon conversion of the Class B Shares on an one-to-one basis).

This mandate only relates to repurchases on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, and in accordance with all applicable laws and the requirements under the Listing Rules or equivalent rules or regulations of any other stock exchange.

This general mandate to repurchase Class A Shares will remain in effect until the earliest of:

- the conclusion of the next annual general meeting of our Company unless, by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to condition;
- the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws of the Cayman Islands or the memorandum and the articles of association of our Company; and

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- the passing of an ordinary resolution by our Shareholders in a general meeting revoking or varying the authority.

See the section headed “Statutory and General Information — A. Further Information about Our Group — 5. Explanatory statement on repurchase of our own securities” in Appendix IV for further details of this general mandate to repurchase Shares.

### Equity Incentive Scheme

We have adopted the 2019 Share Incentive Plan and the Post-**[REDACTED]** Share Scheme. As of the Latest Practicable Date, the number of underlying Class A Shares pursuant to the outstanding options granted under the 2019 Share Incentive Plan (net of [12,614,702] forfeited options) amounts to [43,246,892] Class A Shares, among which our directors, senior managers and employees are granted with outstanding options to subscribe for an aggregate of [41,072,348] Class A Shares, and certain of our franchisees who are individuals as well as the individuals controlling certain of our franchisees which are companies, as our consultants, are granted with outstanding options to subscribe for an aggregate of [2,174,544] Class A Shares. See the section headed “Statutory and General Information — D. Equity Incentive Schemes” in Appendix IV for further details.

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*You should read the following discussion and analysis in conjunction with our audited consolidated financial information as of and for the years ended 31 December 2019, 2020, 2021 and 2022 and the three months ended March 31, 2023 included in the Accountants’ Report set out in Appendix I to this document, together with the respective accompanying notes. Our audited consolidated financial information has been prepared in accordance with International Financial Reporting Standards (“IFRSs”).*

*The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties, many of which we cannot control or foresee. In evaluating our business, you should carefully consider all of the information provided in this document, including “Risk Factors” and “Business.”*

## OVERVIEW

We are one of the leading integrated online and offline platforms for automotive service in China. By providing a digitalised and on-demand service experience underpinned by our customer-centric model and streamlined supply chain, we directly address car owners’ diverse products and service needs, creating a vibrant automotive service platform consisting of car owners, suppliers, automotive service stores and other participants. As of 31 March 2023, we had 100.2 million registered users on our flagship “Tuhu Automotive Service (途虎養車)” app and online interfaces. We had 17.1 million transacting users in the last twelve months ended 31 March 2023, which increased by 9.9% from 15.5 million for the same period ended 31 March 2022. Our average MAU reached 10.2 million in the three months ended 31 March 2023, making our platform the largest car owner community amassed by automotive service providers in China, according to the CIC Report. Our growing service network of over 4,700 Tuhu workshops and over 19,000 partner stores spans across the entire country, covering a majority of prefecture-level cities.

Our platform serves most of the passenger vehicle models sold in China, fulfilling a wide spectrum of automotive service demands ranging from tires and chassis parts replacement to auto maintenance, repair, detailing, and more. By bringing sporadic automotive service demands onto one platform, customer engagement is significantly increased as compared to the traditional offline automotive service model that is highly dependent on localised service demands.

We have developed an automotive service technical support system along the automotive service industry chain that includes parts-matching big-data platform, warehouse management system, transportation management system, order management system, store management system, and technicians support and management system.



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A flexible and extensive fulfilment infrastructure is critical to the success of our platform. We have constructed a nationwide warehousing and logistics system with a combination of self-operated infrastructure and third-party service providers. As of 31 March 2023, we operated 39 regional distribution centres, or RDCs, and 267 front distribution centres, or FDCs. Our logistics solutions cover more than 300 cities in China as of 31 March 2023 and our RDCs supported a monthly average of 2.7 million tires and 13.1 million other auto parts received and shipped in the three months ended 31 March 2023, respectively.

We generate our revenue mainly by providing authentic auto products and high quality services through our online interfaces and offline service network. Our total revenue increased by 24.3% from RMB7.0 billion in 2019 to RMB8.8 billion in 2020, further increased by 33.9% to RMB11.7 billion in 2021, and slightly decreased to RMB11.5 billion in 2022. Our total revenue increased by 10.0% from RMB3.0 billion in the three months ended 31 March 2022 to RMB3.3 billion in the same period of 2023. For the years of 2019, 2020, 2021 and 2022 and the three months ended 31 March 2022 and 2023, our gross profit was RMB523.4 million, RMB1.1 billion, RMB1.9 billion, RMB2.3 billion, RMB532.9 million and RMB789.8 million, respectively.

We recognised fair value loss of convertible redeemable preferred shares of RMB1.9 billion, RMB3.0 billion, RMB4.4 billion, RMB1.3 billion, RMB342.0 million and RMB298.0 million in 2019, 2020, 2021 and 2022 and the three months ended 31 March 2022 and 2023, respectively, which is due to the increases in the fair value liabilities of our convertible redeemable preferred shares mainly driven by the increases in our valuation. Such fair value loss of convertible redeemable preferred shares led to the increases in our losses during the Track Record Period. Our convertible redeemable preferred shares will be redesignated and reclassified from liabilities to equity as a result of the automatic conversion into ordinary shares upon the [REDACTED]. Changes in fair value of convertible redeemable preferred shares affected our performance significantly during the Track Record Period and may continue to have adverse effect on our results of operations when our valuation continues to increase until conversion into ordinary shares, after which we do not expect to recognise any further loss or gain on fair value changes from convertible redeemable preferred shares and will return to a net assets position. We had a net loss of RMB3.4 billion, RMB3.9 billion, RMB5.8 billion, RMB2.1 billion, RMB609.7 million and RMB278.5 million in 2019, 2020, 2021 and 2022 and the three months ended 31 March 2022 and 2023, respectively.

## BASIS OF PREPARATION

Our historical financial information has been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which comprise all standards and interpretations approved by the International Accounting Standards Board (the “IASB”). All IFRSs effective for the accounting period commencing from 1 January 2023 together with the relevant transitional provisions, have been early adopted by us in the preparation of the historical financial information throughout the Track Record Period. The historical financial information has been prepared under the historical cost convention, except for financial assets or liabilities at fair value through profit or loss which have been measured at fair value.



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service network, consisting of Tuhu workshops and partner stores. Higher store density and broader geographical coverage will lead to a more convenient experience for customers which ultimately translates to larger customer base.

Our offline service network also serves as an additional touch point to extend our customer reach. Our expanding presence in the market also enhances our brand image organically, which we believe will further drive reduction in our customer acquisition costs.

As of 31 March 2023, our store network consisted of 4,770 Tuhu workshops and 19,624 partner stores. The below table sets forth our store numbers as of the dates indicated.

	As of 31 December				As of 31 March
	2019	2020	2021	2022	2023
	Number of Tuhu workshops . . . . .	1,423	2,488	3,853	4,653
Number of partner stores . . . . .	18,743	23,285	31,623	20,870	19,624

We plan to further expand the number and geographic coverage of stores by gradually penetrating into lower-tier markets and increasing the store density in existing markets mainly through expanding the network of franchised Tuhu workshops.

### **Our ability to optimise business mix**

Our results of operations, and in particular, our profitability, are also affected by our business mix. We offer a diversified and expanding portfolio of products and services, such as tires and chassis parts, auto maintenance products and services, and others (mainly consisting of car detailing, accessories, and repairs). The different categories we offer have different margins and growth outlooks. As we introduce and promote new offerings, our overall profitability may vary from period to period as a result of changes in products and services category mix and their respective margin profiles. In addition, our profitability may be impacted by our business-mix related marketing decisions in a particular period as well as promotions that we may extend to our customers in a particular period. Our diversified and expanding offerings of products and services also enable us to provide a convenient automotive service experience catering to the various needs of car owners, driving customer acquisition and retention and increasing cross-selling activities.

### **Our ability to enhance procurement and supply chain management**

Cost of automotive products and services has been a major component of our cost of revenue, accounting for 88.9%, 84.3%, 80.3%, 74.8%, 77.1% and 72.0% of our revenue in 2019, 2020, 2021 and 2022 and the three months ended 31 March 2022 and 2023, respectively. Product costs have historically accounted for a substantial majority of cost of automotive products and services. Our profitability is dependent on our ability to control these costs and expenses as a percentage of our revenues, which in turn depends on our ability to effectively manage our supply chain.

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The well-known domestic and global brands we cooperate with enjoy the large demand from our platform and are amenable to offering us authentic automotive products with lower costs. As our business scales, we are able to obtain more favourable terms from suppliers, and enter into exclusive partnerships with suppliers to develop C2M capability and private label products, which help us enhance profitability. In addition, our user data and AI-based data analytics capabilities will help optimise supply chain efficiency. Our scale also helps us optimise our fulfilment expenses.

### IMPACT OF COVID-19 ON OUR OPERATIONS

In an effort to control the spread of the COVID-19 pandemic, China took precautionary measures, such as extending the Chinese New Year holiday, travel restrictions, quarantines, remote working, cancellation of public events, and recommendations against travel for leisure, among others. These measures adversely affected our operations and financial performance during the Track Record Period.

The restriction on or advise against travel, including travel for holidays, reduces miles driven, and as a result needs for tire changes, vehicle maintenance, and repairs decreased accordingly. Other precautionary measures such as lockdowns, social-distancing, remote working and generally the fear of contracting the disease made our customers less willing to visit our stores for services or postponed their needs for services. Stores in our network were closed temporarily due to cautionary measures and shortage of labour. For instance, more than 200 Tuhu workshops were closed for the whole month of February 2020. We experienced a sharp decline in the sales of automotive products and services in February 2020. While we still managed to achieve a revenue growth of 24.3% from 2019 to 2020, the growth is slower than expected. Hubei province and Henan province were materially affected by the COVID-19 pandemic in 2020. The Tuhu workshops located in these two provinces only accounted for 10.1% of our total number of Tuhu workshops as of 31 December 2020. The below table sets forth the average monthly in-operation ratios of Tuhu workshops in 2020.

<u>January<sup>(1)</sup></u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>	<u>September</u>	<u>October</u>	<u>November</u>	<u>December</u>
70.4%	28.4%	86.5%	97.3%	97.4%	97.1%	96.5%	96.6%	96.7%	96.5%	96.7%	96.3%

*Note:*

(1) The Chinese New Year holiday also contributed to the lower ratio in January.

Our network expansion was also affected. While we managed to increase the number of Tuhu workshops and partner stores according to our plan, many of these were opened in the second half of 2020. As these stores were afforded less time to organise their operations and ramp up, their results of operations have been negatively affected. Meanwhile, we have experienced and may continue to experience impacts caused by business disruptions to certain of our suppliers as a result of the COVID-19 pandemic, which have adversely affected our business, financial condition, results of operations and cash flows.

Despite the adverse impact of the COVID-19 pandemic, due to our scale, we exhibited better resilience in difficult times than smaller scale operators, which helped us attract more franchisees.

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The COVID-19 resurgence caused by the Omicron variants since late March 2022 adversely affected our operations in certain cities in China. For example, the average monthly in-operation ratio of our Tuhu workshops in Shanghai was less than 5% in April and May 2022. The average monthly in-operation ratio of our Tuhu workshops in Beijing was around 65% in May 2022. The number of our transacting users decreased from 1.8 million in March 2022 to 1.7 million in April 2022.

The below table sets forth the average monthly in-operation ratios of Tuhu workshops in 2022.

January	February <sup>(1)</sup>	March	April	May	June	July	August	September	October	November	December
87.2%	78.2%	87.0%	79.6%	83.8%	93.9%	94.0%	93.2%	90.9%	90.6%	84.9%	90.7%

*Note:*

(1) Lower ratio in February is mainly due to the Chinese New Year holiday.

In December 2022, China began to ease its dynamic zero-COVID policy, and most of the travel restrictions and quarantine requirements were lifted by the end of 2022. There were surges of cases in many cities in December 2022 and January 2023 which caused disruption to our operations. For instance, a large number of our employees were successively infected and on sick leave. The average weekly attendance ratio of staff working at our warehouses dropped to a lowest of 63.8%, which negatively affected our logistics efficiency. There remains uncertainty as to the future impact of the virus. The extent to which the pandemic impacts our results of operations going forward will depend on future developments which are highly uncertain and unpredictable, including the frequency, duration and extent of outbreaks of COVID-19, the appearance of new variants with different characteristics, the effectiveness of efforts to contain or treat cases, and future actions that may be taken in response to these developments. We cannot guarantee you, however, that the COVID-19 pandemic will not further escalate or have a material adverse effect on our results of operations, financial position or prospects. For more details, please refer to “Risk Factors — Risks Related to Our Business and Industry — Our business has been and may continue to be adversely affected by the COVID-19 pandemic.”

We currently do not anticipate any material deviation from our development and expansion plan due to the COVID-19 pandemic. We believe that the level of liquidity is sufficient to successfully navigate an extended period of uncertainty. As of 31 March 2023, we had cash and bank balances of RMB4.7 billion.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgements relating to accounting items. The estimates and assumptions we use and the judgements we make in applying our accounting policies have a significant impact on our financial position and results of operations. Our management continually evaluates such estimates, assumptions and judgements based on past experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There has not been any material deviation between our management’s estimates or assumptions and actual results, and we have not made any

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material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

Set forth below are discussions of the accounting policies that we believe are of critical importance to us or involve the most significant estimates, assumptions and judgements used in the preparation of our financial statements. Other significant accounting policies, estimates, assumptions and judgements, which are important for understanding our financial condition and results of operations, are set forth in detail in notes 3 and 4 to the Accountants’ Report in Appendix I to this document.

### **Significant Accounting Policies**

#### **Revenue recognition**

Revenue from contracts with customers is recognised when control of services or of goods is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those services or goods.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which we will be entitled in exchange for transferring the goods or services to the customer.

#### *Automotive products and services*

Automotive products and services comprise mainly of sales of automotive product such as tires, automotive parts and maintenance products to individuals and automotive service providers, sales of automotive services such as car wash and detailing services, and sales of bundled tire replacement and comprehensive installation and maintenance services. We provide automotive products and services through our online interfaces and offline stores. We recognise revenue at a point in time when customers take possession of and accept the automotive products and services. For a transaction that contains sale of automotive products or sale of bundled automotive products and services, we recognise revenue on a gross basis as we are the principal in the arrangement that we bear product inventory risk and control the services prior to the transfer to our customer and we are responsible for the acceptability of the products and services, regardless of whether the transaction is fulfilled through self-operated Tuhu workshop, franchised Tuhu workshop or partner store. For a service-only transaction, we recognise revenue on a gross basis when the transaction is fulfilled through self-operated and franchised Tuhu workshop as we control the services prior to the transfer to our customer and we are responsible for the acceptability of the services. We recognise revenue on a net basis when automotive services sold by us was fulfilled through partner stores, as we act as an agent and the partners stores are responsible for the acceptability of the services.

We recognise revenue net of discounts and return allowances. For coupons that are not issued concurrently with the completion of a sales transaction, we recorded such incentives as a deduction

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of revenue when used by customers, except for referral coupons, which are recognised as selling and marketing expenses when customers provide a customer referral. The amount of marketing expenses related to customer referral is insignificant for the periods presented. For coupons issued to customers concurrent with the completion of a sales transaction that can be redeemed for future products or services before expiration (which is generally within 12 months from issue date), we accounted for such coupons as separate performance obligations. Revenue allocated to these coupons is deferred and recognised as the obligation to the customers is satisfied. During the Track Record Period, each of the amount of deferred and recognised revenue for these coupons was immaterial.

We allow for return of products within seven days or 30 days, as applicable. We estimate a provision for product returns based on our historical experience. As of 31 December 2019, 2020, 2021 and 2022 and 31 March 2023, estimated liabilities for return allowances were not significant.

We also sell automotive service vouchers to our key account customers. There are two forms of sales of service vouchers, i.e., pay-by-consumption and prepaid service voucher. The majority of such sales of vouchers are paid by those key account customers in accordance with the actual consumption. Certain sales of vouchers are prepaid where key account customers make bulk purchases of vouchers with non-refundable upfront payment, and the value of prepayment is initially recognised as a contract liability. We recognise revenues from sales of automotive service vouchers when they are redeemed. For prepaid automotive service vouchers, as the vouchers sold at any given point generally expire over the next 12 months and the prepayment is not refundable, we also expect to be entitled to a breakage amount, which is the amount of vouchers that is not expected to be redeemed. The estimated breakage is then recognised as revenue in proportion to the pattern of customer’s redemption of the underlying vouchers. We review our breakage estimates at least annually based upon the latest available information regarding redemption and expiration patterns. Revenue from breakage amount was not significant during the Track Record Period.

### *Franchise services*

Franchise services include an upfront franchise fee, monthly fixed management fees and profit-based royalty fees. The upfront franchise and management fees are recognised over the term of the franchise agreements. Franchised stores pay recurring royalty fees, based on a fixed percentage of the franchised stores’ monthly profits. The recurring royalty fees are recognised at the time the underlying franchised stores’ sales occur. Each franchised store is required to make a deposit, which is fully refundable upon the termination of the franchise agreement.

### *Advertising services*

Advertising services comprise mainly the services where we display our customers’ advertisements on our online interfaces and at our offline stores. Revenues are recognised ratably over the contractual advertising display period as it most faithfully depicts the simultaneous consumption and delivery of services.



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### *Others*

Other revenues mainly represent revenues from insurance brokerage and insurance agency services, software-as-a-service (“SaaS”) solutions, sales of new energy vehicles, sales of used cars and used car transaction services. Revenues from SaaS solutions on fixed-period basis are recognised over the term of the agreements. Revenues from SaaS solutions on project basis, revenues from sales of new energy vehicles and revenues from other categories are recognised at a point in time when customers take possession of and accept the products and services.

### **Share-based payments**

We operate share award schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of our operations. Our employees (including directors) and our consultants receive remuneration in the form of share-based payments, whereby rendering services in exchange for equity instruments (“equity-settled transactions”).

The cost of equity-settled transactions with employees is measured by reference to the fair value at the dates at which they are granted. The cost of equity-settled transactions with consultants are measured by reference indirectly to the fair values of the equity instruments granted at the dates the counterparty renders services as the fair values of the service received cannot be directly reliably estimated. The fair values of equity instrument granted are determined by an external valuer using a binomial model, further details of which are given in note 39 to the Accountants’ Report in Appendix I to this document.

### **Convertible Redeemable Preferred Shares**

Convertible redeemable preferred shares are designated as financial liabilities at fair value through profit or loss, details of which are included in note 34 to the Accountants’ Report in Appendix I to this document.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from our own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an

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exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

### Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year or period, taking into consideration interpretations and practises prevailing in the countries in which we operate.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the financial year or period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax assets relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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The carrying amount of deferred tax assets is reviewed at the end of each financial year or period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at the end of each financial year or period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year or period.

Deferred tax assets and deferred tax liabilities are offset if and only if we have a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

### **Lease**

We assess at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

### ***Group as a lessee***

We apply a single recognition and measurement approach for all leases, except for short-term leases. We recognise lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

### ***Right-of-use assets***

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets. Right-of-use assets are subject to impairment.

### ***Lease liabilities***

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments

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(including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by us and payments of penalties for termination of a lease, if the lease term reflects us exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, we use incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

### *Short-term leases*

We apply the short-term lease recognition exemption to our short-term leases (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

### **Significant Accounting Judgements and Estimates**

The preparation of our historical financial information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

The key assumptions concerning the future and other key sources of estimation uncertainty as of 31 December 2019, 2020, 2021 and 2022 and 31 March 2023, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

### *Leases — estimating the incremental borrowing rate*

We cannot readily determine the interest rate implicit in a lease, and therefore, we use an incremental borrowing rate (“IBR”) to measure lease liabilities. The IBR is the rate of interest that we would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what we “would have to pay”, which requires estimation when no observable

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rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). We estimate the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

### *Impairment of non-financial assets (other than goodwill)*

We assess whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each of the financial year or period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm’s length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

### *Fair value of convertible redeemable preferred shares*

The convertible redeemable preferred shares issued by us are not traded in an active market and the respective fair values are determined by using valuation techniques, including the option-pricing method and the equity allocation model. Valuation techniques are certified by an independent and recognised international business valuer before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. Key assumptions include the risk-free interest rate, discounts for lack of marketability (“DLOM”) and volatility. Further details are set out in note 34 to the Accountants’ Report in Appendix I to this document.

### *Fair value measurement of share-based payments*

We have set up 2019 Share Incentive Plan and granted options to our directors, our employees and consultants. The fair values of the options are determined by the binomial option-pricing model at the date of grant to employees and at the date the consultants render services. Significant estimates on assumptions, including the underlying equity value, risk-free rate, expected volatility, and dividend yield, are made by our board of directors. Further details are included in note 39 to the Accountants’ Report in Appendix I to this document.

### *Level 3 of Fair Value Measurement*

In respect of the valuation of the financial assets and financial liabilities (including convertible redeemable preferred shares) categorised within level 3 at fair value through profit or loss (the “Level 3 Financial Assets and Liabilities”), with reference to the guidance under the “Guidance Note

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on Directors’ Duties in the Context of Valuations in Corporate Transactions” issued by the SFC in May 2017 (the “Guidance”) applicable to directors of companies listed on the Stock Exchange, our investment and wealth management team adopted the following procedures: (i) selected qualified persons with adequate knowledge and conducted valuation and selection on the financial assets without readily determinable fair value; (ii) carefully considered available information in assessing the financial data and assumptions including but not limited to rates of return, terms, risks and conditions; and (iii) engaged independent valuer to appraise the fair value of certain financial assets and liabilities that are significant, provided necessary financial information to the valuer for the valuer to assess our performed valuation procedures and discussed with the valuer on relevant assumptions; and (iv) reviewed the valuation reports prepared by the valuer. Based on the above procedures, our Directors are of the view that the valuation analysis performed by the valuer is fair and reasonable and our financial statements are properly prepared. The details on the fair value measurement of the financial assets and financial liabilities at fair value through profit or loss, particularly the fair value hierarchy, the valuation techniques and key assumptions, including significant unobservable inputs and the relationship of the unobservable inputs to the fair values, are disclosed in note 45 to the Accountants’ Report in Appendix I to this [REDACTED].

The Reporting Accountants performed its works in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKSIR 200”) for the purpose of expressing an opinion on our historical financial information for the Track Record Period as a whole and its opinion on the Group for the Track Record Period as a whole is set out in the Accountants’ Report in Appendix I to this [REDACTED]. In relation to the fair value measurement of the financial assets categorized within Level 3 of fair value measurement, the Joint Sponsors have conducted relevant due diligence work, including but not limited to, (i) reviewing relevant notes and disclosure in the Accountants’ Report in Appendix I to this [REDACTED]; (ii) discussing with the Company and the Reporting Accountants the valuation methodology, and the key basis and assumptions for the valuation of the financial assets categorized within Level 3 of fair value measurement; and (iii) discussing with the Reporting Accountants to understand the work they have performed in this regard. Having considered the work done by the Directors and the Reporting Accountant and the relevant due diligence conducted by the Joint Sponsors, nothing has come to the Joint Sponsors’ attention to disagree with the Directors and the Reporting Accountant in respect of the valuation of such financial assets. In relation to the financial liabilities categorised within Level 3 of fair value measurement, the Joint Sponsors have conducted relevant due diligence work, including but not limited to, (i) interviewing the external appraiser about the assumptions and methodology used for the valuation of the financial liabilities categorised within Level 3 of fair value measurement; (ii) obtaining and inspecting the credentials of the external appraiser to ascertain its expertise and industry experience; (iii) discussing with the Company to understand the key basis and assumptions for the valuation of the financial liabilities categorised within Level 3 of fair value measurement; (iv) discussing with the Reporting Accountants pertaining to the audit procedure conducted in this regard; (v) reviewing relevant notes and disclosure in the Accountants’ Report in Appendix I to this [REDACTED]; and (vi) obtaining and reviewing the relevant

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subscription agreements regarding the financial liabilities of the Company. Having considered the work done by the Directors and the Reporting Accountants and the relevant due diligence conducted by the Joint Sponsors, nothing has come to the Joint Sponsors’ attention that would cause the Joint Sponsors to question the valuation performed by the external appraiser on the financial liabilities categorised within Level 3 of fair value measurement.

### *Impairment testing of goodwill*

The carrying amount of goodwill allocated to the cash-generating unit (“CGU”) for goodwill impairment testing is as follows:

	As at 31 December				As at 31 March
	2019	2020	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Xi’an Jushuohua (note a) . . . . .	—	14,789	14,789	14,789	14,789
Shanghai Xiangming (note b) . . . . .	—	—	1,031	1,031	1,031
	—	14,789	15,820	15,820	15,820

*Notes:*

- (a) On 31 December 2020, our subsidiary, Shanghai Yangman Consulting Ltd., Co. acquired 64.61% equity interests in Xi’an Jushuohua Automobile Technology Co. Ltd. (“Xi’an Jushuohua”) from a third party. The principal activity of Xi’an Jushuohua is automotive products and services.
- (b) On 31 March 2021, our subsidiary, Shanghai Tuju Enterprise Management Consulting Co., Ltd. acquired 100% equity interests in Xiangming (Shanghai) Automotive Technology Service Co., Ltd. (“Shanghai Xiangming”) from a third party. The principal activity of Shanghai Xiangming is automotive products and services.

The recoverable amounts of the CGU have been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a 5-year period. Key assumptions used in the calculation are as follows:

As of 31 December 2020

	<u>Xi’an Jushuohua</u>
Annual revenue growth rate for the 5-year period . . . . .	15.0%-50.0%
Gross profit rate . . . . .	60.7%-61.5%
Terminal growth rate . . . . .	2.3%
Pre-tax discount rate . . . . .	19.98%



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As of 31 December 2021

	<u>Xi’an Jushuohua</u>	<u>Shanghai Xiangming</u>
Annual revenue growth rate for the 5-year period .....	8.0%-50.0%	10.0%-45.0%
Gross profit rate .....	61.1%	13.9%-54.6%
Terminal growth rate .....	2.3%	2.3%
Pre-tax discount rate .....	19.95%	17.00%

As of 31 December 2022

	<u>Xi’an Jushuohua</u>	<u>Shanghai Xiangming</u>
Annual revenue growth rate for the 5-year period .....	2.3%-36.0%	2.3%-29.0%
Gross profit rate .....	60.5%-61.8%	32.4%-50.5%
Terminal growth rate .....	2.3%	2.3%
Pre-tax discount rate .....	21.17%	20.83%

As at 31 March 2023

	<u>Xi’an Jushuohua</u>	<u>Shanghai Xiangming</u>
Annual revenue growth rate for the 5-year period .....	2.3%-35.0%	2.3%-39.6%
Gross profit rate .....	60.8%-61.5%	32.3%-46.8%
Terminal growth rate .....	2.3%	2.3%
Pre-tax discount rate .....	21.05%	22.59%

The expected revenue growth rate and gross profit rates are determined by the management based on past performance and its expectation for market development. The discount rates used are before tax and reflect specific risks relating to the relevant units.

At the end of each year of the Track Record Period, the headroom that the recoverable amount of each CGU exceeds its carrying amount are as follows:

	<u>As at 31 December</u>			<u>As at 31 March</u>
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Xi’an Jushuohua .....	5,199	11,856	3,698	4,425
Shanghai Xiangming .....	N/A	294	161	337

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We perform the sensitivity analysis based on the assumption that revenue amount or terminal value or the discount rate has been changed. Had the estimated key assumptions during the forecast period been changed, the headroom would be decreased to as follows:

	As at 31 December			As at
	2020	2021	2022	31 March
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Xi'an Jushuohua</b>				
— Revenue amount decreases by 10% .....	1,692	7,463	256	1,014
— Terminal value decreases by 10% .....	1,410	8,700	1,490	2,180
— Pre-tax discount rate increases by 5% .....	1,193	8,153	1,268	2,043
	As at 31 December			As at
	2020	2021	2022	31 March
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Shanghai Xiangming</b>				
— Revenue amount decreases by 10% .....	N/A	109	21	177
— Terminal value decreases by 10% .....	N/A	64	61	234
— Pre-tax discount rate increases by 5% .....	N/A	80	59	241

As of 31 December 2020, a 14.82% decrease in estimated revenue amount, a 13.72% decrease in estimated terminal value, a 6.62% increase in estimated discount rate, all changes taken in isolation in the value-in-use calculations, would remove the remaining headroom for Xi'an Jushuohua. As of 31 December 2021, a 26.99% decrease in estimated revenue amount, a 37.57% decrease in estimated terminal value, a 18.44% increase in estimated discount rate, all changes taken in isolation in the value-in-use calculations, would remove the remaining headroom for Xi'an Jushuohua. As of 31 December 2022, a 10.74% decrease in estimated revenue amount, a 16.75% decrease in estimated terminal value, a 7.85% increase in estimated discount rate, all changes taken in isolation in the value-in-use calculations, would remove the remaining headroom for Xi'an Jushuohua. As of 31 March 2023, a 12.91% decrease in estimated revenue amount, a 19.71% decrease in estimated terminal value, a 9.78% increase in estimated discount rate, all changes taken in isolation in the value-in-use calculations, would remove the remaining headroom for Xi'an Jushuohua.

As of 31 December 2021, a 15.90% decrease in estimated revenue amount, a 13.99% decrease in estimated terminal value, a 7.03% increase in estimated discount rate, all changes taken in isolation in the value-in-use calculations, would remove the remaining headroom for Shanghai Xiangming. As of 31 December 2022, an 11.49% decrease in estimated revenue amount, a 16.07% decrease in estimated terminal value, an 8.16% increase in estimated discount rate, all changes taken in isolation in the value-in-use calculations, would remove the remaining headroom for Shanghai Xiangming. As of 31 March 2023, a 20.88% decrease in estimated revenue amount, a 32.74% decrease in estimated terminal value, an

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20.65% increase in estimated discount rate, all changes taken in isolation in the value-in-use calculations, would remove the remaining headroom for Shanghai Xiangming.

Our management is of the view that a reasonably possible change in key assumptions would not cause the carrying amount of each of the CGUs to exceed its recoverable amount as of 31 December 2020, 2021 and 2022 and 31 March 2023.

### *Impairment testing of licence*

We perform impairment test of the insurance brokerage licence as of 31 December 2020, 2021 and 2022 and 31 March 2023. The recoverable amount has been determined based on a fair value less costs to sell using discounted cash flow method with cash flow projections from financial budgets approved by senior management covering a 5-year period. Key assumptions used in the calculation are as follows:

	As at 31 December			As at 31 March
	2020	2021	2022	2023
Annual revenue growth rate for the 5-year period .....	15.0%-50.0%	3.0%-62.0%	2.3%-60.0%	2.3%-53.0%
Gross profit rate .....	67.2%-69.1%	26.4%-54.0%	38.6%-38.9%	38.7%-43.0%
Terminal growth rate .....	2.3%	2.3%	2.3%	2.3%
Pre-tax discount rate .....	18.66%	19.27%	18.80%	18.80%

As of 31 December 2020, 2021 and 2022 and 31 March 2023, the headroom that the recoverable amount of the insurance brokerage licence exceeds its carrying amount of RMB5,132,000, RMB6,432,000, RMB4,932,000 and RMB4,932,000, respectively.

We perform the sensitivity analysis based on the assumption that revenue amount or terminal value or the discount rate has been changed. Had the estimated key assumptions during the forecast period been changed, the headroom would be decreased to as follows:

	As at 31 December			As at 31 March
	2020	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
— Revenue amount decreases by 10% .....	532	1,632	132	72
— Terminal value decreases by 10% .....	2,954	4,485	3,071	3,023
— Pre-tax discount rate increases by 5% .....	1,932	3,632	2,332	2,332

As of 31 December 2020, a 11.10% decrease in estimated revenue amount, a 23.56% decrease in estimated terminal value, a 8.42% increase in estimated discount rate, all changes taken in isolation in the calculations, would remove the remaining headroom for the licence. As of

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31 December 2021, a 13.50% decrease in estimated revenue amount, a 33.03% decrease in estimated terminal value, a 12.38% increase in estimated discount rate, all changes taken in isolation in the calculations, would remove the remaining headroom for the licence. As of 31 December 2022, a 10.09% decrease in estimated revenue amount, a 26.05% decrease in estimated terminal value, a 9.96% increase in estimated discount rate, all changes taken in isolation in the calculations, would remove the remaining headroom for the licence. As of 31 March 2023, a 10.15% decrease in estimated revenue amount, a 25.83% decrease in estimated terminal value, a 9.95% increase in estimated discount rate, all changes taken in isolation in the calculations, would remove the remaining headroom for the licence.

Our management is of the view that a reasonably possible change in key assumptions would not cause the carrying amount of the licence to exceed its recoverable amount as of 31 December 2020, 2021 and 2022 and 31 March 2023.

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### DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

The following table sets forth our consolidated statements of profit or loss with line items in absolute amounts and as percentages of our revenue for the periods indicated:

	For the Year Ended 31 December								For the Three Months Ended 31 March			
	2019		2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except for percentage data)</i>											
	<i>(unaudited)</i>											
Revenue	7,040,361	100.0	8,753,316	100.0	11,724,263	100.0	11,546,851	100.0	2,969,165	100.0	3,264,621	100.0
Cost of revenue	(6,516,954)	(92.6)	(7,673,294)	(87.7)	(9,853,961)	(84.0)	(9,276,669)	(80.3)	(2,436,293)	(82.1)	(2,474,837)	(75.8)
<b>Gross Profit</b>	<b>523,407</b>	<b>7.4</b>	<b>1,080,022</b>	<b>12.3</b>	<b>1,870,302</b>	<b>16.0</b>	<b>2,270,182</b>	<b>19.7</b>	<b>532,872</b>	<b>17.9</b>	<b>789,784</b>	<b>24.2</b>
Other income and gains, net	11,589	0.2	114,528	1.3	121,452	1.0	151,452	1.3	8,857	0.3	17,427	0.5
Operations and support expenses	(216,180)	(3.1)	(308,265)	(3.5)	(654,051)	(5.6)	(627,473)	(5.4)	(166,231)	(5.6)	(139,362)	(4.3)
Research and development expenses	(223,279)	(3.2)	(369,505)	(4.2)	(619,583)	(5.3)	(621,365)	(5.4)	(162,312)	(5.5)	(152,744)	(4.7)
Selling and marketing expenses	(1,040,958)	(14.7)	(1,262,616)	(14.4)	(1,681,131)	(14.3)	(1,542,216)	(13.3)	(378,324)	(12.7)	(421,459)	(12.9)
General and administrative expenses	(197,906)	(2.8)	(193,143)	(2.2)	(351,022)	(3.0)	(399,094)	(3.5)	(99,153)	(3.3)	(95,963)	(2.9)
Fair value changes on financial assets at fair value through profit and loss	8,197	0.1	26,113	0.3	154	0.0	4,594	0.0	3,615	0.1	(193)	(0.0)
<b>Operating loss</b>	<b>(1,135,130)</b>	<b>(16.1)</b>	<b>(912,866)</b>	<b>(10.4)</b>	<b>(1,313,879)</b>	<b>(11.2)</b>	<b>(763,920)</b>	<b>(6.6)</b>	<b>(260,676)</b>	<b>(8.8)</b>	<b>(2,510)</b>	<b>(0.1)</b>
Finance income	41,707	0.6	63,236	0.7	63,504	0.5	56,934	0.5	11,008	0.4	25,414	0.8
Finance costs	(26,397)	(0.4)	(50,530)	(0.6)	(65,696)	(0.6)	(27,875)	(0.2)	(9,286)	(0.3)	(4,901)	(0.2)
Fair value changes of convertible redeemable preferred shares	(1,933,597)	(27.4)	(2,992,664)	(34.2)	(4,441,164)	(37.9)	(1,339,273)	(11.7)	(342,022)	(11.6)	(297,954)	(9.1)
Loss on repurchase of convertible redeemable preferred shares	(363,868)	(5.2)	—	—	—	—	—	—	—	—	—	—
Share of profits and losses of: Joint ventures	—	—	—	—	—	—	(2,985)	(0.0)	—	—	(2,134)	(0.1)
Associates	(691)	(0.0)	(10,791)	(0.1)	(52,744)	(0.4)	(30,530)	(0.3)	(3,511)	(0.1)	5,023	0.2
<b>Loss before tax</b>	<b>(3,417,976)</b>	<b>(48.5)</b>	<b>(3,903,615)</b>	<b>(44.6)</b>	<b>(5,809,979)</b>	<b>(49.6)</b>	<b>(2,107,649)</b>	<b>(18.3)</b>	<b>(604,487)</b>	<b>(20.4)</b>	<b>(277,062)</b>	<b>(8.5)</b>
Income tax expense	(10,302)	(0.2)	(24,594)	(0.3)	(34,822)	(0.3)	(30,666)	(0.2)	(5,237)	(0.1)	(1,470)	(0.0)
<b>Loss for the year/period</b>	<b>(3,428,278)</b>	<b>(48.7)</b>	<b>(3,928,209)</b>	<b>(44.9)</b>	<b>(5,844,801)</b>	<b>(49.9)</b>	<b>(2,138,315)</b>	<b>(18.5)</b>	<b>(609,724)</b>	<b>(20.5)</b>	<b>(278,532)</b>	<b>(8.5)</b>
Attributable to:												
Owners of the parent	(3,428,278)	(48.7)	(3,928,209)	(44.9)	(5,840,577)	(49.8)	(2,136,173)	(18.5)	(608,888)	(20.5)	(278,151)	(8.5)
Non-controlling interests	—	—	—	—	(4,224)	(0.1)	(2,142)	(0.0)	(836)	(0.0)	(381)	(0.0)

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### NON-IFRS MEASURES

To supplement our consolidated financial statements, which are presented in accordance with IFRSs, we also use adjusted EBITDA (non-IFRS measure) and adjusted net profit/loss (non-IFRS measure), as additional financial measures, which are not required by, or presented in accordance with, IFRSs. Adjusted EBITDA (non-IFRS measure) represents loss for the year/period excluding income tax expenses, finance income, finance costs, depreciation and amortisation, share-based payment expenses, fair value changes of convertible redeemable preferred shares, loss on repurchase of convertible redeemable preferred shares and [REDACTED] expenses.

Adjusted net profit/loss (non-IFRS measure) represents loss for the year/period excluding share-based payment expenses, fair value changes of convertible redeemable preferred shares, loss on repurchase of convertible redeemable preferred shares and [REDACTED] expenses.

We have made the following adjustments consistently during the Track Record Period:

- Share-based payment expenses primarily represent the non-cash employee benefit expenses incurred in connection with our 2019 Share Incentive Plan. Such expenses in any specific period are not expected to result in future cash payments.
- Fair value changes of convertible redeemable preferred shares mainly represent changes in the fair value of the convertible redeemable preferred shares issued by us and relate to changes in our valuation. We do not expect to record any further fair value changes of the convertible redeemable preferred shares after [REDACTED] as preferred shares liabilities will be redesignated and reclassified from liabilities to equity as a result of the automatic conversion into ordinary shares upon the [REDACTED].
- Loss on repurchase of convertible redeemable preferred shares represents repurchase of our convertible redeemable preferred shares as a result of withdrawals by certain investors in 2019. Such expenses are not expected to result in future cash payments.

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The following table reconciles adjusted EBITDA (non-IFRS measure) for the year/period presented to the most directly comparable financial measure calculated and presented in accordance with IFRSs, which is loss for the year/period:

	For the Year Ended 31 December				For the Three Months Ended 31 March	
	2019	2020	2021	2022	2022	2023
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
			<i>(in thousands)</i>		<i>(unaudited)</i>	
Loss for the year/ period . . . . .	(3,428,278)	(3,928,209)	(5,844,801)	(2,138,315)	(609,724)	(278,532)
Adjusted for:						
Income tax expense . . . . .	10,302	24,594	34,822	30,666	5,237	1,470
Finance income . . . .	(41,707)	(63,236)	(63,504)	(56,934)	(11,008)	(25,414)
Finance costs . . . . .	26,397	50,530	65,696	27,875	9,286	4,901
Depreciation and amortisation . . . . .	199,316	238,966	304,517	363,776	87,283	88,311
Share-based payment expenses . . . . .	95,121	41,533	118,512	219,339	52,912	66,459
Fair value changes of convertible redeemable preferred shares . . . . .	1,933,597	2,992,664	4,441,164	1,339,273	342,022	297,954
Loss on repurchase of convertible redeemable preferred shares . . . . .	363,868	—	—	—	—	—
<b>[REDACTED]</b> expenses . . . . .	—	—	<b>[REDACTED]</b>	<b>[REDACTED]</b>	<b>[REDACTED]</b>	<b>[REDACTED]</b>
Adjusted EBITDA (non-IFRS measure) . . . . .	<u>(841,384)</u>	<u>(643,158)</u>	<u>(922,424)</u>	<u>(186,546)</u>	<u>(115,802)</u>	<u>160,117</u>

We adjust for share-based payment expenses, fair value changes of convertible redeemable preferred shares, loss on repurchase of convertible redeemable preferred shares and **[REDACTED]** expenses to net loss to derive adjusted net loss. For the same reasons stated above, we have made the adjustments of share-based payment expenses, fair value changes of convertible redeemable preferred shares and loss on repurchase of convertible redeemable preferred shares.



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The following table reconciles adjusted net profit/loss (non-IFRS measure) for the year/period presented to the most directly comparable financial measure calculated and presented in accordance with IFRSs, which is loss for the year/period:

	For the Year Ended 31 December				For the Three Months Ended 31 March	
	2019	2020	2021	2022	2022	2023
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(in thousands)</i>				<i>(unaudited)</i>	
Loss for the year/period . . . . .	(3,428,278)	(3,928,209)	(5,844,801)	(2,138,315)	(609,724)	(278,532)
Adjusted for:						
Share-based payment expenses . . . . .	95,121	41,533	118,512	219,339	52,912	66,459
Fair value changes of convertible redeemable preferred shares . . . . .	1,933,597	2,992,664	4,441,164	1,339,273	342,022	297,954
Loss on repurchase of convertible redeemable preferred shares . . . . .	363,868	—	—	—	—	—
<b>[REDACTED]</b> expenses . . . . .	—	—	<b>[REDACTED]</b>	<b>[REDACTED]</b>	<b>[REDACTED]</b>	<b>[REDACTED]</b>
Adjusted net (loss)/profit (non-IFRS measure) . . . . .	<u>(1,035,692)</u>	<u>(894,012)</u>	<u>(1,263,955)</u>	<u>(551,929)</u>	<u>(206,600)</u>	<u>90,849</u>

Our adjusted net loss (non-IFRS measure) was RMB1.0 billion, RMB894.0 million, RMB1.3 billion, RMB551.9 million and RMB206.6 million in 2019, 2020, 2021 and 2022 and the three months ended 31 March 2022, respectively, and our adjusted net profit (non-IFRS measure) was RMB90.8 million in the three months ended 31 March 2023. Our negative adjusted EBITDA (non-IFRS measure) was RMB841.4 million, RMB643.2 million, RMB922.4 million, RMB186.5 million and RMB115.8 million in 2019, 2020, 2021 and 2022 and the three months ended 31 March 2022, respectively, and our positive adjusted EBITDA (non-IFRS measure) was RMB160.1 million in the three months ended 31 March 2023.

We present the non-IFRS financial measures because they are used by our management to evaluate our operating performance and formulate business plans. Adjusted EBITDA (non-IFRS measure) enables our management to assess our operating results eliminating the impact of income tax expenses, finance income, finance costs, depreciation and amortisation, share-based payment expenses, fair value changes of convertible redeemable preferred shares, loss on repurchase of convertible redeemable preferred shares and **[REDACTED]** expenses. Adjusted net profit/loss (non-IFRS measure) enables our management to assess our operating results eliminating the impact of share-based payment expenses, fair value changes of convertible redeemable preferred shares, loss on repurchase of convertible redeemable preferred shares and **[REDACTED]** expenses.

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Adjusted EBITDA (non-IFRS measure) and adjusted net profit/loss (non-IFRS measure) should not be considered in isolation or construed as an alternative to loss for the year/period or any other measure of performance. [REDACTED] are encouraged to review our historical non-IFRS financial measures together with the most directly comparable IFRS measures. Adjusted EBITDA (non-IFRS measure) and adjusted net profit/loss (non-IFRS measure) presented here may not be comparable to similarly titled measures presented by other companies. Other companies may calculate similarly titled measures differently, limiting their usefulness as comparative measures to our data. We encourage [REDACTED] and others to review our financial information in its entirety and not rely on a single financial measure.

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### Revenue

During the Track Record Period, we generate revenue primarily from providing automotive products and services, which include (i) automotive products and services to individual end customers through our online interfaces and offline service network, such as tires and chassis parts replacement, auto maintenance products and services, and others (such as auto accessories, car detailing, automated car wash and repairs), and (ii) auto parts trading services through Qipeilong, which connects third-party auto part suppliers with automotive service providers, including stores within and outside of our store network. We also generate revenue from providing advertising, franchise and other services, which primarily include revenues from franchise services, advertising services to brand owners and certain new products and services. The following table sets forth the breakdown of our revenue, in amounts and as percentages of total revenue for the periods presented:

	For the Year Ended 31 December								For the Three Months Ended			
	2019		2020		2021		2022		31 March		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except for percentage data)</i>											
	<i>(unaudited)</i>											
<b>Automotive products and services</b>												
Automotive products and services to individual end customers												
Tires and chassis parts	3,839,114	54.6	4,202,427	48.0	5,064,102	43.2	4,592,220	39.8	1,214,000	40.9	1,356,163	41.5
Auto maintenance	1,870,179	26.6	2,619,116	29.9	3,841,702	32.8	4,025,150	34.9	991,829	33.4	1,194,334	36.6
Others <sup>(1)</sup>	494,720	7.0	559,696	6.4	645,531	5.5	639,092	5.5	149,300	5.0	166,321	5.1
Subtotal	6,204,013	88.2	7,381,239	84.3	9,551,335	81.5	9,256,462	80.2	2,355,129	79.3	2,716,818	83.2
Qipeilong <sup>(2)</sup>	614,938	8.7	958,970	11.0	1,514,910	12.9	1,466,286	12.7	431,662	14.5	328,152	10.1
Subtotal	6,818,951	96.9	8,340,209	95.3	11,066,245	94.4	10,722,748	92.9	2,786,791	93.8	3,044,970	93.3
<b>Advertising, franchise and other services</b>												
Franchise services <sup>(3)</sup>	167,246	2.4	300,606	3.4	474,158	4.0	549,679	4.8	135,206	4.6	173,826	5.3
Advertising services	51,294	0.7	72,984	0.8	83,950	0.7	59,256	0.5	9,341	0.3	19,016	0.6
Others <sup>(4)</sup>	2,870	0.0	39,517	0.5	99,910	0.9	215,168	1.8	37,827	1.3	26,809	0.8
Subtotal	221,410	3.1	413,107	4.7	658,018	5.6	824,103	7.1	182,374	6.2	219,651	6.7
<b>Total</b>	<b>7,040,361</b>	<b>100.0</b>	<b>8,753,316</b>	<b>100.0</b>	<b>11,724,263</b>	<b>100.0</b>	<b>11,546,851</b>	<b>100.0</b>	<b>2,969,165</b>	<b>100.0</b>	<b>3,264,621</b>	<b>100.0</b>

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Notes:

- (1) Others under automotive products and services to individual end customers primarily consist of revenues from auto accessories, car detailing, automated car wash and repairs. We recognise revenue on a net basis when an automotive service order is placed online by our end customer and the service is rendered by our partner store. The below table sets forth the breakdown of others for the periods indicated:

	For the Year Ended 31 December				For the Three Months Ended 31 March	
	2019	2020	2021	2022	2022	2023
	<i>(RMB in thousands)</i>					
	<i>(unaudited)</i>					
Auto accessories . . . . .	325,368	338,723	400,898	380,069	94,413	96,933
Car detailing, automated car wash and repairs . . . . .	69,639	110,082	148,934	146,694	32,439	36,890
Others . . . . .	99,713	110,891	95,699	112,329	22,448	32,498
<b>Total</b> . . . . .	<b>494,720</b>	<b>559,696</b>	<b>645,531</b>	<b>639,092</b>	<b>149,300</b>	<b>166,321</b>

- (2) We recognise revenue from sales of auto parts through Qipeilong to (i) third-party auto parts dealers/customers and service providers and (ii) Tuhu workshops and partner stores, at gross basis and at the point in time when they have taken possession of and accepted the auto parts, as well as the expiration of a 30-day unconditional return period. Costs are recognised at the same time when revenue is recognised.
- (3) We recognise revenue from providing franchise services to our franchisees pursuant to the franchise agreements, which allow our franchisees to operate Tuhu Workshops, and enjoy the benefits of our Tuhu brand, online customer traffic, supply chain infrastructure, and the auto service technical support systems that we provide. The below table sets forth the breakdown of revenues from franchise services during the Track Record Period.

	For the Year Ended 31 December				For the Three Months Ended 31 March	
	2019	2020	2021	2022	2022	2023
	<i>(RMB in thousands)</i>					
	<i>(unaudited)</i>					
Upfront franchise fees* . . . . .	57,803	104,342	151,043	179,776	44,086	49,160
Monthly fixed management fees . . . . .	70,099	118,422	197,480	229,268	60,048	74,867
Profit-based royalty fees* . . . . .	39,344	77,842	125,635	140,635	31,072	49,799
<b>Total</b> . . . . .	<b>167,246</b>	<b>300,606</b>	<b>474,158</b>	<b>549,679</b>	<b>135,206</b>	<b>173,826</b>

\* Revenue from the upfront franchise fees was recognised over the term of the franchise agreement on a straight-line basis. For the years of 2019, 2020, 2021 and 2022 and the three months ended 31 March 2022 and 2023, the average upfront franchise fee per Tuhu workshop were RMB58,006, RMB57,663, RMB50,508, RMB44,122, RMB11,691 and RMB10,803, respectively, and the average profit-based royalty fees per Tuhu workshop were RMB39,482, RMB43,019, RMB42,011, RMB34,516, RMB8,240 and RMB10,944, respectively. The number of Tuhu workshops used for calculation is the average of the number of franchised Tuhu workshops as at the beginning and as at the end of each year/period.

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- (4) Others under advertising, franchise and other services primarily include sales of new energy vehicles and repair services, insurance brokerage and insurance agency services, sales of used cars and used car transaction services, and SaaS solutions. The below table sets forth the breakdown of others for the periods indicated:

	For the Year Ended 31 December				For the Three Months Ended 31 March	
	2019	2020	2021	2022	2022	2023
	<i>(RMB in thousands)</i>				<i>(unaudited)</i>	
Sales of new energy vehicles and repair services .....	—	—	25,115	132,082	20,116	10,216
Insurance brokerage and insurance agency services .....	2,245	19,832	25,840	9,508	3,071	2,542
Sales of used cars and used car transaction services .....	—	10,359	17,834	10,108	1,712	4,311
SaaS solutions .....	—	8,389	11,252	22,143	4,501	2,464
Others .....	625	938	19,869	41,327	8,427	7,276
<b>Total</b> .....	<b><u>2,870</u></b>	<b><u>39,517</u></b>	<b><u>99,910</u></b>	<b><u>215,168</u></b>	<b><u>37,827</u></b>	<b><u>26,809</u></b>

The sale of new energy vehicles and repair services increased significantly from 2021 to 2022, primarily due to (i) the increase in the sales of new energy vehicles as we established cooperation with more NEV brands since the last quarter of 2021 in line with our business expansion of NEV sales, and (ii) the increase in the battery and charging pile maintenance and repair service orders we completed.

Based on the due diligence work conducted by and the information available to the Joint Sponsors after taking into consideration the view of the CIC that the pricing bases (the “**Pricing Bases**”) for the fees the Company charges the franchised Tuhu workshops are in line with the industry peers, nothing has come to the attention of the Joint Sponsors that would reasonably cause them to believe that the Pricing Bases are not in line with the industry peers or are not on arm’s length basis.

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### Cost of Revenue

Cost of revenue primarily consists of our cost of automotive products and services to individual end customers, which mainly include cost of procuring the products that we sell through online interfaces and offline service network, and cost of acquiring services provided by franchised Tuhu workshops and partner stores. The following table sets forth the breakdown of our cost of revenue, in amounts and as percentages of total revenue for each of the periods presented:

	For the Year Ended 31 December								For the Three Months Ended			
	2019		2020		2021		2022		31 March		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except for percentage data)</i>											
	<i>(unaudited)</i>											
<b>Cost of automotive products and services</b>												
Cost of automotive products and services to individual end customers												
Cost of tires and chassis												
parts	3,691,044	52.4	3,875,709	44.3	4,607,896	39.3	3,945,254	34.2	1,061,053	35.7	1,136,615	34.8
Cost of auto maintenance	1,474,333	20.9	2,015,052	23.0	2,823,579	24.1	2,833,070	24.5	708,999	23.9	798,135	24.4
Cost of others	482,841	6.9	539,740	6.2	612,442	5.2	569,145	4.9	134,298	4.5	143,127	4.4
Subtotal	5,648,218	80.2	6,430,501	73.5	8,043,917	68.6	7,347,469	63.6	1,904,350	64.1	2,077,877	63.6
Cost associated with												
Qipeilong	607,936	8.7	952,092	10.8	1,375,682	11.7	1,292,252	11.2	385,506	13.0	270,777	8.4
Subtotal	6,256,154	88.9	7,382,593	84.3	9,419,599	80.3	8,639,721	74.8	2,289,856	77.1	2,348,654	72.0
<b>Cost of advertising, franchise and other services</b>	32,851	0.5	64,442	0.7	113,169	1.0	227,174	2.0	40,758	1.4	34,276	1.0
<b>Cost of self-operated Tuhu workshops and others<sup>(1)</sup></b>	227,949	3.2	226,259	2.7	321,193	2.7	409,774	3.5	105,679	3.6	91,907	2.8
<b>Total</b>	<b>6,516,954</b>	<b>92.6</b>	<b>7,673,294</b>	<b>87.7</b>	<b>9,853,961</b>	<b>84.0</b>	<b>9,276,669</b>	<b>80.3</b>	<b>2,436,293</b>	<b>82.1</b>	<b>2,474,837</b>	<b>75.8</b>

*Note:*

- (1) Cost of self-operated Tuhu workshops and others primarily consists of (i) staff costs, and depreciation, including depreciation of right-of-use assets, in relation to the operation of our self-operated Tuhu workshops, and (ii) inventory impairment and the loss from disposal of some defective products. It is difficult to allocate cost of self-operated Tuhu workshops and others to each sub business line under automotive products and services and advertising, franchise and other services in a precise manner.

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The following table sets forth the breakdown of our cost of revenue by nature for each of the periods presented:

	For the Year Ended 31 December				For the Three Months Ended 31 March	
	2019	2020	2021	2022	2022	2023
	<i>(RMB in thousands)</i>				<i>(unaudited)</i>	
Cost of goods sold . . . . .	5,570,047	6,621,118	8,513,776	7,922,212	2,095,377	2,121,194
Service fee to franchised Tuhu workshops and partner stores . . . .	647,853	740,162	913,636	818,030	204,791	231,085
Depreciation and amortisation expenses . . . . .	102,082	104,522	156,066	199,422	48,193	44,687
Employee benefit expenses . . . . .	116,353	111,413	134,255	159,946	41,738	43,663
Impairment of inventories . . . . .	17,255	25,241	46,779	77,698	9,659	13,238
Others . . . . .	63,364	70,838	89,449	99,361	36,535	20,970
<b>Total . . . . .</b>	<b>6,516,954</b>	<b>7,673,294</b>	<b>9,853,961</b>	<b>9,276,669</b>	<b>2,436,293</b>	<b>2,474,837</b>

### Gross Profit and Gross Margin

The following table sets forth our gross profit both in absolute amount and as percentages of our revenue for the periods indicated, respectively:

	For the Year Ended 31 December								For the Three Months Ended 31 March			
	2019		2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except for percentage data)</i>								<i>(unaudited)</i>			
Gross profit . . .	523,407	7.4	1,080,022	12.3	1,870,302	16.0	2,270,182	19.7	532,872	17.9	789,784	24.2

Our gross profit represents our revenue less our cost of revenue. Our gross margin represents our gross profit as a percentage of our revenue. For the years of 2019, 2020, 2021 and 2022 and the three months ended 31 March 2022 and 2023, our gross profit was RMB523.4 million, RMB1.1 billion, RMB1.9 billion, RMB2.3 billion, RMB532.9 million and RMB789.8 million, respectively, and our gross margin was 7.4%, 12.3%, 16.0%, 19.7%, 17.9% and 24.2%, respectively. Our gross margin improved during the Track Record Period, primarily attributable to (i) improved margin profile as a result of changes in products and services category mix. In particular, revenue from auto maintenance products and services — which generally have higher margins — as a percentage of revenue from automotive products and services increased from 27.4% in 2019 to 31.4% in 2020, to 34.7% in 2021, to 37.5% in 2022, and further to 39.2% in the three months ended 31 March 2023, whereas revenue from tires and chassis products and services — which generally



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have lower margins — as a percentage of revenue from automotive products and services decreased from 56.3% in 2019 to 50.4% in 2020, to 45.8% in 2021, and further to 42.8% in 2022, and changed to 44.5% in the three months ended 31 March 2023, (ii) lower procurement cost of certain product categories as we gained more favourable terms from suppliers in line with our business growth. Our growing economies of scale enabled us to increase our bargaining power on pricing and obtained more favorable terms from suppliers. For example, for tires (excluding tires sold through Qipeilong), the average procurement cost per unit decreased by 2.2% in 2021 as compared to 2020, and further decreased by 2.5% in 2022, and decreased by 2.5% in the three months ended 31 March 2023 as compared to the same period of 2022, and (iii) higher revenue contribution from our exclusive and private label products, which generally have higher gross margins than branded products. Revenue contribution from exclusive products increased from 17.5% in 2019 to 26.3% in 2020, to 32.9% in 2021, and further to 36.0% in 2022, and increased from 31.8% in the three months ended 31 March 2022 to 36.5% in the same period of 2023; revenue contribution from private label products increased from 4.7% in 2019 to 9.8% in 2020, to 16.3% in 2021, and further to 22.1% in 2022, and increased from 20.8% in the three months ended 31 March 2022 to 30.1% in the same period of 2023. Despite the decrease in revenue in 2022, we managed to achieve increases in the gross profit and gross profit margin, primarily due to the reasons enumerated above, i.e., improved margin profile as a result of changes in products and services category mix, lower procurement cost of certain product categories, and higher revenue contribution from our exclusive and private label products.

The following table sets forth our gross profit by business line in absolute amount and as percentages of revenue from each business line for the periods indicated.

	For the Year Ended 31 December								For the Three Months Ended 31 March			
	2019		2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except for percentage data)</i>											
	<i>(unaudited)</i>											
<b>Gross profit by business line</b>												
Automotive products and services to individual end customers <sup>(1)</sup>												
Tires and chassis parts . . . .	148,070	3.9	326,718	7.8	456,206	9.0	646,966	14.1	152,947	12.6	219,548	16.2
Auto maintenance . . . . .	395,846	21.2	604,064	23.1	1,018,123	26.5	1,192,080	29.6	282,830	28.5	396,199	33.2
Others . . . . .	11,879	2.4	19,956	3.6	33,089	5.1	69,947	10.9	15,002	10.0	23,194	13.9
Qipeilong . . . . .	7,002	1.1	6,878	0.7	139,228	9.2	174,034	11.9	46,156	10.7	57,375	17.5
Advertising, franchise and other services . . . . .	188,559	85.2	348,665	84.4	544,849	82.8	596,929	72.4	141,616	77.7	185,375	84.4

Note:

- (1) When calculating the gross profit by each sub business line under automotive products and services to individual end customers, cost of self-operated Tuhu workshops and others was excluded. For example, gross profit for tires and chassis parts

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equals revenue from tires and chassis parts less cost of tires and chassis parts. Cost of tires and chassis parts excludes the cost of self-operated Tuhu workshops and others associated with selling of tires and chassis parts. It is difficult to allocate cost of self-operated Tuhu workshops and others to each sub business line under automotive products and services and advertising, franchise and other services in a precise manner.

The significant increases in gross profit from Qipeilong from 2020 to 2021 and further to 2022, and from the three months ended 31 March 2022 to the same period of 2023, were primarily due to changes in products category mix, in particular, as revenue from auto maintenance and repairs products — which generally have higher margins — as a percentage of revenue from Qipeilong increased from 28.8% in 2020 to 39.2% in 2021, and further to 55.4% in 2022, and from 49.6% in the three months ended 31 March 2022 to 64.5% in the same period of 2023, whereas revenue from tires — which generally have lower margins — as a percentage of revenue from Qipeilong decreased from 63.9% in 2020 to 52.7% in 2021, and further to 39.1% in 2022, and from 45.8% in the three months ended 31 March 2022 to 29.2% in the same period of 2023.

### **Other Income and Gains, Net**

Our net other income and gains primarily consist of (i) government grants awarded by local governmental authorities to support our operation, (ii) gain from intangible assets attributed to an associate, which represents one-off gain recognised from our investment in an associate jointly invested by ExxonMobil through contribution of software, and (iii) net foreign exchange gains. We had net other income and gains of RMB11.6 million, RMB114.5 million, RMB121.5 million, RMB151.5 million, RMB8.9 million and RMB17.4 million in 2019, 2020, 2021 and 2022 and the three months ended 31 March 2022 and 2023, respectively.

### **Operations and Support Expenses**

Our operations and support expenses primarily consist of (i) salaries and employment benefits for operations and supporting staff, which primarily include personnel involved in store network development, operation and supervision, and other general support functions, and (ii) travel expenses incurred in connection with operations and support activities. We incurred RMB216.2 million, RMB308.3 million, RMB654.1 million, RMB627.5 million, RMB166.2 million and RMB139.4 million in operations and support expenses in 2019, 2020, 2021 and 2022 and the three months ended 31 March 2022 and 2023, respectively.

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The below table sets forth the breakdown of operations and support expenses for the periods indicated.

	For the Year Ended 31 December				For the Three Months Ended 31 March	
	2019	2020	2021	2022	2022	2023
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(in thousands)</i>				<i>(unaudited)</i>	
Employee benefit expenses <sup>(1)</sup> . . . . .	175,068	249,091	562,928	564,657	146,488	123,677
Travel and office expenses . . . . .	31,627	46,055	71,965	45,488	15,121	11,017
Depreciation and amortisation expenses . . .	9,485	13,119	19,158	17,328	4,622	4,668
<b>Total</b> . . . . .	<b><u>216,180</u></b>	<b><u>308,265</u></b>	<b><u>654,051</u></b>	<b><u>627,473</u></b>	<b><u>166,231</u></b>	<b><u>139,362</u></b>

*Note:*

(1) Includes share-based payment expenses of RMB36.2 million, RMB11.4 million, RMB32.2 million, RMB37.5 million, RMB9.9 million and RMB11.3 million in 2019, 2020, 2021 and 2022 and the three months ended 31 March 2022 and 2023, respectively.

We expect our operations and support expenses as a percentage of total revenue will decrease in the foreseeable future.

### Research and Development Expenses

Our research and development expenses mainly consist of (i) salaries and employment benefits for employees involved in research and development functions, (ii) cloud and other service expenses, and (iii) office supply expenses and depreciation expenses of right-of-use assets in relation to office leases for research and development functions. All of our research and development costs are expensed as incurred. We incurred RMB223.3 million, RMB369.5 million, RMB619.6 million, RMB621.4 million, RMB162.3 million and RMB152.7 million in research and development expenses in 2019, 2020, 2021 and 2022 and the three months ended 31 March 2022 and 2023, respectively.

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The below table sets forth the breakdown of research and development expenses for the periods indicated.

	For the Year Ended 31 December				For the Three Months Ended 31 March	
	2019	2020	2021	2022	2022	2023
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(in thousands)</i>				<i>(unaudited)</i>	
Employee benefit expenses <sup>(1)</sup> . . . . .	199,058	319,950	519,795	515,610	130,912	130,434
Cloud and service expenses . . . . .	9,632	26,884	68,142	77,171	24,213	15,132
Depreciation and amortisation expenses . . . . .	7,616	10,913	20,833	19,680	4,548	5,629
Travel and office expenses . . . . .	6,295	10,226	10,100	6,451	1,966	962
Others . . . . .	678	1,532	713	2,453	673	587
<b>Total</b> . . . . .	<b>223,279</b>	<b>369,505</b>	<b>619,583</b>	<b>621,365</b>	<b>162,312</b>	<b>152,744</b>

Note:

(1) Includes share-based payment expenses of RMB25.1 million, RMB12.3 million, RMB26.7 million, RMB40.5 million, RMB9.5 million and RMB12.3 million in 2019, 2020, 2021 and 2022 and the three months ended 31 March 2022 and 2023, respectively.

Our research and development expenses increased from 2019 through 2022, mainly attributable to (i) the increases in research and development personnel cost (including share-based payment expenses), which was mainly due to (a) the growth of our research and development team as we continue to strengthen our technological capabilities and explore new products and services, and (b) the increase in average salaries of research and development personnel as part of efforts to attract and retain research and development talents, and (ii) the increase in cloud and service expenses in line with our business growth. Certain unique factors contributed to the significant increase from 2020 to 2021: (i) the increase in social insurance payment for our research and development personnel in 2021 as we ceased to enjoy the social insurance payment reductions and exemptions granted by local governmental authorities as part of the COVID-19 relief measures; and (ii) as majority of the newly recruited research and development personnel joined us in or around the end of June 2020, we started recording their personnel cost since the end of second quarter of 2020, which also contributed to the period-over-period increase in research and development expenses. Our research and development expenses decreased in the three months ended 31 March 2023 as compared with the same period of 2022, mainly attributable to the decrease in cloud and service expenses as a result of the decrease in outsourced service fees, and the decrease in research and development personnel cost (excluding share-based payment expenses), mainly due to the decrease in the number of research and development personnel. For details, see “— Period-to-Period Comparison of Results of Operations.”

We expect our research and development expenses will continue to increase in absolute amounts as we plan to invest more resources to improve our technological capabilities. We also

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expect our research and development as a percentage of total revenue will decrease in the foreseeable future.

### Selling and Marketing Expenses

Our selling and marketing expenses primarily consist of (i) advertising and promotion-related expenses, such as expenses relating to online traffic acquisition and media advertising expenses, (ii) salaries and employment benefits for selling and marketing personnel, and our warehouse and logistics staff, (iii) shipping expenses in relation to the delivery of automotive products among warehouses and stores, (iv) depreciation of right-of-use assets and short-term lease expenses in relation to warehouse and office leases, and (v) office supply, utilities, and travel expenses incurred in connection with selling and marketing activities. We incurred RMB1.0 billion, RMB1.3 billion, RMB1.7 billion, RMB1.5 billion, RMB378.3 million and RMB421.5 million in selling and marketing expenses in 2019, 2020, 2021 and 2022 and the three months ended 31 March 2022 and 2023, respectively.

The below table sets forth the breakdown of selling and marketing expenses for the periods indicated.

	For the Year Ended 31 December				For the Three Months Ended 31 March	
	2019	2020	2021	2022	2022	2023
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
						<i>(in thousands)</i>
						<i>(unaudited)</i>
Advertising and promotion-related expenses . . . . .	485,488	532,422	764,352	617,297	145,459	181,222
Shipping expenses . . . . .	157,445	215,782	343,175	356,608	91,848	99,197
Employee benefit expenses <sup>(1)</sup> . . . . .	213,399	288,044	338,627	328,030	82,408	75,409
Depreciation and amortisation expenses . . . . .	73,044	101,894	91,706	110,490	25,647	28,562
Short-term lease expenses . . . . .	25,151	26,052	46,611	56,480	12,966	11,046
Others . . . . .	86,431	98,422	96,660	73,311	19,996	26,023
<b>Total</b> . . . . .	<b><u>1,040,958</u></b>	<b><u>1,262,616</u></b>	<b><u>1,681,131</u></b>	<b><u>1,542,216</u></b>	<b><u>378,324</u></b>	<b><u>421,459</u></b>

*Note:*

(1) Includes share-based payment expenses of RMB3.2 million, RMB9.0 million, RMB20.1 million, RMB31.6 million, RMB8.2 million and RMB4.0 million in 2019, 2020, 2021 and 2022 and the three months ended 31 March 2022 and 2023, respectively.

We expect our selling and marketing expenses as a percentage of total revenue will decrease in the foreseeable future.

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### General and Administrative Expenses

Our general and administrative expenses mainly consist of (i) salaries and employment benefits for employees engaging in general corporate functions, (ii) bank processing fees and other professional services fees, and (iii) other general corporate expenses associated with the use by general corporate functions of offices, facilities and equipment, such as depreciation of leasehold improvements and office supply expenses. We incurred RMB197.9 million, RMB193.1 million, RMB351.0 million, RMB399.1 million, RMB99.2 million and RMB96.0 million in general and administrative expenses in 2019, 2020, 2021 and 2022 and the three months ended 31 March 2022 and 2023, respectively.

The below table sets forth the breakdown of general and administrative expenses for the periods indicated.

	For the Year Ended 31 December				For the Three Months Ended 31 March	
	2019	2020	2021	2022	2022	2023
	RMB	RMB	RMB	RMB	RMB	RMB
	<i>(in thousands)</i>				<i>(unaudited)</i>	
Employee benefit expenses <sup>(1)</sup> . . . . .	94,139	93,623	195,757	259,513	63,976	65,237
Professional and consulting expenses <sup>(2)</sup> . . . . .	10,360	15,709	61,424	45,795	8,425	9,958
Bank charges . . . . .	32,388	34,680	37,525	41,537	13,328	7,610
Depreciation and amortisation expenses . . . . .	7,089	8,518	16,754	16,856	4,273	4,765
Others . . . . .	53,930	40,613	39,562	35,393	9,151	8,393
<b>Total</b> . . . . .	<b>197,906</b>	<b>193,143</b>	<b>351,022</b>	<b>399,094</b>	<b>99,153</b>	<b>95,963</b>

*Note:*

- (1) Includes share-based payment expenses of RMB30.6 million, RMB8.9 million, RMB34.5 million, RMB90.9 million, RMB22.0 million and RMB25.9 million in 2019, 2020, 2021 and 2022 and the three months ended 31 March 2022 and 2023, respectively.
- (2) Consists primarily of costs associated with third-party professional and consulting services, such as legal services, audit, tax consulting and valuation services as well as technical services incurred in the ordinary course of our business and in connection with the [REDACTED].

We expect our general and administrative expenses as a percentage of total revenue will remain stable in the foreseeable future.

### Fair Value Changes of Convertible Redeemable Preferred Shares

The convertible redeemable preferred shares issued by us are not traded in an active market and the respective fair value is determined by using valuation techniques. The discounted cash flow

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method was used to determine the total equity value of our Company and the equity allocation model was adopted to determine the fair value of the preferred shares. Please refer to note 34 to the Accountants’ Report included in Appendix I to this document for the key assumptions in determining the fair value of the convertible redeemable preferred shares. We recorded fair value changes of convertible redeemable preferred shares of RMB1.9 billion, RMB3.0 billion, RMB4.4 billion, RMB1.3 billion, RMB342.0 million and RMB298.0 million in 2019, 2020, 2021 and 2022 and the three months ended 31 March 2022 and 2023, respectively.

### **Exchange differences on translation of financial statements**

The functional currency of our Cayman holding company and certain overseas subsidiaries are denominated in US\$. The assets and liabilities of these entities are translated into Renminbi at the foreign exchange rates prevailing at the end of each reporting period and their statements of profit or loss are translated into Renminbi at the weighted average exchange rates for the period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. We recorded other comprehensive income on exchange differences on translation of foreign operations of RMB77.1 million, RMB472.6 million, RMB264.8 million, RMB66.4 million and RMB259.7 million in 2019, 2020 and 2021 and the three months ended 31 March 2022 and 2023, respectively and other comprehensive loss on exchange differences on translation of foreign operations of RMB1.6 billion in 2022.

### **Taxation**

#### ***Cayman Islands***

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or brought within the jurisdiction of the Cayman Islands. In addition, the Cayman Islands does not impose withholding tax on dividend payments.

#### ***Hong Kong***

Under the current Hong Kong Inland Revenue Ordinance, our Hong Kong subsidiaries are subject to 16.5% income tax rate on our taxable income generated from operations in Hong Kong. Additionally, payments of dividends by the subsidiaries incorporated in Hong Kong to the Company are not subject to any Hong Kong withholding tax.

#### ***PRC***

Our subsidiaries established in the PRC are mainly subject to statutory income tax at a rate of 25%.



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The Enterprise Income Tax (“EIT”) Law includes a provision specifying that legal entities organised outside of the PRC will be considered resident enterprises for the PRC income tax purposes if the place of effective management or control is within the PRC. The implementation rules to the EIT Law provide that non-resident legal entities will be considered as PRC resident enterprises if substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc., occurs within the PRC. Despite the present uncertainties resulting from the limited PRC tax guidance on the issue, we do not believe that our entities organised outside of the PRC should be treated as resident enterprises for the PRC income tax purposes. If the PRC tax authorities subsequently determine that our Company and our subsidiaries registered outside the PRC should be deemed resident enterprises, our Company and our subsidiaries registered outside the PRC will be subject to the PRC income tax, at a rate of 25%. See “Risk Factors — Risks Related to Doing Business in the Country Where We Operate — If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavourable tax consequences to us and our non-PRC shareholders.”

The EIT Law also imposes a withholding income tax of 10% on dividends distributed by a FIE to its immediate holding company outside of China, if such immediate holding company is considered as a non-resident enterprise without any establishment or place within China or if the received dividends have no connection with the establishment or place of such immediate holding company within China, unless such immediate holding company’s jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. The Cayman Islands, where the Company incorporated, does not have such tax treaty with China. According to the arrangement between the mainland China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion in August 2006, dividends paid by an FIE in China to its immediate holding company in Hong Kong will be subject to withholding tax at a rate of no more than 5% (if the foreign investor owns directly at least 25% of the shares of the FIE). We did not record any dividend withholding tax, as we have no retained earnings to distribute as of 31 December 2019, 2020, 2021, 2022 and the three months ended 31 March 2023. See “Risk Factors — Risks Related to Doing Business in the Country Where We Operate — We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business.”

### PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

#### Three Months Ended 31 March 2023 Compared to Three Months Ended 31 March 2022

##### *Revenue*

Our revenue increased by 10.0% from RMB3.0 billion in the three months ended 31 March 2022 to RMB3.3 billion in the same period of 2023, primarily due to an increase in revenue from automotive products and services.

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Revenue from automotive products and services increased by 9.3% from RMB2.8 billion in the three months ended 31 March 2022 to RMB3.0 billion in the same period of 2023, primarily due to (i) a 20.4% increase in revenue from auto maintenance products and services from RMB991.8 million in the three months ended 31 March 2022 to RMB1.2 billion in the same period of 2023, in particular, the revenue from sale of motor oil and related services increased from RMB503.5 million to RMB643.7 million with the sales volume of motor oil products increased by 26.8% from 10.9 million liters to 13.8 million liters, mainly driven by the post-COVID-19 business recovery, and the expansion of our Tuhu workshop network and growing customer base. The number of Tuhu workshops increased from 4,078 as of 31 March 2022 to 4,770 as of 31 March 2023, and (ii) a 11.7% increase in revenue from the sale of tires and chassis parts and related installation services from RMB1.2 billion in the three months ended 31 March 2022 to RMB1.4 billion in the same period of 2023, in particular, the sales volume of tires products increased by 8.0% from 3.1 million units to 3.3 million units, mainly resulting from the post-COVID-19 business recovery. The released accumulative travel backlog demand increased miles driven, and as a result needs for tire changes. The revenue increase was partially offset by a 24.0% decrease in revenue from our auto parts sold through Qipeilong from RMB431.7 million in the three months ended 31 March 2022 to RMB328.2 million in the same period of 2023, mainly as a result of the decrease in revenue from regional wholesale service as we strategically allocated more resources to develop the instant procurement service through Qipeilong.

Revenue from advertising, franchise and other services increased by 20.4% from RMB182.4 million in the three months ended 31 March 2022 to RMB219.7 million in the same period of 2023, primarily due to (i) an increase in revenue from franchise services, primarily due to (a) the expansion of franchised Tuhu workshops network from 3,884 franchised Tuhu workshops as of 31 March 2022 to 4,610 as of 31 March 2023, (b) the increase in the management fees as a result of the cessation of our COVID-19 relief measures, such as the reduction and exemption of management fees, and (c) the increase in the profit-based royalty fees in line with the business recovery of the franchised Tuhu workshops, and (ii) an increase in advertising services to brand owners, primarily driven by brand owners' enhanced investment in marketing campaigns in line with the post-COVID-19 business recovery, partially offset by a decrease in revenue from our NEV initiatives as we adjusted our development strategies, and terminated the sales of new energy vehicles from certain NEV brands.

### *Cost of revenue*

Our cost of revenue increased by 1.6% from RMB2.4 billion in the three months ended 31 March 2022 to RMB2.5 billion in the same period of 2023, at a pace slower than the growth of our revenue. The increase was primarily attributable to (i) a 12.6% increase in cost of auto maintenance products and services from RMB709.0 million in the three months ended 31 March 2022 to RMB798.1 million in the same period of 2023, and (ii) a 7.1% increase in cost of sale of tires and chassis parts and related installation services from RMB1,061.1 million in the three months ended 31 March 2022 to RMB1,136.6 million in the same period of 2023. The increases mentioned in (i) and (ii) were primarily due to an increase in products and service sales in line with the post-COVID-19 business recovery and expansion of our Tuhu workshop network, partially offset by (i)

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improved margin profile as a result of changes in products and services category mix, in particular, as revenue from auto maintenance products and services — which generally have higher margins — as a percentage of revenue from automotive products and services increased from 35.6% in the three months ended 31 March 2022 to 39.2% in the same period of 2023, (ii) lower procurement cost of certain product categories as we gained more favourable terms from suppliers in line with our business growth, and (iii) higher revenue contribution from our exclusive and private label products, which generally have higher gross margins than branded products. Revenue contribution from exclusive products increased from 31.8% in the three months ended 31 March 2022 to 36.5% in the same period of 2023, and revenue contribution from private label products increased from 20.8% in the three months ended 31 March 2022 to 30.1% in the same period of 2023. The decrease in the cost of revenue from our auto parts sold through Qipeilong also partially offset the increase in cost of revenue as we strategically contained the business scale of our regional wholesale service through Qipeilong and allocated more resources to develop the instant procurement service through Qipeilong.

### *Gross profit and gross margin*

As a result of the foregoing, our gross profit increased by 48.2% from RMB532.9 million in the three months ended 31 March 2022 to RMB789.8 million in the same period of 2023. Our overall gross margin improved from 17.9% to 24.2% during the same period, primarily due to (i) improved margin profile as a result of changes in products and services category mix, (ii) lower procurement cost of certain product categories as we gained more favourable terms from suppliers in line with our business growth, and (iii) higher revenue contribution from our exclusive and private label products, which generally have higher gross margins than branded products. See “— Description of Major Components of our Results of Operations — Gross Profit and Gross Margin.”

### *Other income and gains, net*

Our net other income and gains increased from RMB8.9 million in the three months ended 31 March 2022 to RMB17.4 million in the same period of 2023. The increase was primarily because the increase in government grants awarded by the local governments to support our operation.

### *Operations and support expenses*

Our operations and support expenses decreased from RMB166.2 million in the three months ended 31 March 2022 to RMB139.4 million in the same period of 2023, which was mainly due to (i) a RMB24.2 million decrease in operations and support personnel cost (excluding share-based payment expenses), and (ii) a RMB4.1 million decrease in travel and office expenses as business trips reduced, both primarily as a result of the decreased number of operations and support personnel from 2,787 (being the average of the number of our operations and support staff as of 1 January 2022 and as of 31 March 2022) to 2,108 (being the average of the number of our operations and support staff as of 1 January 2023 and as of 31 March 2023) as we adopted a series of measures to reduce costs and increase efficiency.

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### *Research and development expenses*

Our research and development expenses decreased from RMB162.3 million in the three months ended 31 March 2022 and RMB152.7 million in the same period of 2023, mainly attributable to (i) a RMB9.1 million decrease in cloud and service expenses as a result of the decrease in outsourced service fees, and (ii) a RMB3.3 million decrease in research and development personnel cost (excluding share-based payment expenses), mainly due to the decrease in the number of research and development personnel from 991 (being the average of the number of our research and development staff as of 1 January 2022 and as of 31 March 2022) to 891 (being the average of the number of our operations and support staff as of 1 January 2023 and as of 31 March 2023). The decreases in the outsourced service fees and the number of our research and development staff were both due to the series of measures we adopted to reduce costs and increase efficiency.

### *Selling and marketing expenses*

Our selling and marketing expenses increased by 11.4% from RMB378.3 million in the three months ended 31 March 2022 to RMB421.5 million in the same period of 2023, which was mainly due to (i) a RMB35.8 million increase in advertising and promotion-related expenses as part of our investments in marketing to further enhance our brand recognition, in line with the post-COVID-19 business recovery, and (ii) a RMB7.3 million increase in shipping expenses incurred in relation to the delivery of automotive products among warehouses and stores in line with the business recovery, partially offset by a RMB7.0 million decrease in staff cost (including share-based payment expenses) primarily as a result of the decreased number of selling and marketing personnel from 848 (being the average of the number of selling and marketing personnel as of 1 January 2022 and as of 31 March 2022) to 676 (being the average of the number of selling and marketing personnel as of 1 January 2023 and as of 31 March 2023) as we adopted a series of measures to reduce costs and increase efficiency.

### *General and administrative expenses*

Our general and administrative expenses decreased by 3.2% from RMB99.2 million in the three months ended 31 March 2022 to RMB96.0 million in the same period of 2023, which was mainly due to the RMB5.7 million decrease in bank charges as a result of the decrease in the fee rates, partially offset by the RMB3.9 million increase in the share-based payment expenses as part of our efforts to attract and retain talents.

### *Finance income*

Our finance income increased by 130.9% from RMB11.0 million in the three months ended 31 March 2022 to RMB25.4 million in the same period of 2023, which was mainly due to the increase in average balance of time deposits and demand deposits in the same period of 2023.

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### *Finance costs*

Our finance costs decreased by 47.2% from RMB9.3 million in the three months ended 31 March 2022 to RMB4.9 million in the same period of 2023, which was mainly because (i) we incurred less interests on lease liabilities in the three months ended 31 March 2023, primarily due to the decrease in the number of self-operated Tuhu workshops, and (ii) we incurred interest expenses in the three months ended 31 March 2022, which amount was nil in the same period of 2023 as the outstanding balance of short-term bank borrowings was nil during the same period of 2023.

### *Fair value changes of convertible redeemable preferred shares*

Our fair value changes of convertible redeemable preferred shares were a loss of RMB298.0 million in the three months ended 31 March 2023, as compared to a loss of RMB342.0 million in the same period of 2022. The changes in the fair value of our convertible redeemable preferred shares were primarily attributable to the increase in our Company’s valuation and the change in the Company’s valuation was relatively small in the three months ended 31 March 2023 as compared to the same period of 2022. See Note 34 to the Accountants’ Report in Appendix I to this document for details regarding the changes in fair value of convertible redeemable preferred shares.

### *Income tax expense*

Our income tax expense decreased by RMB3.7 million from RMB5.2 million to RMB1.5 million, primarily due to decrease in taxable income of certain subsidiaries.

### *Loss for the period*

As a result of the foregoing, our loss for the period decreased by 54.3% from RMB609.7 million in the three months ended 31 March 2022 to RMB278.5 million in the same period of 2023.

## **Year Ended 31 December 2022 Compared to Year Ended 31 December 2021**

### *Revenue*

Our revenue slightly decreased by 1.5% from RMB11.7 billion in 2021 to RMB11.5 billion in 2022, primarily due to a slight decrease in revenue from automotive products and services, partially offset by an increase in revenue from advertising, franchise and other services.

Revenue from automotive products and services slightly decreased by 3.1% from RMB11.1 billion in 2021 to RMB10.7 billion in 2022, primarily due to (i) a 9.3% decrease in revenue from the sale of tires and chassis parts and related installation services from RMB5.1 billion in 2021 to RMB4.6 billion in 2022, in particular, the sales volume of tires products decreased by 12.3% from 13.1 million units to 11.5 million units, mainly resulting from the COVID-19 resurgence across the country, especially in certain major cities, such as Shanghai. The restriction on or advise against

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travel, and other preventive measures such as social-distancing and remote working arrangements reduced miles driven, and as a result needs for tire changes, and (ii) a 3.2% decrease in revenue from our auto parts sold through Qipeilong from RMB1,514.9 million in 2021 to RMB1,466.3 million in 2022, mainly as a result of the decrease in revenue from regional wholesale service as we strategically allocated more resources to develop the instant procurement service through Qipeilong, partially offset by a 4.8% increase in revenue from auto maintenance products and services from RMB3.8 billion in 2021 to RMB4.0 billion in 2022, in particular, the revenue from sale of motor oil and related services increased from RMB1.9 billion to RMB2.0 billion with the sales volume of motor oil products increased by 7.8% from 40.5 million liters to 43.6 million liters, mainly driven by the expansion of our Tuhu workshop network and growing customer base. The number of Tuhu workshops increased from 3,853 as of 31 December 2021 to 4,653 as of 31 December 2022.

Revenue from advertising, franchise and other services increased by 25.2% from RMB658.0 million in 2021 to RMB824.1 million in 2022, primarily due to (i) an increase in revenue from our NEV initiatives, and (ii) an increase in revenue from franchise services, in line with the expansion of franchised Tuhu workshops network from 3,658 franchised Tuhu workshops as of 31 December 2021 to 4,491 as of 31 December 2022.

### *Cost of revenue*

Our cost of revenue decreased by 5.9% from RMB9.9 billion in 2021 to RMB9.3 billion in 2022. The decrease was primarily attributable to a 14.4% decrease in cost of sale of tires and chassis parts and related installation services from RMB4.6 billion in 2021 to RMB3.9 billion in 2022, partially offset by a 402.8% increase in cost associated with our NEV initiatives from RMB24.5 million in 2021 to RMB123.2 million in 2022. In addition, the following factors also contributed to the decrease in cost of revenue: (i) improved margin profile as a result of changes in products and services category mix, in particular, as revenue from auto maintenance products and services — which generally have higher margins — as a percentage of revenue from automotive products and services increased from 34.7% in 2021 to 37.5% in 2022, whereas revenue from tires and chassis products and services — which generally have lower margins — as a percentage of revenue from automotive products and services decreased from 45.8% to 42.8%, (ii) lower procurement cost of certain product categories as we gained more favourable terms from suppliers in line with our business growth, and (iii) higher revenue contribution from our exclusive and private label products, which generally have higher gross margins than branded products. Revenue contribution from exclusive products increased from 32.9% in 2021 to 36.0% in 2022, and revenue contribution from private label products increased from 16.3% in 2021 to 22.1% in 2022.

### *Gross profit and gross margin*

As a result of the foregoing, our gross profit increased by 21.4% from RMB1.9 billion in 2021 to RMB2.3 billion in 2022. Our overall gross margin improved from 16.0% to 19.7% during the same period, primarily due to (i) improved margin profile as a result of changes in products and services category mix, (ii) lower procurement cost of certain product categories as we gained more



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favourable terms from suppliers in line with our business growth, and (iii) higher revenue contribution from our exclusive and private label products, which generally have higher gross margins than branded products. See “— Description of Major Components of our Results of Operations — Gross Profit and Gross Margin.”

### *Other income and gains, net*

Our net other income and gains increased from RMB121.5 million in 2021 to RMB151.5 million in 2022. The increase was primarily because the increase in government grants awarded by the local governments to support our operation, partially offset by the factor that we had a one-off gain of RMB28.0 million recognised from our investment in an associate jointly invested by ExxonMobil through contribution of software in 2021, which amount was nil in 2022.

### *Operations and support expenses*

Our operations and support expenses decreased from RMB654.1 million in 2021 to RMB627.5 million in 2022, which was mainly due to the decrease in travel and office expenses from RMB72.0 million in 2021 to RMB45.5 million in 2022 as business trips reduced as a result of the COVID-19 resurgence across the country.

### *Research and development expenses*

Our research and development expenses remained relatively flat with RMB619.6 million in 2021 and RMB621.4 million in 2022, mainly attributable to (i) a RMB13.8 million increase in share-based payment expenses as we granted certain share awards to our employees at the end of 2021, which was recorded as expenses in 2022, and (ii) a RMB9.0 million increase in cloud and service expenses in connection with the iteration of internal systems, partially offset by (i) a RMB18.0 million decrease in research and development personnel cost (excluding share-based payment expenses), which was mainly due to the decrease in the year-end bonus for research and development personnel as we adopted a series of measures to reduce costs and increase efficiency, and (ii) a RMB3.6 million decrease in travel and office expenses as business trips reduced as a result of the COVID-19 resurgence across the country.

### *Selling and marketing expenses*

Our selling and marketing expenses decreased by 8.3% from RMB1.7 billion in 2021 to RMB1.5 billion in 2022, which was mainly due to (i) a RMB147.1 million decrease in advertising and promotion-related expenses as we reduced our marketing expenses as a result of the COVID-19 resurgence, and (ii) a RMB22.1 million decrease in staff cost (excluding share-based payment expenses) primarily as a result of the decreased number of selling and marketing personnel from 1,035 (being the average of the number of our selling and marketing staff as of 1 January 2021 and as of 31 December 2021) to 775 (being the average of the number of our selling and marketing staff as of 1 January 2022 and as of 31 December 2022) as we adopted a series of measures to reduce



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costs and increase efficiency, such as, optimizing the layout of our flagship APP, and further utilizing AI technology for online customer services, partially offset by (i) a RMB18.8 million increase in depreciation and amortisation expenses mainly as a result of the increase in the amortisation of right-of-use assets in connection with the lease of warehouses as we leased more warehousing space in line with our business growth, (ii) a RMB13.4 million increase in shipping expenses incurred in relation to the delivery of automotive products among warehouses and stores resulting from supply chain disruptions caused by the COVID-19 resurgence, and (iii) a RMB11.5 million increase in share-based payment expenses as we granted certain share awards to our employees at the end of 2021, which was recorded as expenses in 2022.

### *General and administrative expenses*

Our general and administrative expenses increased by 13.7% from RMB351.0 million in 2021 to RMB399.1 million in 2022, which was mainly due to the increase in personnel related expenses (including share-based payment expenses) from RMB195.8 million in 2021 to RMB259.5 million in 2022 as (a) the share-based payment expenses increased by RMB56.4 million in 2022, mainly due to the large number of share awards granted at the end of 2021, as well as the increase in our Company’s valuation, (b) the personnel involved in general and administrative functions increased from 371 (being the average of the number of the personnel involved in general and administrative functions as of 1 January 2021 and as of 31 December 2021) to 402 (being the average of the number of our personnel involved in general and administrative functions as of 1 January 2022 and as of 31 December 2022) in line with our growing business, and (c) we raised the average salaries of personnel involved in general and administrative functions as part of our efforts to attract and retain talents.

### *Finance income*

Our finance income decreased by 10.3% from RMB63.5 million in 2021 to RMB56.9 million in 2022, which was mainly due to the decrease in average balance of time deposits in 2022, as a result of the release of certain security deposits and the withdrawal of a number of time deposits upon maturity.

### *Finance costs*

Our finance costs decreased by 57.6% from RMB65.7 million in 2021 to RMB27.9 million in 2022, which was mainly because (i) we repaid certain short-term bank borrowings in 2022, and (ii) we incurred certain transaction costs for the issuance of convertible redeemable preferred shares in 2021, which amount was nil in 2022.

### *Fair value changes of convertible redeemable preferred shares*

Our fair value changes of convertible redeemable preferred shares were a loss of RMB1.3 billion in 2022, as compared to a loss of RMB4.4 billion in 2021. The changes in the fair value of

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our convertible redeemable preferred shares were primarily attributable to the increase in our Company’s valuation and the change in the Company’s valuation was relatively small in 2022 as compared to 2021. See Note 34 to the Accountants’ Report in Appendix I to this document for details regarding the changes in fair value of convertible redeemable preferred shares.

### *Income tax expense*

Our income tax expense decreased by RMB4.1 million from RMB34.8 million to RMB30.7 million, primarily due to decrease in taxable income of certain subsidiaries.

### *Loss for the year*

As a result of the foregoing, our loss for the year decreased by 63.4% from RMB5.8 billion in 2021 to RMB2.1 billion in 2022.

## **Year Ended 31 December 2021 Compared to Year Ended 31 December 2020**

### *Revenue*

Our revenue increased by 33.9% from RMB8.8 billion in 2020 to RMB11.7 billion in 2021, primarily due to a substantial increase in revenue from automotive products and services.

Revenue from automotive products and services increased by 32.7% from RMB8.3 billion in 2020 to RMB11.1 billion in 2021, primarily due to (i) a 46.7% increase in revenue from auto maintenance products and services from RMB2.6 billion in 2020 to RMB3.8 billion in 2021, in particular, the revenue from sale of motor oil and related services increased from RMB1.3 billion to RMB1.9 billion with the sales volume of motor oil products increased by 49.5% from 27.1 million liters to 40.5 million liters, (ii) a 20.5% increase in revenue from sale of tires and chassis parts and related installation services from RMB4.2 billion in 2020 to RMB5.1 billion in 2021, in particular, the revenue from sale of tires and related services increased from RMB4.0 billion to RMB4.7 billion with the sales volume of tires products increased by 21.3% from 10.8 million units to 13.1 million units, both mainly driven by the growing customer base and the expansion of our store network, and (iii) a 58.0% increase in revenue from our auto parts sold through Qipeilong from RMB959.0 million in 2020 to RMB1.5 billion in 2021, in line with the expansion of our business to better address the comprehensive product needs of store network. The number of Tuhu workshops and partner stores increased from 25,773 as of 31 December 2020 to 35,476 as of 31 December 2021. The number of transacting users increased from 11.0 million in 2020 to 14.8 million in 2021.

Revenue from advertising, franchise and other services increased by 59.3% from RMB413.1 million in 2020 to RMB658.0 million in 2021, primarily due to (i) an increase in revenue from franchise services, in line with the expansion of franchised Tuhu workshops network from 2,323 franchised Tuhu workshops as of 31 December 2020 to 3,658 as of 31 December 2021, and (ii) an increase in revenue from our NEV initiatives.

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### *Cost of revenue*

Our cost of revenue increased by 28.4% from RMB7.7 billion in 2020 to RMB9.9 billion in 2021. The increase was primarily attributable to (i) a 40.1% increase in cost of auto maintenance products and services from RMB2.0 billion in 2020 to RMB2.8 billion in 2021, (ii) a 18.9% increase in cost of sale of tires and chassis parts and related installation services from RMB3.9 billion in 2020 to RMB4.6 billion in 2021, and (iii) a 44.5% increase in cost of auto parts sold through Qipeilong from RMB952.1 million in 2020 to RMB1.4 billion in 2021. The increases mentioned in (i), (ii) and (iii) were primarily due to an increase in products and service sales, partially offset by (a) improved margin profile as a result of changes in products and services category mix, in particular, as revenue from auto maintenance products and services — which generally have higher margins — as a percentage of revenue from automotive products and services increased from 31.4% in 2020 to 34.7% in 2021, whereas revenue from tires and chassis products and services — which generally have lower margins — as a percentage of revenue from automotive products and services decreased from 50.4% to 45.8%, (b) lower procurement cost of certain product categories as we gained more favourable terms from suppliers in line with our business growth, and (c) revenue contribution from exclusive products increased from 26.3% in 2020 to 32.9% in 2021; revenue contribution from private label products increased from 9.8% in 2020 to 16.3% in 2021.

### *Gross profit and gross margin*

As a result of the foregoing, our gross profit increased by 73.2% from RMB1.1 billion in 2020 to RMB1.9 billion in 2021. Our overall gross margin improved from 12.3% to 16.0% during the same period.

### *Other income and gains, net*

Our net other income and gains increased from RMB114.5 million in 2020 to RMB121.5 million in 2021. The increase was primarily due to the increase in government grants awarded by the local governments to support our operation, partially offset by (i) a RMB48.5 million decrease in the one-off gain recognised from our investment in an associate jointly invested by ExxonMobil through contribution of software from RMB76.5 million in 2020 to RMB28.0 million in 2021, and (ii) a decrease in net foreign exchange gains, primarily because the exchange rate of U.S. dollar against Renminbi experienced relatively large volatility during the same period.

### *Operations and support expenses*

Our operations and support expenses increased by 112.2% from RMB308.3 million in 2020 to RMB654.1 million in 2021, which was mainly due to the increase in staff cost (including share-based payment expenses) from RMB249.1 million in 2020 to RMB562.9 million in 2021 as a result of additional personnel recruited to strengthen store management and supervision, as we expanded into the tier 2 and below cities and counties and launched new products and services. The number of

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our operations and support staff increased from 1,614 (being the average of the number of our operations and support staff as of 1 January 2020 and as of 31 December 2020) to 2,448 (being the average of the number of our operations and support staff as of 1 January 2021 and as of 31 December 2021). In addition, the COVID-19 pandemic affected the performance-based bonuses of store management and supervision personnel in the first half of 2020 and we enjoyed social insurance payment reductions and exemptions in 2020, both of which contributed to the period-over-period increase in operations and support expenses.

### *Research and development expenses*

Our research and development expenses increased by 67.7% from RMB369.5 million in 2020 to RMB619.6 million in 2021, mainly attributable to a RMB199.8 million increase in research and development personnel cost (including share-based payment expenses), which was mainly due to (a) the growth of our research and development team from 862 (being the average of the number of our research and development team as of 1 January 2020 and as of 31 December 2020) to 974 (being the average of the number of our research and development team as of 1 January 2021 and as of 31 December 2021), as we continue to strengthen our technological capabilities and explore new products and services, (b) the increase in average salaries of research and development personnel as part of efforts to attract and retain research and development talents, and (c) the increase in social insurance payment for our research and development personnel in 2021 as we ceased to enjoy the social insurance payment reductions and exemptions granted by local governmental authorities as part of the COVID-19 relief measures. In addition, as majority of the newly recruited research and development personnel joined us in or around the end of June 2020, we started recording their personnel cost since the end of second quarter of 2020, which also contributed to the period-over-period increase in research and development expenses.

### *Selling and marketing expenses*

Our selling and marketing expenses increased by 33.1% from RMB1.3 billion in 2020 to RMB1.7 billion in 2021, which was mainly due to (i) a RMB231.9 million increase in advertising and promotion-related expenses as part of our continuing investments in marketing to further enhance our brand recognition, in line with our growing business scale, (ii) a RMB127.4 million increase in shipping expenses incurred in relation to the delivery of automotive products among warehouses and stores as our business scales, and (iii) a RMB50.6 million increase in staff cost (including share-based payment expenses) primarily as a result of (a) the increased number of customer service personnel from 625 (being the average of the number of customer service personnel as of 1 January 2020 and as of 31 December 2020) to 676 (being the average of the number of customer service personnel as of 1 January 2021 and as of 31 December 2021) as we continue to optimise customer experience, and (b) the increase in social insurance payment for our employees in 2021 as we ceased to enjoy the social insurance payment reductions and exemptions granted by local governmental authorities as part of the COVID-19 relief measures.

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### *General and administrative expenses*

Our general and administrative expenses increased by 81.7% from RMB193.1 million in 2020 to RMB351.0 million in 2021, which was mainly due to the increase in personnel related expenses (including share-based payment expenses) from RMB93.6 million in 2020 to RMB195.8 million in 2021 as (i) the personnel involved in general and administrative functions increased from 323 (being the average of the number of personnel involved in general and administrative functions as of 1 January 2020 and as of 31 December 2020) to 371 (being the average of the number of personnel involved in general and administrative functions as of 1 January 2021 and as of 31 December 2021) in line with our growing business, (ii) we raised the average salaries of personnel involved in general and administrative functions as part of our efforts to attract and retain talents, and (iii) we ceased to enjoy the social insurance payment reductions and exemptions granted by local governmental authorities as part of the COVID-19 relief measures.

### *Finance income*

Our finance income slightly increased by 0.4% from RMB63.2 million in 2020 to RMB63.5 million in 2021, which was mainly due to increase in average balance of time deposits in 2021, partially offset by slight decrease in annualised interest rate of time deposits during that period.

### *Finance costs*

Our finance costs increased by 30.0% from RMB50.5 million in 2020 to RMB65.7 million in 2021, which was mainly due to (i) the transaction costs we incurred for the issuance of convertible redeemable preferred shares in 2021, and (ii) the increase in the interest on lease liabilities in line with the expansion of front distribution centres and self-operated Tuhu workshops in certain cities.

### *Fair value changes of convertible redeemable preferred shares*

Our fair value changes of convertible redeemable preferred shares were a loss of RMB4.4 billion in 2021, as compared to a loss of RMB3.0 billion in 2020. The changes in the fair value of our convertible redeemable preferred shares were primarily attributable to the increase in our Company’s valuation. See Note 34 to the Accountants’ Report in Appendix I to this document for details regarding the changes in fair value of convertible redeemable preferred shares.

### *Income tax expense*

Our income tax expense increased by 41.6% from RMB24.6 million to RMB34.8 million, primarily due to increase in taxable income of certain subsidiaries.

### *Loss for the year*

As a result of the foregoing, our loss for the year increased by 48.8% from RMB3.9 billion in 2020 to RMB5.8 billion in 2021.

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### Year Ended 31 December 2020 Compared to Year Ended 31 December 2019

#### *Revenue*

Our revenue increased by 24.3% from RMB7.0 billion in 2019 to RMB8.8 billion in 2020, which was primarily due to a substantial increase in revenue from automotive products and services, partially offset by the impact of COVID-19 pandemic.

Revenue from automotive products and services increased by 22.3% from RMB6.8 billion in 2019 to RMB8.3 billion in 2020, which was primarily due to (i) a 40.0% increase in revenue from auto maintenance products and services from RMB1.9 billion in 2019 to RMB2.6 billion in 2020, in particular, the revenue from sale of motor oil and related services increased from RMB856.4 million to RMB1.3 billion with the sales volume of motor oil products increased by 61.4% from 16.8 million liters to 27.1 million liters, (ii) a 9.5% increase in revenue from sale of tires and chassis parts and related installation services from RMB3.8 billion in 2019 to RMB4.2 billion in 2020, in particular, the revenue from sale of tires and related services increased from RMB3.7 billion to RMB4.0 billion with the sales volume of tires products increased by 11.0% from 9.7 million to 10.8 million, both mainly driven by the growing customer base and the expansion of our store network, and (iii) a 55.9% increase in revenue from our auto parts sold through Qipeilong from RMB614.9 million in 2019 to RMB959.0 million in 2020, in line with the expansion of its business to better address the comprehensive product needs of store network. The number of Tuhu workshops and partner stores increased from 20,166 as of 31 December 2019 to 25,773 as of 31 December 2020. The number of transacting users increased from 8.6 million in 2019 to 11.0 million in 2020.

Revenue from advertising, franchise and other services increased by 86.6% from RMB221.4 million in 2019 to RMB413.1 million in 2020, which was primarily due to (i) an increase in revenue from franchise services, in line with the expansion of franchised Tuhu workshops network from 1,296 franchised Tuhu workshops as of 31 December 2019 to 2,323 as of 31 December 2020, and (ii) an increase in advertising services to brand owners, primarily driven by our enhanced brand recognition and influence.

#### *Cost of revenue*

Our cost of revenue increased by 17.7% from RMB6.5 billion in 2019 to RMB7.7 billion in 2020, at a pace slower than the growth of our revenue. The increase was primarily attributable to (i) a 36.7% increase in cost of auto maintenance products and services from RMB1.5 billion in 2019 to RMB2.0 billion in 2020, (ii) a 56.6% increase in cost of auto parts sold through Qipeilong from RMB607.9 million in 2019 to RMB952.1 million in 2020, and (iii) 5.0% increase in cost of sale of tires and chassis parts and related installation services from RMB3.7 billion in 2019 to RMB3.9 billion in 2020. The increases mentioned in (i), (ii) and (iii) were primarily due to an increase in products and service sales, partially offset by (a) changes in products and services category mix, in particular, as the revenue from auto maintenance products and services — which generally have lower procurement costs and higher margins — as a percentage of revenue from



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automotive products and services increased from 27.4% in 2019 to 31.4% in 2020, whereas revenue from tires and chassis products and services — which generally have lower margins — as a percentage of revenue from automotive products and services decreased from 56.3% to 50.4%, (b) lower procurement cost of certain product categories as we gained more favourable terms from suppliers in line with our business growth and (c) higher revenue contribution from our exclusive and private label products, which generally have higher gross margins than branded products. Revenue contribution from exclusive products increased from 17.5% in 2019 to 26.3% in 2020; revenue contribution from private label products increased from 4.7% in 2019 to 9.8% in 2020.

### *Gross profit and gross margin*

As a result of the foregoing, our gross profit increased by 106.3% from RMB523.4 million in 2019 to RMB1.1 billion in 2020. Our overall gross margin improved from 7.4% to 12.3% during the same periods.

### *Other income and gains, net*

Our net other income and gains changed from gain of RMB11.6 million in 2019 to gains of RMB114.5 million in 2020. The increase in 2020 was primarily attributable to the one-off gain of RMB76.5 million from our investment in an associate jointly invested by ExxonMobil through contribution of software recorded in 2020.

### *Operations and support expenses*

Our operations and support expenses increased by 42.6% from RMB216.2 million in 2019 to RMB308.3 million in 2020, which was mainly due to the increase in staff cost (including share-based payment expenses) from RMB175.1 million in 2019 to RMB249.1 million in 2020 as a result of additional personnel recruited to strengthen store management and supervision, as we expanded into the tier 2 and below cities and counties and launched new products and services.

### *Research and development expenses*

Our research and development expenses increased by 65.5% from RMB223.3 million in 2019 to RMB369.5 million in 2020, mainly attributable to a RMB120.9 million increase in research and development personnel cost (including share-based payment expenses), which was mainly due to (a) the growth of our research and development team from 621 (being the average of the number of our research and development team as of 1 January 2019 and as of 31 December 2019) to 862 (being the average of the number of our research and development team as of 1 January 2020 and as of 31 December 2020), as we continue to strengthen our technological capabilities and explore new products and services, and (b) the increase in average salaries of research and development personnel as part of efforts to attract and retain research and development talents.



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### *Selling and marketing expenses*

Our selling and marketing expenses increased by 21.3% from RMB1.0 billion in 2019 to RMB1.3 billion in 2020, which was mainly due to (i) a RMB74.6 million increase in staff cost (including share-based payment expenses) mainly as a result of the increased customer service personnel as we continue to optimise customer experience, (ii) a RMB58.3 million increase in shipping expenses incurred in relation to the delivery of automotive products among warehouses and stores as our business scales, and (iii) a RMB46.9 million increase in advertising and promotion-related expenses, in particular, our continuing investments in marketing to further enhance our brand recognition, in line with our growing business scale.

### *General and administrative expenses*

Our general and administrative expenses decreased by 2.4% from RMB197.9 million in 2019 to RMB193.1 million in 2020, which was mainly due to the decrease in share-based payment expenses, which reflected our effort to normalise our hiring and ESOP grant practises, partially offset by an increase in personnel related expenses as we recruited additional personnel to support our growing business and an increase in consulting fees in connection with our financing activities.

### *Finance income*

Our finance income increased by 51.6% from RMB41.7 million in 2019 to RMB63.2 million in 2020, which was mainly due to increase in average balance of time deposits in 2020 and relatively higher annualised interest rate of time deposits during that period.

### *Finance costs*

Our finance costs increased by 91.4% from RMB26.4 million in 2019 to RMB50.5 million in 2020, which was mainly due to the increase in interest expenses, mainly attributable to the increased short-term bank borrowings in 2020, partially offset by the decrease in transaction costs for the issuance of convertible redeemable preferred shares.

### *Fair value changes of convertible redeemable preferred shares*

Our fair value changes of convertible redeemable preferred shares were a loss of RMB3.0 billion in 2020, as compared to a loss of RMB1.9 billion in 2019. The changes in the fair value of our convertible redeemable preferred shares were primarily attributable to the increase in our Company’s valuation. See Note 34 to the Accountants’ Report in Appendix I to this document for details regarding the changes in fair value of convertible redeemable preferred shares.

### *Loss on repurchase of convertible redeemable preferred shares*

We recorded loss on repurchase of convertible redeemable preferred shares of RMB363.9 million in 2019, which represents our one-off repurchase of convertible redeemable preferred shares as a result of withdrawals by certain investors in 2019.

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### *Income tax expense*

Our income tax expense increased by 138.7% from RMB10.3 million to RMB24.6 million, primarily due to the increase in taxable income of certain subsidiaries.

### *Loss for the year*

As a result of the foregoing, our loss for the year increased by 14.6% from RMB3.4 billion in 2019 to RMB3.9 billion in 2020.

## DISCUSSION OF CERTAIN KEY BALANCE SHEET ITEMS

The table below sets forth selected information from our consolidated statements of balance sheets as of the dates indicated.

	As of 31 December				As of
					31 March
	2019	2020	2021	2022	2023
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(in thousands)</i>				
<b>ASSETS</b>					
<b>Non-Current assets:</b>					
Property, plant and equipment . . . . .	206,529	284,297	539,143	671,032	712,930
Right-of-use assets . . . . .	322,890	424,150	517,581	467,714	444,615
Goodwill <sup>(1)</sup> . . . . .	—	14,789	15,820	15,820	15,820
Other intangible assets <sup>(2)</sup> . . . . .	1,390	46,353	63,113	69,975	70,089
Financial investments at fair value					
through profit or loss . . . . .	31,943	145,963	201,038	227,120	236,413
Investment in joint ventures . . . . .	—	—	—	115,375	113,241
Investments in associates . . . . .	48,089	207,625	194,224	163,694	168,717
Equity investments designated at fair value through other comprehensive income . . . . .	—	—	—	289,312	322,892
Restricted cash and time deposits . . . . .	25,000	300,000	480,000	403	115,003
Other non-current assets . . . . .	24,834	33,286	74,944	87,825	124,132
<b>Total non-current assets . . . . .</b>	<b>660,675</b>	<b>1,456,463</b>	<b>2,085,863</b>	<b>2,108,270</b>	<b>2,323,852</b>

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	As of 31 December				As of 31 March
	2019	2020	2021	2022	2023
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
			<i>(in thousands)</i>		
<b>Current assets:</b>					
Inventories	1,046,812	1,483,537	1,713,513	1,542,547	1,555,808
Trade receivables	155,614	280,510	202,990	173,731	195,827
Prepayments, other receivables and other assets	256,576	555,593	539,472	456,257	458,456
Financial assets at fair value through profit or loss	1,748,715	692,368	320,362	25,921	48,013
Restricted cash and time deposits	821,157	3,400,888	3,497,661	2,021,037	1,739,702
Cash and cash equivalents	1,474,876	1,164,958	1,472,293	2,686,353	2,815,580
<b>Total current assets</b>	<b>5,503,750</b>	<b>7,577,854</b>	<b>7,746,291</b>	<b>6,905,846</b>	<b>6,813,386</b>
<b>LIABILITIES</b>					
<b>Current liabilities:</b>					
Trade and bills payables	1,683,398	2,808,434	3,240,321	3,119,324	3,231,297
Other payables and accruals	698,032	962,270	1,463,777	1,566,010	1,524,310
Contract liabilities	215,353	382,463	558,999	653,045	634,632
Interest-bearing borrowings	—	2,016,915	264,000	—	—
Tax payable	10,301	34,884	67,517	97,225	97,816
Lease liabilities	115,360	132,283	148,379	136,595	128,894
<b>Total current liabilities</b>	<b>2,722,444</b>	<b>6,337,249</b>	<b>5,742,993</b>	<b>5,572,199</b>	<b>5,616,949</b>
<b>Non-Current liabilities:</b>					
Convertible redeemable preferred shares	9,499,531	11,900,562	18,609,227	21,726,488	21,732,634
Contract liabilities	71,636	109,468	115,056	60,268	53,502
Lease liabilities	181,881	252,468	282,873	203,735	190,456
Deferred tax liabilities	—	10,333	10,333	10,333	10,333
Other non-current liabilities	184,216	329,780	436,046	397,657	404,797
<b>Total non-current liabilities</b>	<b>9,937,264</b>	<b>12,602,611</b>	<b>19,453,535</b>	<b>22,398,481</b>	<b>22,391,722</b>
<b>Net current assets</b>	<b>2,781,306</b>	<b>1,240,605</b>	<b>2,003,298</b>	<b>1,333,647</b>	<b>1,196,437</b>
<b>Net liabilities</b>	<b>(6,495,283)</b>	<b>(9,905,543)</b>	<b>(15,364,374)</b>	<b>(18,956,564)</b>	<b>(18,871,433)</b>
<b>EQUITY</b>					
Non-controlling interests	—	3,861	2,337	195	(186)

*Notes:*

- Goodwill primarily represents goodwill arising from acquisitions of the equity interests in two companies engaged in automotive products and services, namely Xi'an Jushuohua Automobile Technology Co. Ltd. and Xiangming (Shanghai) Automotive Technology Service Co., Ltd. For the impairment testing of goodwill, see Note 18 to the Accountants' Report in Appendix I.
- Other intangible assets primarily consist of an insurance brokerage licence we acquired in 2020 and software. For the impairment testing of other intangible assets, see Note 19 to the Accountants' Report in Appendix I.

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We recorded net liabilities of RMB6.5 billion, RMB9.9 billion, RMB15.4 billion, RMB19.0 billion and 18.9 billion, as of 31 December 2019, 2020, 2021 and 2022 and 31 March 2023, respectively, primarily due to the significant amounts of convertible redeemable preferred shares recorded as liabilities. Our convertible redeemable preferred shares will be re-designated from liabilities to equity as a result of the automatic conversion into ordinary shares upon the [REDACTED], after which we do not expect to recognise any further loss or gain on changes in fair value of convertible redeemable preferred shares and will return to a net assets position from a net liabilities position. For the discussion on net current assets, see “— Liquidity and Capital Resources—Net Current Assets” in this section.

### *Inventories*

Our inventories primarily include tires and chassis parts, motor oil, accessories and other auto products used for maintenance, car wash, car detailing and repairs. As of 31 December 2019, 2020, 2021 and 2022 and 31 March 2023, our inventories were RMB1.0 billion, RMB1.5 billion, RMB1.7 billion, RMB1.5 billion and RMB1.6 billion, respectively. The increases from 2019 to 2021 was primarily due to the growth of our business and operation. The decrease from 31 December 2021 to 31 December 2022 because we paced the procurement of merchandise in 2022 in light of the COVID-19 resurgence in China. The increase from 31 December 2022 to 31 March 2023 was primarily due to the increased procurement of merchandise in line with the post-COVID-19 business recovery. Inventory turnover days for a given period are equal to the average balances of inventories, net of provision for inventory write-down, at the beginning and at the end of the period divided by cost of sales during the period and multiplied by the number of days during the period. Our inventory turnover days increased from 45 days in 2019 to 60 days in 2020 and decreased to 59 days in 2021, further changed to 64 days in 2022, and decreased to 56 days in the three months ended 31 March 2023. The increase from 2019 to 2020 was primarily due to (i) the expansion of Qipeilong business as products sold through Qipeilong generally have slower turnover, and (ii) the increased proportion of maintenance business among our overall business as products used in connection with maintenance services have slower turnover. The slightly higher turnover days in 2020, as compared to 2021, were primarily due to our continued efforts to improve inventory management. The increase from 2021 to 2022 was primarily due to slower sales and supply chain disruption caused by the COVID-19 resurgence. The decrease from 2022 to the three months ended 31 March 2023 was primarily due to post-COVID-19 business recovery. Our inventory balances typically increase when we prepare for special promotion events, such as the promotional campaigns around 18 June and 11 November each year, and before Chinese New Year Holiday, as factories and logistics companies may be shut down or reduce manpower during the holidays.

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The following table sets forth the aging analysis of the inventories, net of provision, as of the dates indicated.

	As of 31 December				As of 31 March
	2019	2020	2021	2022	2023
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(in thousands)</i>				
1-12 months .....	1,031,009	1,449,309	1,620,146	1,419,049	1,443,397
1-2 years .....	15,803	34,228	93,367	123,498	112,411
	<b><u>1,046,812</u></b>	<b><u>1,483,537</u></b>	<b><u>1,713,513</u></b>	<b><u>1,542,547</u></b>	<b><u>1,555,808</u></b>

Our management reviews the condition of inventories, at each reporting date, and makes allowance for inventories that are identified as obsolete, slow-moving or no longer recoverable. We carry out the inventory review on a product-by-product basis and make allowances with reference to the latest market prices and current market conditions. We believe there is no recoverability issue for inventories aged between 1 to 2 years, primarily because majority of the inventories aged between 1 to 2 years are auto maintenance products with shelf life of 3 to 5 years. As of 31 December 2019, 2020, 2021 and 2022 and 31 March 2023, sufficient provision has been made with regard to the inventories aged between 1-2 years, which amounted to RMB11.7 million, RMB21.4 million, RMB41.4 million, RMB62.9 million and RMB61.6 million, respectively.

As of 31 July 2023, RMB1,045.9 million, representing 67.2% of our inventories as of 31 March 2023 was subsequently utilized.

### *Trade receivables*

Our trade receivables represent primarily (i) trade receivables from franchised Tuhu workshops and third-party auto dealers for payment of auto products sourced from Qipeilong platform, (ii) trade receivables from certain key account customers for bulk purchase of automotive services, (iii) trade receivables from franchised Tuhu workshops in connection with the franchises services we provide and (iv) trade receivables from brand owners in connection with the advertising services we provide. Trade receivables from franchised Tuhu workshops arise when our franchised Tuhu workshops use Qipeilong platform to source products that are not available in our regional distribution centres for future end-customer orders. We deliver the auto products directly to the franchised Tuhu workshops and book sales to them. Those auto products are in stock at franchised Tuhu workshops for future sales to end-customers. After the franchised Tuhu workshops sell the auto products to the end-customers, we settle with the franchised Tuhu workshops periodically. Trade receivables from third-party auto dealers arise primarily when they make bulk purchases of auto products from us through Qipeilong. Trade receivables arise as we generally offer credit terms to customers on Qipeilong platform, which result in the time interval between the sales and delivery of auto products to the franchised Tuhu workshops and third-party auto dealers, and the payment from such franchised Tuhu

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workshops and third-party auto dealers to us. For detailed illustration of transactions and fund flow, including diagrams, see “Business—Our Product and Service Offerings—Qipeilong.” As to trade receivables from bulk purchases, our key account customers include insurance companies and commercial banks that make bulk purchases of our automotive maintenance service vouchers and offer them to their individual customers. Holders of such vouchers can use them to make service appointment directly with us to be served by our Tuhu workshops and partner stores. The vouchers generally have a valid term of one year for redemption. These key account customers generally have credit terms with us and settle with us periodically.

The below table sets forth the breakdown of trade receivables as of the dates indicated.

	As of 31 December				As of
					31 March
	2019	2020	2021	2022	2023
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(in thousands)</i>				
Trade receivables from bulk sales to key account customers <sup>(1)</sup> . . . . .	73,254	84,173	87,754	65,289	85,609
Trade receivables from sales on Qipeilong <sup>(2)</sup> . . . . .	24,249	65,229	50,640	27,788	30,339
Trade receivables from franchise services . . . . .	22,920	68,448	21,346	38,886	44,101
Trade receivables from advertising services . . . . .	21,221	46,097	37,235	37,659	31,905
Others . . . . .	32,511	28,025	18,632	19,354	19,841
Allowance for expected credit losses . . . . .	<u>(18,541)</u>	<u>(11,462)</u>	<u>(12,617)</u>	<u>(15,245)</u>	<u>(15,968)</u>
<b>Total</b>	<b><u>155,614</u></b>	<b><u>280,510</u></b>	<b><u>202,990</u></b>	<b><u>173,731</u></b>	<b><u>195,827</u></b>

*Notes:*

- (1) Trade receivables from bulk sales to key account customers primarily represent trade receivables from bulk sales of service vouchers to key account customers. There are two forms of sales of service vouchers, i.e., pay-by-consumption and prepaid service voucher. Majority of the sales are in the form of pay-by-consumption. Under pay-by-consumption scenario, the key account customer places an order for the vouchers without upfront payment, and only makes payment when these vouchers are subsequently redeemed by the individual end-customers on an actual consumption basis. We generally settle with key account customers on monthly basis under pay-by-consumption scenario. Under prepaid service voucher scenario, key account customers make bulk purchases of vouchers with non-refundable upfront payment, and then subsequently distribute such vouchers to individual end-customers for consumption.
- (2) Trade receivables from sales on Qipeilong primarily consist of receivables from franchised Tuhu workshops and third-party auto dealers for payment of auto products sourced from Qipeilong platform.

As of 31 December 2019, 2020, 2021 and 2022 and 31 March 2023, our trade receivables, net of allowance for expected credit losses, were RMB155.6 million, RMB280.5 million, RMB203.0 million, RMB173.7 million and RMB195.8 million, respectively. The increase from 2019 to 2020 was primarily due to the growth of our Qipeilong business and the increase in the amount receivable from key account customers for bulk purchase of automotive services as our business grows. The increase from 31 December 2022 to 31 March 2023 was primarily due to the increase in the amount

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receivable from key account customers for bulk purchase of automotive services in line with the post-COVID-19 business recovery. Trade receivables turnover days for a given period are equal to the average balances of trade receivables at the beginning and at the end of the period divided by revenue during the period and multiplied by the number of days during the period. Our trade receivables turnover days increased from 6 days in 2019 to 9 days in 2020 and decreased to 8 days in 2021, to 6 days in 2022, and further to 5 days in the three months ended 31 March 2023. The increase in turnover days from 2019 to 2020 was primarily due to temporarily extended settlement cycles with stores as we were expanding Qipeilong business. We have adopted automated reconciliation and settlement system for Qipeilong business since the end of 2020 to improve our settlement management, which contributed to the decrease in turnover days from 2020 to 2022 and further to the three months ended 31 March 2023.

The following table sets forth the aging analysis of the trade receivables by transaction date as of the dates indicated.

	As of 31 December				As of 31 March
	2019	2020	2021	2022	2023
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(in thousands)</i>				
Within 1 month	91,343	151,403	121,223	97,911	118,833
2 to 3 months	47,217	32,421	39,169	44,354	34,817
4 to 6 months	8,719	53,400	36,927	22,988	31,171
7 to 12 months	8,335	43,286	5,671	8,478	11,006
	<b><u>155,614</u></b>	<b><u>280,510</u></b>	<b><u>202,990</u></b>	<b><u>173,731</u></b>	<b><u>195,827</u></b>

The following table sets forth the aging analysis of the trade receivables by due date as of the dates indicated.

	As of 31 December				As of 31 March	Subsequently settled as of 31 July <sup>(1)</sup>	
	2019	2020	2021	2022	2023	2023	
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	%	
	<i>(in thousands, except for percentage data)</i>						
	<i>(unaudited)</i>						
Not past due	91,532	151,974	122,085	99,473	120,278	110,870	92.2
Overdue < 3 months	52,388	81,950	56,871	54,214	49,833	35,696	71.6
Overdue 3 to 6 months	4,679	27,641	19,764	14,280	18,369	12,739	69.4
Overdue 7 to 12 months	7,015	18,945	4,270	5,764	7,347	5,423	73.8

Note:

- (1) Represents the amounts and percentages of subsequent settlement of trade receivables in such aging group as of 31 March 2023.



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As of 31 July 2023, RMB164.7 million, representing 84.1% of our trade receivables as of 31 March 2023 was subsequently settled. The unsettled trade receivables primarily represent receivables from insurance companies. We generally grant a 30-day credit period. Towards the end of the credit period, we reconcile the accounts with the insurance companies first. The payment by the insurance companies will be made after the account reconciliation is completed. The insurance companies generally need longer time to carry out the account reconciliation and internal payment approval process, which result in slower payments. We have set up a settlement team to settle accounts receivables in a timely manner. If there is any delayed payment, the account manager in charge of the customer will follow up closely with the customer.

We believe that there is no material recoverability issue for our trade receivables, as we mainly grant credit terms to high quality customers. In addition, the trade receivables turnover days during the Track Record Period remain relatively low and we had made sufficient provisions accordingly. The amount of provision for trade receivables is measured by applying a scientific assessment model, in which various considerations have been accounted for under the expected credit losses model, such as the future economic forecasts, credit risk of debtors, historical data, impact of the COVID-19 pandemic that is available at the assessment date and inflation rate. We consider the assessment model has provided a concrete basis to formulate the amount of provision. Moreover, we have a dedicated team responsible for monitoring trade receivables from our customers, and we take proactive measures to ask our customers to settle long-term uncollected receivables in a timely manner. As of 31 December 2019, 2020, 2021 and 2022 and 31 March 2023, 94.6%, 84.6%, 97.2%, 95.1% and 94.4% of our trade receivables, net of allowance for expected credit losses, aged within six months and our customers during the Track Record Period had a track record of timely payments to us.

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### *Prepayments, other receivables and other assets*

Our prepayments, other receivables and other assets primarily include (i) advances to suppliers for purchase of goods and services, such as tires, (ii) deposits and other receivables, which mainly consist of lease deposits in connection with leased warehouses and offices, and (iii) VAT recoverable. As of 31 December 2019, 2020, 2021 and 2022 and 31 March 2023, our prepayments, other receivables and other assets were RMB256.6 million, RMB555.6 million, RMB539.5 million, RMB456.3 million and RMB458.5 million, respectively. The below table sets forth the breakdown of prepayments, other receivables and other assets as of the dates indicated.

	As of 31 December				As of
	2019	2020	2021	2022	31 March
	<i>(RMB in thousands)</i>				
Prepayments	145,884	306,904	182,959	157,637	156,257
Deposits and other receivables	39,461	100,382	126,650	127,610	127,244
VAT recoverable	54,238	97,984	174,065	148,157	164,869
Loans receivable <sup>(1)</sup>	8,159	39,052	42,784	22,727	10,229
Receivable from employees	9,163	11,796	13,358	3,070	4,184
Impairment allowance	(329)	(525)	(344)	(2,944)	(4,327)
<b>Total</b>	<b><u>256,576</u></b>	<b><u>555,593</u></b>	<b><u>539,472</u></b>	<b><u>456,257</u></b>	<b><u>458,456</u></b>

*Note:*

- (1) Loans receivable primarily consists of receivable in relation to direct loans and entrusted loans to certain franchised Tuhu workshops and franchisees. For entrusted loans, we entrust commercial banks to provide loans to franchised Tuhu workshops and franchisees and generally charge interests ranging from 4% to 12% per annum. Our PRC Legal Advisor is of the view that such entrusted loan arrangements are in compliance with the relevant PRC laws and regulations. For direct loans, we currently do not charge interests. Historically, we provided interest bearing direct loans to some of our franchised Tuhu workshops and franchisees. As of the Latest Practicable Date, outstanding balance of the interest bearing loans directly provided by us was nil. Thus, our PRC Legal Advisor is of the view that such direct loan arrangements are not prohibited by any applicable PRC laws and regulations. For details, see “Risk Factors—Risks Related to Our Business and Industry—Failure to obtain, renew, or retain licences, permits or approvals may affect our ability to conduct or expand our business.”

The increase from 2019 to 2020 was primarily due to increase in prepayments to suppliers as our business scales up. The decrease from 2020 to 2021 was primarily due to the decrease in prepayments to suppliers as we obtained more favourable credit terms from them, partially offset by the increases in VAT recoverable and lease deposits in line with our business growth. Specifically, some suppliers started to allow payment upon delivery in 2021. The decrease from 31 December 2021 to 31 December 2022 was primarily due to the decreases in VAT recoverable, prepayments to suppliers as we paced the procurement of merchandise in 2022 in light of the COVID-19 resurgence in China, and loans receivable as we received repayments from the borrowers. The slight increase from 31 December 2022 to 31 March 2023 was primarily due to increase in the VAT recoverable,

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partially offset by the decrease in loans receivable as we ceased to extend new entrusted loans in light of the post-COVID-19 business recovery and received repayments from certain borrowers.

As of 31 July 2023, RMB294.5 million, representing 64.2% of our prepayments, other receivables and other assets as of 31 March 2023 was subsequently settled.

### *Financial assets at fair value through profit or loss*

Our financial assets at fair value through profit or loss primarily represent wealth management products issued by commercial banks. As of 31 December 2019, 2020, 2021 and 2022 and 31 March 2023, our financial assets at fair value through profit or loss were RMB1.7 billion, RMB692.4 million, RMB320.4 million, RMB25.9 million and RMB48.0 million, respectively. The decrease from 2019 through 2021 was primarily because we allocated more funds in time deposits instead of short-term wealth management products as there was increase in the proportion of funds denominated in US dollars at our hand as compared to funds denominated in RMB and we generally allocate funds denominated in US dollars in time deposits which bear lower risks as compared to wealth management products. The further decrease from 2021 to 2022 was primarily because we allocated more funds in demand deposits instead of short-term wealth management products. The increase from 31 December 2022 to 31 March 2023 was because we purchased certain short-term wealth management products in the three months ended 31 March 2023.

During the Track Record Period, our wealth management products primarily include structured deposits and other wealth management products. The risk exposure from the structured deposits mainly involves the fluctuation in the rates of return. The risk exposure from other wealth management products is primarily that neither the principal nor the returns are protected or guaranteed by the relevant issuers. As of 31 December 2019, 2020, 2021 and 2022 and 31 March 2023, a majority of the wealth products we purchased are due on demand. During the Track Record Period, the structured deposits and other wealth management products we purchased did not have material decline in market value.

To monitor and control the investment risks associated with our wealth management product portfolio, we have adopted a comprehensive set of internal procedures to manage our investment in wealth management products. With the authorization of the Board, our management is responsible for carrying out the investment plans with respect to structured deposits and other wealth management products in accordance with our cash management policies and internal approval process. Supervised by Mr. Zhang Zhisong, the chief financial officer of the Group who has been supervising our investment activities and was highly involved in our historical investments, our finance department proposes, analyses and evaluates potential investment in wealth management products based on recommendations of our relationship and account managers at reputable banks in China. Prior to making any material investments in wealth management products or modifying our existing investment portfolio, the proposal shall be approved by Mr. Zhang and his designated senior member of our management. In assessing the wealth management products, we apply a number of standards, including (i) investment in high risk products are prohibited; (ii) the primary objectives of

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investment activities focus on minimising the financial risks by reasonably and conservatively matching the maturities of the portfolio to anticipated operating cash needs, while generating desirable investment returns for the benefits of our Shareholders; (iii) the proposed investment must not interfere with our business operations or capital expenditures; and (iv) the wealth management products should be issued by a reputable bank. We primarily invest in wealth management products issued by major commercial banks in China with low risks and a short-to mid-term of no more than one year. We make investment decisions related to wealth management products on a case-by-case basis after thoroughly considering a number of factors, including but not limited to macro-economic environment, general market conditions, risk control and credit of issuing banks, our own working capital conditions, and the expected profit or potential loss of the investment. Additionally, our Board adopted a variety of procedures in relation to the valuation of our financial assets. For details of those procedures, see “—Critical Accounting Policies and Estimates— Significant Accounting Judgements and Estimates— Level 3 of Fair Value Measurement.” Going forward, we intend to invest in wealth management products with low risks on a case by case basis if such products are in our Group’s interest upon thorough evaluations and analyses. Mr. Zhang has nearly 15 years of experience in finance. For other relevant qualifications and experience of our chief financial officer, see “Directors and Senior Management.” In addition, we have a professional and efficient financial management team. The team members have professional certifications, such as CPA and ACCA, as well as financial and cash management capabilities with prior working experience in renowned multi-national enterprises and accounting firms. They also have experience in the identification, calculation, reduction of risk exposure, and evaluation of the effectiveness of risk management, to ensure stable return on investments in wealth management products.

After [REDACTED], our investments in wealth management products will be subject to compliance with Chapter 14 of the Listing Rules.

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### *Cash and bank balances*

Our cash and bank balances primarily consist of cash and cash equivalents, time deposits and restricted cash. The restricted cash primarily consists of security deposits held in designated bank accounts for issuance of bills payable and short-term borrowings. The below table sets forth the breakdown of cash and bank balances as of the dates indicated.

	As of 31 December				As of
	2019	2020	2021	2022	31 March
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(in thousands)</i>				
<b>Current</b>					
Cash and cash equivalents . . . . .	1,474,876	1,164,958	1,472,293	2,686,353	2,815,580
Time deposits with maturities over three months . . . . .	223,479	307,528	1,017,365	514,115	471,793
Restricted cash current portion . . . . .	<u>597,678</u>	<u>3,093,360</u>	<u>2,480,296</u>	<u>1,506,922</u>	<u>1,267,909</u>
	<u>2,296,033</u>	<u>4,565,846</u>	<u>4,969,954</u>	<u>4,707,390</u>	<u>4,555,282</u>
<b>Non-current</b>					
Time deposits with maturities over one year . . . . .	25,000	—	380,000	—	—
Restricted cash non-current portion . . . . .	—	300,000	100,000	403	115,003
	<u>25,000</u>	<u>300,000</u>	<u>480,000</u>	<u>403</u>	<u>115,003</u>
	<u>2,321,033</u>	<u>4,865,846</u>	<u>5,449,954</u>	<u>4,707,793</u>	<u>4,670,285</u>
	As of 31 December				As of
	2019	2020	2021	2022	31 March
	<i>(in thousands)</i>				
Denominated in:					
RMB . . . . .	2,039,459	1,568,854	1,581,566	2,589,850	2,555,199
US\$ . . . . .	<u>281,574</u>	<u>3,296,992</u>	<u>3,868,388</u>	<u>2,117,943</u>	<u>2,115,086</u>
	<u>2,321,033</u>	<u>4,865,846</u>	<u>5,449,954</u>	<u>4,707,793</u>	<u>4,670,285</u>

### *Investments in joint ventures*

Investments in joint ventures represent our investments in two joint ventures, namely, Shanghai Zhisheng Automobile Technology Co., Ltd. (“Shanghai Zhisheng”) and Shanghai Wuqi Private Fund Limited Partnership (“Shanghai Wuqi”). We had investments in joint ventures of nil, nil, nil, RMB115.4 million and RMB113.2 million as of 31 December 2019, 2020, 2021 and 2022 and

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31 March 2023, respectively. Share of loss from Shanghai Zhisheng was RMB3.0 million and RMB1.2 million in 2022 and the three months ended 31 March 2023, respectively, and share of profit from Shanghai Wuqi was RMB13,000 in 2022 and share of loss from Shanghai Wuqi was RMB975,000 in the three months ended 31 March 2023.

### *Equity investments designated at fair value through other comprehensive income*

Equity investments designated at fair value through other comprehensive income represent our investments in the equity securities of certain listed companies. Such investments were irrevocably designated at fair value through other comprehensive income as we consider these investments to be strategic in nature. We had equity investments designated at fair value through other comprehensive income of nil, nil, nil, RMB289.3 million and RMB322.9 million as of 31 December 2019, 2020, 2021 and 2022 and 31 March 2023, respectively.

### *Trade and bills payables*

Trade and bills payables represent payable to suppliers from whom we purchase auto products and payable to service providers for services provided. The below table sets forth the breakdown of trade and bills payables as of the dates indicated.

	As of 31 December				As of 31 March
	2019	2020	2021	2022	2023
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
			<i>(in thousands)</i>		
Trade payables . . . . .	371,536	806,169	1,098,761	808,085	755,207
Bills payable . . . . .	<u>1,311,862</u>	<u>2,002,265</u>	<u>2,141,560</u>	<u>2,311,239</u>	<u>2,476,090</u>
<b>Total . . . . .</b>	<b><u>1,683,398</u></b>	<b><u>2,808,434</u></b>	<b><u>3,240,321</u></b>	<b><u>3,119,324</u></b>	<b><u>3,231,297</u></b>

The increase in our trade and bills payables from 2019 to 2021 was in line with our growing business. The decrease from 2021 to 2022 was primarily because we paced the procurement of merchandise in 2022 in light of the COVID-19 resurgence in China. The increase from 31 December 2022 to 31 March 2023 was primarily because we increased the procurement of merchandise in the first quarter of 2023 in light of the post-COVID-19 business recovery. Trade and bills payables turnover days for a given period are equal to average trade payable balances, net of advance to suppliers balance, at the beginning and at the end of the period divided by total cost of sales during the period and multiplied by the number of days during the period. Our trade and bills payables turnover days increased from 56 days in 2019 to 96 days in 2020, to 103 days in 2021, and further to 118 days in 2022 and decreased to 110 days in the three months ended 31 March 2023. The increases from 2019 through 2022 were primarily due to (i) the longer payment terms with certain suppliers as we used bills for settlement more often since 2020 and bills generally had a longer payment term, and (ii) we managed to increase our credit terms through our continuous efforts to enhance our

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relationship with suppliers. The slight decrease in the three months ended 31 March 2023 was primarily due to the demand from the suppliers for settlement before the Chinese New Year.

The following table sets forth the aging analysis of the trade payables by due date as of the dates indicated.

	As of 31 December				As of 31 March
	2019	2020	2021	2022	2023
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(in thousands)</i>				
Not past due .....	197,706	484,750	931,748	582,466	557,734
Overdue < 3 months .....	124,306	275,334	82,888	213,556	184,984
Overdue 3 to 6 months .....	23,591	7,840	71,706	2,428	1,253
Overdue 7 to 12 months .....	12,715	22,707	5,617	3,533	3,331
Overdue > 1 year .....	13,218	15,538	6,802	6,102	7,905

As of 31 July 2023, RMB2,568.9 million, representing 79.5% of our trade and bills payables as of 31 March 2023 was subsequently settled. As of 31 July 2023, RMB691.9 million, representing 91.6% of our trade payables as of 31 March 2023 was subsequently settled.

### *Other payables and accruals*

Our other payables and accruals mainly represent salary and welfare payable and other tax payable. As of 31 December 2019, 2020, 2021 and 2022 and 31 March 2023, our other payables and accruals were RMB698.0 million, RMB962.3 million, RMB1.5 billion, RMB1.6 billion and RMB1.5 billion, respectively. The below table sets forth the breakdown of other payables and accruals as of the dates indicated.

	As of 31 December				As of 31 March
	2019	2020	2021	2022	2023
	<i>(RMB in thousands)</i>				
Other tax payable .....	211,387	287,219	322,768	307,283	294,080
Payroll and welfare payable .....	221,266	306,621	514,549	539,397	539,901
Accrual and other payables .....	265,379	368,430	626,460	719,330	690,329
<b>Total</b> .....	<b><u>698,032</u></b>	<b><u>962,270</u></b>	<b><u>1,463,777</u></b>	<b><u>1,566,010</u></b>	<b><u>1,524,310</u></b>

The increase from 2019 to 2020 was primarily due to (i) the increase in value-added tax payable due to our growing business and the increase in the withholding individual income tax, and (ii) the increase in salary and welfare payable. The increase from 2020 to 2021 was primarily due to (i) the increase in salary and welfare payable, (ii) the increase in construction in progress in relation



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to certain warehouses, and (iii) the increase in refundable deposits from potential franchisees prior to entering into the franchise agreements in line with our store network expansion. The increases in the withholding individual income tax and salary and welfare payable were both primarily due to the growth of our employee headcount in line with our growing business. The increase from 2021 to 2022 was primarily due to (i) the increase in refundable deposits from potential franchisees prior to entering into the franchise agreements in line with our store network expansion, (ii) the increase in the amounts of payments processed through certain reputable commercial banks as we adjusted our settlement mechanisms in 2022, and (iii) the increase in salary and welfare payable primarily due to the extended payment of social insurance contributions, which was encouraged by local governmental authorities as part of the COVID-19 relief measures, and the increase in the base payment of social insurance contributions, partially offset by the decrease in value-added tax payable due to the decrease in the taxable income in December 2022 as compared to December 2021, as VAT payable was generally affected by the sales in the last month of respective taxable period. The decrease from 31 December 2022 to 31 March 2023 was primarily due to (i) the settlement of promotional expenses to certain suppliers, (ii) reduced outsourced personnel headcount as we adopted a series of measures to reduce costs and increase efficiency, and (iii) the payment of stamp duty incurred in 2022 in compliance with latest regulatory development on stamp duty.

### *Contract liabilities*

Our contract liabilities mainly represent customer advances for automotive products and service sales and deferred upfront franchise fees paid by franchisees. As of 31 December 2019, 2020, 2021 and 2022 and 31 March 2023, our contract liabilities were RMB287.0 million, RMB491.9 million, RMB674.1 million, RMB713.3 million and RMB688.1 million, respectively. The increases from 2019 to 2021 were primarily due to (i) the increase in customer advances as our business scales up, and (ii) the increase in the deferred upfront franchise fees collected from franchisees as a result of the expansion of franchised Tuhu workshops network. The increase from 2021 to 2022 was primarily due to the increase in customer advances as our business scales up, partially offset by the reductions and exemptions of the deferred upfront franchise fees in 2022 as part of our efforts to penetrate into lower tier cities. The decrease from 31 December 2022 to 31 March 2023 was primarily due to postponed fulfilment of the customer orders placed in December 2022 as a result of the COVID-19 resurgence in December 2022. As of 31 July 2023, RMB372.8 million, representing 54.2% of our contract liabilities as of 31 March 2023 was subsequently recognised as revenue.

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### *Lease liabilities*

Our lease liabilities primarily consist of the commitments under the lease agreements for our self-operated Tuhu workshops, warehouses, and office premises with terms ranging from two to fourteen years. The following table sets forth the maturity profile of our lease agreements as of the dates indicated.

	As of 31 December								As of 31 March	
	2019		2020		2021		2022		2023	
	Outstanding lease liabilities	Number of lease agreements	Outstanding lease liabilities	Number of lease agreements	Outstanding lease liabilities	Number of lease agreements	Outstanding lease liabilities	Number of lease agreements	Outstanding lease liabilities	Number of lease agreements
	<i>(RMB in thousands except number of lease agreements)</i>									
Due within one year . . . . .	115,360	242	132,283	382	148,379	348	136,595	328	128,894	309
Due after one year but within two years . . . . .	88,767	193	120,166	254	115,245	219	84,890	207	81,785	191
Due after two years but within five years . . . . .	84,360	117	112,966	132	134,140	131	101,348	109	96,407	103
Due after five years . . . . .	8,754	14	19,336	26	33,488	36	17,497	31	12,264	29
<b>Total . . . . .</b>	<b><u>297,241</u></b>	<b><u>566</u></b>	<b><u>384,751</u></b>	<b><u>794</u></b>	<b><u>431,252</u></b>	<b><u>734</u></b>	<b><u>340,330</u></b>	<b><u>675</u></b>	<b><u>319,350</u></b>	<b><u>632</u></b>

As of 31 December 2019, 2020, 2021 and 2022 and 31 March 2023, we have outstanding aggregate unpaid contractual lease payments (present value of lease payments for the remainder of relevant lease terms) of RMB297.2 million, RMB384.8 million, RMB431.3 million, RMB340.3 million and RMB319.4 million in relation to the corresponding lease liabilities.

### KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios for the periods indicated:

	For the Year Ended 31 December				For the Three Months Ended 31 March	
	2019	2020	2021	2022	2022	2023
	Total revenue growth rate (%) <sup>(1)</sup> . . . . .	N/A	24.3	33.9	(1.5)	N/A
Gross margin (%) <sup>(2)</sup> . . . . .	7.4	12.3	16.0	19.7	17.9	24.2
Adjusted EBITDA margin (non-IFRS measure) (%) <sup>(3)</sup> . . . . .	(12.0)	(7.3)	(7.9)	(1.6)	(3.9)	4.9
Adjusted net (loss)/profit margin (non-IFRS measure) (%) <sup>(4)</sup> . . . . .	(14.7)	(10.2)	(10.8)	(4.8)	(7.0)	2.8

*Notes:*

(1) Revenue growth rate equals revenue growth divided by revenue for the previous year/period.

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- (2) Gross margin equals gross profit divided by revenue during the year/period.  
 (3) Adjusted EBITDA margin equals adjusted EBITDA (non-IFRS measure) divided by revenue during the year/period.  
 (4) Adjusted net (loss)/profit margin equals adjusted net (loss)/profit (non-IFRS measure) divided by revenue during the year/period.

### LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period and up to the Latest Practicable Date, we funded our cash requirements principally from proceeds from preferred share issuance, bank borrowings and cash generated from operating activities. We had cash and bank balances of RMB2.3 billion, RMB4.9 billion, RMB5.4 billion, RMB4.7 billion and RMB4.7 billion as of 31 December 2019, 2020, 2021 and 2022 and 31 March 2023, respectively.

#### Cash Flows

The following table sets forth our cash flows for the periods indicated:

	For the Year Ended 31 December				For the Three Months Ended 31 March	
	2019	2020	2021	2022	2022	2023
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(in thousands)</i>				<i>(unaudited)</i>	
<b>Selected Consolidated Cash Flow Data:</b>						
Operating cash flows before movements in working capital . . . . .	(807,000)	(710,961)	(867,269)	(114,277)	(108,919)	169,484
Changes in working capital . . . . .	555,461	1,042,253	770,708	(197,475)	(455,159)	15,270
Income tax paid . . . . .	—	(12)	(2,189)	(959)	(231)	(880)
Net cash flows (used in)/from operating activities . . . . .	(251,539)	331,280	(98,750)	(312,711)	(564,309)	183,874
Net cash flows (used in)/from investing activities . . . . .	(1,077,746)	570,808	(917,972)	481,347	626,563	(79,065)
Net cash flows from/(used in) financing activities . . . . .	1,905,441	(1,041,096)	1,407,937	935,977	(466,697)	47,611
Net increase/(decrease) in cash and cash equivalents . . . . .	576,156	(139,008)	391,215	1,104,613	(404,443)	152,420
Cash and cash equivalents at the beginning of the year/period . . . . .	895,706	1,474,876	1,164,958	1,472,293	1,472,293	2,686,353
Effect of foreign exchange rate changes, net . . . . .	3,014	(170,910)	(83,880)	109,447	(3,609)	(23,193)
Cash and cash equivalents at the end of the year/period <sup>(1)</sup> . . . . .	<u>1,474,876</u>	<u>1,164,958</u>	<u>1,472,293</u>	<u>2,686,353</u>	<u>1,064,241</u>	<u>2,815,580</u>

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Note:

(1) The below table sets forth the analysis of balances of cash and cash equivalents for the year/period indicated.

	For the Year Ended 31 December				For the Three Months Ended 31 March	
	2019	2020	2021	2022	2022	2023
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(in thousands)</i>				<i>(unaudited)</i>	
Cash and bank balances . . . . .	2,321,033	4,865,846	5,449,954	4,707,793	4,834,298	4,670,285
Restricted cash and time deposits . . . . .	(846,157)	(3,700,888)	(3,977,661)	(2,021,440)	(3,770,057)	(1,854,705)
Cash and cash equivalents as stated in the consolidated statement of cash flows . . . . .	<u>1,474,876</u>	<u>1,164,958</u>	<u>1,472,293</u>	<u>2,686,353</u>	<u>1,064,241</u>	<u>2,815,580</u>

Going forward, we believe that our liquidity requirements will be satisfied by using a combination of cash generated from operating activities, other funds raised from the capital markets from time to time and the net [REDACTED] received from the [REDACTED]. We currently do not have any other plans for material additional external financing.

### *Net Cash Flows (Used in)/from Operating Activities*

Net cash flows from operating activities in the three months ended 31 March 2023 was RMB183.9 million. The difference between the loss before tax of RMB277.1 million and positive operating cash flow of RMB183.9 million was the result of adjustments for non-cash expenses items of RMB446.5 million, as well as changes in working capital accounts of RMB15.3 million. Adjustments for non-cash expenses items mainly include fair value changes of convertible redeemable preferred shares of RMB298.0 million, share-based payment expenses of RMB66.5 million, depreciation of right-of-use assets of RMB48.5 million and depreciation of property, plant and equipment of RMB38.7 million. The changes in working capital accounts mainly include (i) RMB112.0 million increase in trade and bills payable, and (ii) RMB21.3 million decrease in restricted cash, partially offset by (i) RMB33.5 million decrease in other payables and accruals, (ii) RMB26.5 million increase in inventories, (iii) RMB25.2 million decrease in contract liabilities, (iv) RMB22.8 million increase in trade receivables, and (v) RMB17.5 million increase in prepayments, other receivables and other assets. For the reasons underlying changes in working capital accounts, see “—Discussion of Certain Key Balance Sheet Items.”

Net cash flows used in operating activities in 2022 was RMB312.7 million. The difference between the loss before tax of RMB2.1 billion and negative operating cash flow of RMB312.7 million was the result of adjustments for non-cash expenses items of RMB2.0 billion, as well as changes in working capital accounts of RMB197.5 million. Adjustments for non-cash expenses items mainly include fair value changes of convertible redeemable preferred shares of RMB1.3 billion, share-based payment expenses of RMB219.3 million, depreciation of right-of-use assets of RMB203.4 million and

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depreciation of property, plant and equipment of RMB156.5 million. The changes in working capital accounts mainly include (i) RMB361.6 million increase in restricted cash, and (ii) RMB121.0 million decrease in trade and bills payable, partially offset by (i) RMB95.2 million increase in other payables and accruals, (ii) RMB87.6 million decrease in inventories, and (iii) RMB66.5 million decrease in prepayments, other receivables and other assets. For the reasons underlying changes in working capital accounts, see “—Discussion of Certain Key Balance Sheet Items.”

Net cash flows used in operating activities in 2021 was RMB98.8 million. The difference between the loss before tax of RMB5.8 billion and negative operating cash flow of RMB98.8 million was the result of adjustments for non-cash expenses items of RMB4.9 billion, as well as changes in working capital accounts of RMB770.7 million. Adjustments for non-cash expenses items mainly include fair value changes of convertible redeemable preferred shares of RMB4.4 billion, depreciation of right-of-use assets of RMB181.7 million, depreciation of property, plant and equipment of RMB120.9 million and share-based payment expenses of RMB118.5 million. The changes in working capital accounts mainly include (i) RMB430.4 million increase in trade and bills payable, (ii) RMB390.7 million increase in other payables and accruals, (iii) RMB182.1 million increase in contract liabilities, and (iv) RMB106.3 million increase in other non-current liabilities, partially offset by (i) RMB272.7 million increase in inventories, and (ii) RMB147.9 million increase in restricted cash. For the reasons underlying changes in working capital accounts, see “—Discussion of Certain Key Balance Sheet Items.”

Net cash flows from operating activities in 2020 was RMB331.3 million. The difference between the loss before tax of RMB3.9 billion and positive operating cash flow of RMB331.3 million was the result of adjustments for non-cash expenses items of RMB3.2 billion, as well as changes in working capital accounts of RMB1.0 billion. Adjustments for non-cash expenses items mainly include fair value changes of convertible redeemable preferred shares of RMB3.0 billion, depreciation of right-of-use assets of RMB155.9 million, depreciation of property, plant and equipment of RMB82.5 million and gain from intangible assets contributed to an associate of RMB76.5 million. The gain from intangible assets contributed to an associate of RMB76.5 million mainly relates to our investment in an associate jointly invested by ExxonMobil through contribution of software. The changes in working capital accounts mainly include (i) RMB1.1 billion increase in trade and bills payable, (ii) RMB256.4 million increase in other payables and accruals, and (iii) RMB204.9 million increase in contract liabilities, partially offset by (i) RMB461.8 million increase in inventories, (ii) RMB257.6 million increase in prepayments, other receivables and other assets, and (iii) RMB132.6 million increase in trade receivables. For the reasons underlying changes in working capital accounts, see “— Discussion of Certain Key Balance Sheet Items.”

Net cash flows used in operating activities in 2019 was RMB251.5 million. The difference between the loss before tax of RMB3.4 billion and negative operating cash flow of RMB251.5 million was the result of adjustments for non-cash expenses items of RMB2.6 billion, as well as changes in working capital accounts of RMB555.5 million. Adjustments for non-cash expense items mainly include fair value changes of convertible redeemable preferred shares of RMB1.9 billion, loss on repurchase of convertible redeemable preferred shares of

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RMB363.9 million, depreciation of right-of-use assets of RMB135.6 million and share-based payment expenses of RMB95.1 million. The changes in working capital accounts mainly include RMB1.1 billion increase in trade and bills payable, primarily due to RMB855.9 million increase in bills payable as we used notes for settlement more often in 2019 and notes generally had a longer payment term of six months, partially offset by (i) RMB504.8 million increase in inventories, and (ii) RMB426.1 million increase in restricted cash.

Certain unique factors also contributed to our net cash outflow from operating activities in 2021: (i) we paid a deposit of RMB50.0 million in connection with the setup of a financing guarantee company, (ii) as part of our NEV-related efforts, we made some investment in exploring business opportunities related to NEV, such as purchase of vehicles from certain NEV brands for sale, and (iii) we increased certain cash expenditures, such as research and development expenses, significantly in 2021 to support our business expansion. As such expenses are paid upfront, we expect them to be much more stable in the following years. Certain unique factors contributed to our net cash outflow from operating activities in 2022: (i) a large number of stores temporarily suspended operations in certain cities in 2022 due to the COVID-19 resurgence, which resulted in a decrease in revenue, while we continued to incur certain fixed costs and expenses; and (ii) although we paced our merchandise procurement in light of the COVID-19 resurgence, we were required to settle the bills we issued in relation to the procurement orders placed before the COVID-19 resurgence, and as a result, our trade and bills payables fell faster than the inventories, leading to a net outflow of funds. In view of our net cash outflows from operating activities in 2019, 2021 and 2022, we plan to improve our net operating cash outflows position by taking advantage of measures on revenue growth, cost efficiency and operating leverage improvement to narrow down our net loss and improve our profitability, which will in parallel translate into improved net operating cash flows. For instance, we plan to achieve revenue growth by growing customer base and enhancing customer engagement, and expanding store network as we penetrate in tier 2 and below cities and counties and optimise location and density of our stores in existing cities, which will boost sales and generate more cash inflow. We also plan to optimise our cost structure and operating efficiency, such as effectiveness and efficiency of our selling and marketing spending, which will save more cash outflow. Specifically, we will continue to strategically focus on marketing efforts customised for different target customer groups and invest in our research and development capabilities efficiently to improve our technological capabilities to enhance our store management system, fulfilment efficiency and user experience. We also plan to partner with many major suppliers and manufacturing brands to roll out more exclusive products and private label products with higher gross margin. Moreover, we will continue to improve efficiency of working capital management to accelerate the inventory turnover and better utilize the payment terms offered by our suppliers. For detailed strategies and measures we plan to take to achieve profitability, see “Business — Business Sustainability.”

### *Net Cash Flows (Used in)/ from Investing Activities*

Net cash flows used in investing activities in the three months ended 31 March 2023 was RMB79.1 million, consisting primarily of (i) cash paid for purchase of property and equipment, and

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(ii) net cash used in purchase of financial assets at fair value through profit or loss, partially offset by net cash from withdrawal of time deposits upon maturity.

Net cash flows from investing activities in 2022 was RMB481.3 million, consisting primarily of (i) net cash from withdrawal of time deposits upon maturity, and (ii) net cash generated from disposal of financial assets at fair value through profit or loss, partially offset by (i) cash paid for purchase of equity investments designated at fair value through other comprehensive income, and (ii) cash paid for purchase of property and equipment.

Net cash flows used in investing activities in 2021 was RMB918.0 million, consisting primarily of net cash used in investments in time deposits and cash paid for purchase of property and equipment, partially offset by the net cash generated from disposal of financial assets at fair value through profit or loss.

Net cash flows from investing activities in 2020 was RMB570.8 million, consisting primarily of net cash generated from disposal of financial assets at fair value through profit or loss, partially offset by (i) cash paid for purchase of property and equipment, (ii) cash paid for purchase of financial investments at fair value through profit or loss, and (iii) cash paid for purchase of shareholding in associates.

Net cash flows used in investing activities in 2019 was RMB1.1 billion, consisting primarily of net cash used in purchase of financial assets at fair value through profit or loss, cash paid for time deposits and cash paid for purchase of property and equipment.

### *Net Cash Flows from/(Used in) Financing Activities*

Net cash flows from financing activities in the three months ended 31 March 2023 was RMB47.6 million, consisting primarily of net cash from release of certain security deposits, partially offset by lease payment.

Net cash flows from financing activities in 2022 was RMB936.0 million, consisting primarily of net cash from release of certain security deposits, partially offset by repayment of interest-bearing short-term bank borrowings.

Net cash flows from financing activities in 2021 was RMB1.4 billion, consisting primarily of proceeds from issuance of convertible redeemable preferred shares, partially offset by repayment of interest-bearing short-term bank borrowings.

Net cash flows used in financing activities in 2020 was RMB1.0 billion, consisting primarily of increase in restricted cash and lease payment, partially offset by proceeds from incurrence of interest-bearing short-term bank borrowings and issuance of convertible redeemable preferred shares.



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Net cash flows from financing activities in 2019 was RMB1.9 billion, consisting primarily of proceeds from issuance of convertible redeemable preferred shares, partially offset by the repurchase of convertible redeemable preferred shares as a result of withdrawals by certain investors.

### Net Current Assets

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

	As of 31 December				As of 31 March	As of 31 July
	2019	2020	2021	2022	2023	2023
	RMB	RMB	RMB	RMB	RMB	RMB
	(in thousands)					(Unaudited)
<b>Current assets:</b>						
Inventories	1,046,812	1,483,537	1,713,513	1,542,547	1,555,808	1,447,740
Trade receivables	155,614	280,510	202,990	173,731	195,827	213,457
Prepayments, other receivables and other assets	256,576	555,593	539,472	456,257	458,456	379,160
Financial assets at fair value through profit or loss	1,748,715	692,368	320,362	25,921	48,013	529,433
Restricted cash and time deposits	821,157	3,400,888	3,497,661	2,021,037	1,739,702	1,686,719
Cash and cash equivalents	<u>1,474,876</u>	<u>1,164,958</u>	<u>1,472,293</u>	<u>2,686,353</u>	<u>2,815,580</u>	<u>3,009,386</u>
<b>Total current assets</b>	<u>5,503,750</u>	<u>7,577,854</u>	<u>7,746,291</u>	<u>6,905,846</u>	<u>6,813,386</u>	<u>7,265,895</u>
<b>Current liabilities:</b>						
Trade and bills payables	1,683,398	2,808,434	3,240,321	3,119,324	3,231,297	3,269,589
Other payables and accruals	698,032	962,270	1,463,777	1,566,010	1,524,310	1,643,475
Contract liabilities	215,353	382,463	558,999	653,045	634,632	713,015
Interest-bearing borrowings	—	2,016,915	264,000	—	—	1,036
Tax payable	10,301	34,884	67,517	97,225	97,816	113,225
Lease liabilities	<u>115,360</u>	<u>132,283</u>	<u>148,379</u>	<u>136,595</u>	<u>128,894</u>	<u>152,268</u>
<b>Total current liabilities</b>	<u>2,722,444</u>	<u>6,337,249</u>	<u>5,742,993</u>	<u>5,572,199</u>	<u>5,616,949</u>	<u>5,892,608</u>
<b>Net current assets</b>	<u>2,781,306</u>	<u>1,240,605</u>	<u>2,003,298</u>	<u>1,333,647</u>	<u>1,196,437</u>	<u>1,373,287</u>

We had net current assets of RMB1.4 billion as of 31 July 2023, as compared to net current assets of RMB1.2 billion as of 31 March 2023. The change was primarily due to (i) an increase of RMB481.4 million in the financial assets at fair value through profit or loss as we allocated more

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funds in short-term wealth management products, and (ii) an increase of RMB193.8 million in the cash and cash equivalents, partially offset by (i) an increase of RMB119.2 million in other payables and accruals, (ii) a decrease of RMB108.1 million in inventories as a result of faster turnover of inventories such as auto parts, in line with the post-COVID-19 business recovery, (iii) a decrease of RMB79.3 million in the prepayments, other receivables and other assets, and (iv) an increase of RMB78.4 million in contract liabilities. The increase in the cash and cash equivalents were primarily due to the increase in the cash inflow from our operating activities as a result of our continued efforts in gross margin improvement, cost control and cash management. The increase in other payables and accruals was primarily due to (i) the increase in refundable deposits from potential franchisees prior to entering into the franchise agreements in line with our store network expansion, and (ii) the increase in payable relating to the construction of new automated warehouses. The decrease in prepayments, other receivables and other assets was primarily due to (i) the decrease in loans receivable as we received repayments from certain entrusted loan borrowers; and (ii) drawdown of prepaid advertising fees in June 2023 during the 618 shopping festival. The increase in contract liabilities was primarily due to the increase in advance from customers as we launched more customer engagement and retention programs, such as the discount voucher promotional activities.

We had net current assets of RMB1.2 billion as of 31 March 2023, as compared to net current assets of RMB1.3 billion as of 31 December 2022. The change was primarily due to (i) a decrease of RMB281.3 million in the restricted cash and time deposits, and (ii) an increase of RMB112.0 million in trade and bills payables, partially offset by an increase of RMB129.2 million in the cash and cash equivalents. The decrease in the restricted cash and time deposits and the increase in the cash and cash equivalents were primarily due to the release of certain security deposits and withdrawal of certain time deposits upon maturity. The increase in trade and bills payables was primarily due to the increased procurement of merchandise in line with the post-COVID-19 business recovery.

We had net current assets of RMB1.3 billion as of 31 December 2022, as compared to net current assets of RMB2.0 billion as of 31 December 2021. The change was primarily due to (i) a decrease of RMB1.5 billion in the restricted cash and time deposits, (ii) a decrease of RMB294.4 million in financial assets at fair value through profit or loss as a result of the redemption of certain wealth management products, and (iii) a decrease of RMB171.0 million in inventories, partially offset by (i) an increase of RMB1.2 billion in the cash and cash equivalents, (ii) a decrease of RMB264.0 million in interest-bearing borrowings as we repaid certain short-term bank borrowings in 2022, and (iii) a decrease of RMB121.0 million in trade and bills payables. The decrease in the restricted cash and time deposits and the increase in the cash and cash equivalents were primarily due to the release of certain security deposits and maturity of certain time deposits, most of which were converted into cash and cash equivalents. The decrease in inventories and trade and bills payables were both because we paced the procurement of merchandise in 2022 in light of the COVID-19 resurgence in China.

We had net current assets of RMB2.0 billion as of 31 December 2021, as compared to net current assets of RMB1.2 billion as of 31 December 2020. The change was primarily due to (i) a decrease of RMB1.8 billion in interest-bearing borrowings as we repaid certain short-term bank

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borrowings in 2021, (ii) an increase of RMB307.3 million in cash and cash equivalents, and (iii) an increase of RMB230.0 million in inventories, partially offset by (i) an increase of RMB501.5 million in other payables and accruals, (ii) an increase of RMB431.9 million in trade and bills payables, and (iii) a decrease of RMB372.0 million in financial assets at fair value through profit or loss. The increase in trade and bills payables and inventories were in line with our business growth. The increase of cash and cash equivalents and decrease in financial assets at fair value through profit or loss were primarily because we allocated more funds in short-term time deposits and less funds in short-term wealth management products as there was increase in the proportion of funds denominated in US dollars at our hand as compared to funds denominated in RMB and we generally allocate funds denominated in US dollars in short-term time deposits which bear lower risks as compared to wealth management products.

We had net current assets of RMB1.2 billion as of 31 December 2020, as compared to net current assets of RMB2.8 billion as of 31 December 2019. The change was primarily due to an increase of RMB2.0 billion in interest bearing bank borrowings, an increase of RMB1.1 billion in trade and bills payables in line with our business growth and a decrease of RMB1.1 billion in financial assets at fair value through profit or loss, partially offset by an increase of RMB2.6 billion in restricted cash and time deposits. The decrease in financial assets at fair value through profit or loss and increase of restricted cash and time deposits were primarily because (i) we allocated less funds in short-term wealth management products as there was increase in the proportion of funds denominated in US dollars at our hand as compared to funds denominated in RMB and we generally allocate funds denominated in US dollars in time deposits which bear lower risks as compared to wealth management products, and (ii) we used bills for settlement more often in 2020, which required more security deposits at designated banks for bill issuances.

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### INDEBTEDNESS

The following table sets forth the breakdown of our indebtedness as of the dates indicated:

	As of 31 December				As of 31 March	As of 31 July
	2019	2020	2021	2022	2023	2023
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
			<i>(in thousands)</i>			<i>(Unaudited)</i>
<b>Current portion:</b>						
Interest-bearing bank borrowings . . . . .	—	2,016,915	264,000	—	—	1,036
Lease liabilities . . . . .	115,360	132,283	148,379	136,595	128,894	152,268
Subtotal . . . . .	115,360	2,149,198	412,379	136,595	128,894	153,304
<b>Non-current portion:</b>						
Interest-bearing bank borrowings . . . . .	—	—	—	—	—	8,000
Lease liabilities . . . . .	181,881	252,468	282,873	203,735	190,456	220,752
Convertible redeemable preferred shares . . . . .	9,499,531	11,900,562	18,609,227	21,726,488	21,732,634	22,589,815
Subtotal . . . . .	9,681,412	12,153,030	18,892,100	21,930,223	21,923,090	22,818,567

### Interest-Bearing Bank Borrowings

We obtained financing from banks which carry interests at the fixed rate ranging from 2.63% to 3.60% per annum. The following table sets forth the maturity profile of our secured and unsecured interest-bearing bank borrowings, as of the dates indicated:

	As of 31 December 2020		
	Effective interest rate (%)	Maturity	RMB (in thousands)
<b>Current</b>			
Bank loans — unsecured . . . . .	3.46-3.60	2021	278,560
Bank loans — secured . . . . .	2.63-3.50	2021	1,738,355
			<u>2,016,915</u>

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	As at 31 December 2021		
	Effective	Maturity	RMB
	interest rate (%)		(in thousands)
<b>Current</b>			
Bank loans — unsecured .....	2.95	2022	100,000
Bank loans — secured .....	2.65-3.15	2022	<u>164,000</u>
			<u>264,000</u>

	As of 31 July 2023		
	Effective	Maturity	RMB
	interest rate (%)		(in thousands)
<b>Current</b>			<i>(Unaudited)</i>
Bank loans — secured .....	3.50	2025	1,036
<b>Non-Current</b>			
Bank loans — secured .....	<u>3.50</u>	<u>2025</u>	<u>8,000</u>
			<u>9,036</u>

As of 31 December				As of	As of
2019	2020	2021	2022	31 March	31 July
				2023	2023
<i>(in thousands of RMB)</i>					
<i>(Unaudited)</i>					

Analysed into:

Bank loans repayable:

Within one year .....	—	2,016,915	264,000	—	—	1,036
More than one year .....	—	—	—	—	—	8,000

The substantial increase in bank borrowings in 2020 was primarily due to the favourable interest rates the commercial banks offered amid the COVID-19 pandemic period, which were encouraged by local governmental authorities as part of the COVID-19 relief measures. The decrease in bank borrowings in 2021 was primarily due to the repayment of certain loans we borrowed in 2020 as we obtained proceeds from equity financing activities in 2021.

As of 31 July 2023, we had unutilised banking facilities of RMB2.5 billion.

### Lease Liabilities

Our lease liabilities primarily consist of the commitments under the lease agreements for our self-operated Tuhu workshops, warehouses, and office premises with terms ranging from two to fourteen years.

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As of 31 December 2019, 2020, 2021 and 2022, 31 March 2023 and 31 July 2023, we have outstanding aggregate unpaid contractual lease payments (present value of lease payments for the remainder of relevant lease terms) of RMB297.2 million, RMB384.8 million, RMB431.3 million, RMB340.3 million, RMB319.4 million and RMB373.0 million in relation to the corresponding lease liabilities.

### **Convertible Redeemable Preferred Shares**

Convertible redeemable preferred shares are designated as financial liabilities at fair value through profit or loss, details of which are included in note 34 to the Accountants’ Report in Appendix I to this document.

Except as discussed above, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as of 31 July 2023.

### **CONTINGENT LIABILITIES OR GUARANTEES**

As of 31 December 2019, 2020, 2021 and 2022 and 31 July 2023, we did not have any material contingent liabilities or guarantees.

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### CAPITAL EXPENDITURES AND LONG-TERM INVESTMENTS

The following table sets forth our capital expenditures and long-term investments for the periods indicated:

	For the Year Ended 31 December				For the Three Months
					Ended 31 March
	2019	2020	2021	2022	2023
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(in thousands)</i>				
<b>Capital expenditures</b>					
Payments for property, plant and equipment . . . . .	138,957	160,714	285,878	334,139	119,113
Payments for other intangible assets . . . . .	815	4,486	19,363	11,284	1,258
Payments for land use rights . . . . .	28,278	3,067	41,590	55,221	—
<i>Subtotal</i> . . . . .	<u>168,050</u>	<u>168,267</u>	<u>346,831</u>	<u>400,644</u>	<u>120,371</u>
<b>Long-term investments</b>					
Acquisition of subsidiaries . . . . .	—	66,196	24,501	17,962	—
Purchase of shareholding in associates . . . . .	1,300	174,500	53,000	—	—
Purchase of shareholding in joint ventures . . . . .	—	—	—	118,360	—
Purchase of financial investments at fair value . . . . .	20,840	101,526	75,061	65,138	11,531
Acquisition of equity investments designated at fair value through other comprehensive income . . . . .	—	—	—	412,290	—
<i>Subtotal</i> . . . . .	<u>22,140</u>	<u>342,222</u>	<u>152,562</u>	<u>613,750</u>	<u>11,531</u>
<b>Total</b> . . . . .	<b><u>190,190</u></b>	<b><u>510,489</u></b>	<b><u>499,393</u></b>	<b><u>1,014,394</u></b>	<b><u>131,902</u></b>

We expect that our capital expenditures in the foreseeable future will primarily consist of purchase of property and equipment and other intangible assets. We intend to fund our future capital expenditures and long-term investments with our existing cash balance, cash generated from operating activities, and [REDACTED] from the [REDACTED]. See the section headed “Future Plans and Use of [REDACTED]” for more details. We may reallocate the fund to be utilised on capital expenditure and long-term investments based on our ongoing business needs.



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### CONTRACTUAL OBLIGATIONS

#### Capital Commitments

The following table sets forth our capital commitments as of the dates indicated.

	As of 31 December				As of 31 March
	2019	2020	2021	2022	2023
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(in thousands)</i>				
Contracted, but not provided for property, plant and equipment .....	—	63,899	56,759	478,280	372,784

The capital commitments were primarily related to the construction of new automated warehouses and scheduled to be paid within one to two years.

### OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet arrangements.

### MATERIAL RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. During the Track Record Period, we entered into a number of related party transactions, see Note 43 to the Accountants’ Report in Appendix I to this document.

Our Directors believe that our transactions with related parties during the Track Record Period were conducted on an arm’s length basis, and they did not distort our results of operations or make our historical results not reflective of our future performance.

### FINANCIAL RISK DISCLOSURE

We are exposed to a variety of financial risks, including market risks (such as foreign currency risk), credit risk and liquidity risk. Our overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on our financial performance. Risk management is carried out by our senior management.

#### Foreign Currency Risk

We operate our businesses in the PRC and nearly all operational transactions are conducted in RMB. Our foreign currency exposures mainly arise from the bank balances denominated in US\$ held by our subsidiaries incorporated in the PRC. The following table demonstrates the sensitivity as of

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the dates indicated to a reasonably possible change in the RMB and US\$ exchange rate, with all other variables held constant, of our loss/profit before tax and our equity.

	<u>Increase/(decrease) in rate of foreign currency</u>	<u>Increase/(decrease) in loss before tax</u>	<u>Increase/(decrease) in equity</u>
	%	RMB in thousands	
<b>Year ended 31 December 2019</b>			
If RMB weakens against US\$ . . . . .	5	(14,043)	14,043
If RMB strengthens against US\$ . . . . .	(5)	14,043	(14,043)
<b>Year ended 31 December 2020</b>			
If RMB weakens against US\$ . . . . .	5	(13,352)	13,352
If RMB strengthens against US\$ . . . . .	(5)	13,352	(13,352)
<b>Year ended 31 December 2021</b>			
If RMB weakens against US\$ . . . . .	5	(21,027)	21,027
If RMB strengthens against US\$ . . . . .	(5)	21,027	(21,027)
<b>Year ended 31 December 2022</b>			
If RMB weakens against US\$ . . . . .	5	(7,692)	7,692
If RMB strengthens against US\$ . . . . .	(5)	7,692	(7,692)
<b>Three months ended 31 March 2023 . . . . .</b>			
If RMB weakens against US\$ . . . . .	5	(21,448)	21,448
If RMB strengthens against US\$ . . . . .	(5)	21,448	(21,448)

### Credit Risk

We trade only with recognised and creditworthy third parties. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and our exposure to bad debts is not significant.

### Liquidity Risk

We monitor our risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both our financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

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The table below analyses the maturity profile of our financial liabilities as of the end of each of the dates indicated, based on the contractual undiscounted payments.

	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
	<i>(RMB in thousands)</i>				
<b>As of 31 December 2019</b>					
Trade and bills payables . . . . .	1,670,181	13,217	—	—	1,683,398
Financial liabilities included in other payables and accruals . . . . .	265,379	—	—	—	265,379
Lease liabilities . . . . .	127,729	95,690	89,644	9,474	322,537
Convertible redeemable preferred shares . . . . .	—	—	12,318,066	827	12,318,893
Other non-current liabilities . . . . .	—	31,400	122,200	30,616	184,216
<b>Total . . . . .</b>	<b><u>2,063,289</u></b>	<b><u>140,307</u></b>	<b><u>12,529,910</u></b>	<b><u>40,917</u></b>	<b><u>14,774,423</u></b>
<b>As of 31 December 2020</b>					
Trade and bills payables . . . . .	2,792,712	15,722	—	—	2,808,434
Financial liabilities included in other payables and accruals . . . . .	368,430	—	—	—	368,430
Lease liabilities . . . . .	152,465	131,828	124,279	20,844	429,416
Interest-bearing borrowings . . . . .	2,016,915	—	—	—	2,016,915
Convertible redeemable preferred shares . . . . .	—	—	11,985,116	827	11,985,943
Other non-current liabilities . . . . .	—	109,041	165,797	54,942	329,780
<b>Total . . . . .</b>	<b><u>5,330,522</u></b>	<b><u>256,591</u></b>	<b><u>12,275,192</u></b>	<b><u>76,613</u></b>	<b><u>17,938,918</u></b>
<b>As of 31 December 2021</b>					
Trade and bills payables . . . . .	3,233,180	7,141	—	—	3,240,321
Financial liabilities included in other payables and accruals . . . . .	626,460	—	—	—	626,460
Lease liabilities . . . . .	170,779	128,194	150,100	35,894	484,967
Interest-bearing borrowings . . . . .	264,000	—	—	—	264,000
Convertible redeemable preferred shares . . . . .	—	—	17,672,632	827	17,673,459
Other non-current liabilities . . . . .	—	103,240	332,806	—	436,046
<b>Total . . . . .</b>	<b><u>4,294,419</u></b>	<b><u>238,575</u></b>	<b><u>18,155,538</u></b>	<b><u>36,721</u></b>	<b><u>22,725,253</u></b>
<b>As of 31 December 2022</b>					
Trade and bills payables . . . . .	3,111,433	7,891	—	—	3,119,324
Financial liabilities included in other payables and accruals . . . . .	719,330	—	—	—	719,330
Lease liabilities . . . . .	146,024	93,373	110,852	18,503	368,752
Convertible redeemable preferred shares . . . . .	—	—	18,557,609	827	18,558,436
Other non-current liabilities . . . . .	—	172,348	225,309	—	397,657
<b>Total . . . . .</b>	<b><u>3,976,787</u></b>	<b><u>273,612</u></b>	<b><u>18,893,770</u></b>	<b><u>19,330</u></b>	<b><u>23,163,499</u></b>

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	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
<i>(RMB in thousands)</i>					
<b>As of 31 March 2023</b>					
Trade and bills payables .....	3,223,392	7,905	—	—	3,231,297
Financial liabilities included in other payables and accruals .....	690,329	—	—	—	690,329
Lease liabilities .....	154,081	89,937	104,902	12,905	361,825
Convertible redeemable preferred shares .....	—	—	18,418,002	827	18,418,829
Other non-current liabilities .....	—	182,203	222,594	—	404,797
<b>Total .....</b>	<b><u>4,067,802</u></b>	<b><u>280,045</u></b>	<b><u>18,745,498</u></b>	<b><u>13,732</u></b>	<b><u>23,107,077</u></b>

### DIVIDEND POLICY

We are a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividends will also depend on the availability of dividends received from our subsidiaries. PRC laws require that dividends be paid only out of the profit for the year determined according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including IFRSs. PRC laws also require foreign-invested enterprises to set aside at least 10% of its after-tax profits, if any, to fund its statutory reserves until the aggregate amount of such fund reaches 50% of its registered capital, which are not available for distribution as cash dividends. Dividend distribution to our shareholders is recognised as a liability in the period in which the dividends are approved by our shareholders or Directors, where appropriate. During the Track Record Period, no dividends have been paid or declared by us.

Any future determination to pay dividends will be made at the discretion of our Directors and may be based on a number of factors, including our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors may deem relevant. As advised by our Cayman Islands legal counsel, under Cayman Islands law, a Cayman Islands exempted company may pay a dividend out of either profits or share premium account, provided that in no circumstances may a dividend be declared or paid if this would result in our Company being unable to pay its debts as they fall due in the ordinary course of business. **[REDACTED]** should not purchase our shares with the expectation of receiving cash dividends. We did not declare or pay any dividends on our shares during the Track Record Period and we do not anticipate paying any cash dividends in the foreseeable future.

### DISTRIBUTABLE RESERVES

As of 31 March 2023, we did not have any distributable reserve.

### WORKING CAPITAL CONFIRMATION

Taking into account the financial resources available to us, including our cash and cash equivalents on hand and the estimated net **[REDACTED]** from the **[REDACTED]**, our Directors are of

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the view that we have sufficient working capital to meet our present needs and for the next twelve months from the date of this document. We had negative cash flows from operations in 2019, 2021 and 2022, and positive cash flows in 2020 and the three months ended 31 March 2023. Our net cash flows used in operating activities was RMB251.5 million, RMB98.8 million and RMB312.7 million, respectively, in 2019, 2021 and 2022. Our net cash flows from operating activities was RMB331.3 million and RMB183.9 million in 2020 and the three months ended 31 March 2023. Our Directors confirm that we had no material defaults in payment of trade and non-trade payables during the Track Record Period.

### [REDACTED] EXPENSES

Our [REDACTED] expenses primarily include [REDACTED] and commissions and professional fees paid to legal, accounting and other advisors for services rendered in relation to the [REDACTED]. Based on the mid-point [REDACTED] of HK\$[REDACTED] per [REDACTED] and assuming that the [REDACTED] is not exercised, the total estimated [REDACTED] expenses in relation to the [REDACTED] were approximately RMB[REDACTED], representing [REDACTED] of the total gross [REDACTED] from the [REDACTED] of approximately HK\$[REDACTED]. Approximately RMB[REDACTED] is directly attributable to the [REDACTED] and [REDACTED] of our [REDACTED] and will be deducted from equity upon the [REDACTED]. During the Track Record Period, we incurred [REDACTED] expenses of RMB[REDACTED], of which (i) RMB[REDACTED], RMB[REDACTED] and RMB[REDACTED] were charged to the consolidated statements of profit or loss for the years ended 31 December 2021 and 2022 and the three months ended 31 March 2023, respectively and (ii) RMB[REDACTED] was directly attributable to the [REDACTED] and [REDACTED] of our [REDACTED] and will be deducted from equity upon the [REDACTED]. We expect to incur additional [REDACTED] expenses of RMB[REDACTED], of which RMB[REDACTED] is expected to be expensed and RMB[REDACTED] is directly attributable to the [REDACTED] and [REDACTED] of our [REDACTED] and expected to be recognised as a deduction in equity directly upon the [REDACTED].

### UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of our adjusted consolidated net tangible assets prepared in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with reference to *Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants is to illustrate the effect of the [REDACTED] on our net tangible assets as of 31 March 2023 as if the [REDACTED] had taken place on that date.

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The unaudited pro forma statement of our adjusted consolidated net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of our consolidated net tangible assets had the [REDACTED] been completed as of 31 March 2023 or at any future date. It is prepared based on our consolidated net assets as of 31 March 2023 as set forth in the Accountants’ Report in Appendix I to this document, and adjusted as described below. Our unaudited pro forma adjusted consolidated net tangible assets does not form part of the Accountants’ Report in Appendix I to this document.

	Consolidated net tangible liabilities attributable to our owners as at 31 March 2023	Estimated net [REDACTED] from the [REDACTED]	Estimated impact to the consolidated net tangible liabilities upon conversion of convertible redeemable preferred shares	Unaudited pro forma adjusted consolidated net tangible assets as at 31 March 2023	Unaudited pro forma adjusted consolidated net tangible assets per Share as at 31 March 2023
	<i>RMB'000</i> <i>(Note 1)</i>	<i>RMB'000</i> <i>(Note 2)</i>	<i>RMB'000</i> <i>(Note 3)</i>	<i>RMB'000</i>	<i>RMB</i> <i>HK\$</i> <i>(Note 4)</i> <i>(Note 5)</i>
<b>Based on an</b> [REDACTED] of HK\$[REDACTED] per [REDACTED] . . . . .	(18,957,156)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED][REDACTED]
<b>Based on an</b> [REDACTED] of HK\$[REDACTED] per [REDACTED] . . . . .	(18,957,156)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED][REDACTED]
<b>Based on an</b> [REDACTED] of HK\$[REDACTED] per [REDACTED] . . . . .	(18,957,156)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED][REDACTED]

*Notes:*

- (1) The consolidated net tangible liabilities attributable to our owners as at 31 March 2023 was equal to the consolidated net liabilities attributable to our owners as at 31 March 2023 of RMB18,871,247,000 after deducting goodwill of RMB15,820,000 and other intangible assets of RMB70,089,000 as at 31 March 2023 set out in the Accountants’ Report in Appendix I to this document.
- (2) The estimated net [REDACTED] from the [REDACTED] are based on estimated [REDACTED] of HK\$[REDACTED], HK\$[REDACTED], and HK\$[REDACTED] per Share after deduction of the [REDACTED] and other related [REDACTED] expenses, which are not recorded in the consolidated statements of profit or loss for the Track Record Period, and do not take into account any share which may be sold and [REDACTED] upon exercise of the [REDACTED].
- (3) Upon the [REDACTED] and the completion of the [REDACTED], all the preferred shares will be automatically converted into Class A Ordinary Shares. The convertible redeemable preferred shares will then be transferred from liabilities to equity. Accordingly, for the purpose of the unaudited pro forma financial information, the unaudited pro forma adjusted consolidated net tangible assets attributable to our owners will be increased by RMB[REDACTED], being the carrying amounts of the preferred shares as of 31 March 2023.
- (4) The unaudited pro forma adjusted consolidated net tangible assets attributable to our owners per Share is arrived at after adjustments referred to notes 2 and 3 above and on the basis that [REDACTED] shares are in issue, assuming that the conversion of preferred shares into Class A Ordinary Shares and the [REDACTED] had been completed on 31 March 2023.

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However, this does not take into account of any Shares which may be allotted and issued upon the exercise of the [REDACTED].

- (5) For the purpose of this unaudited pro forma adjusted consolidated net tangible assets, the balances stated in Renminbi are converted into Hong Kong dollars at the rate of HK\$1.00 to RMB[0.87541].
- (6) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any of our trading results or other transactions entered into subsequent to 31 March 2023.

### NO MATERIAL ADVERSE CHANGE AND RECENT DEVELOPMENTS

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, the Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since 31 March 2023, being the latest date of our consolidated financial statements as set out in Appendix I to this document, and there is no event since 31 March 2023 that would materially affect the information as set out in the Accountants’ Report included in Appendix I to this document.

### Six Months Ended 30 June 2023 Compared to Six Months Ended 30 June 2022

We have included our unaudited interim financial report prepared in accordance with IAS 34 as of and for the six months ended 30 June 2023 in Appendix IIA to this document. Our unaudited condensed consolidated financial statements have been reviewed by our reporting accountants in accordance with Hong Kong Standards on Review Engagements 2410. We are not in breach of our Articles of Association or applicable laws and regulations of the Cayman Islands or other regulatory requirements regarding our obligation to publish and distribute interim reports and interim results announcements in accordance with the requirements under Rule 13.48(1) and Rule 13.49(6) of the Hong Kong Listing Rules, respectively. Pursuant to the Note to Rule 13.48(1) and the Note to Rule 13.49(6) of the Hong Kong Listing Rules respectively, we do not intend to publish a separate interim report or a separate interim results announcement in respect of the six months ended 30 June 2023 under the aforementioned Rules. See “Appendix IIA — Unaudited Interim Financial Information” for details. The following is a discussion of fluctuations of selected line items.

#### *Revenue*

Our revenue increased by 19.3% from RMB5.5 billion in the six months ended 30 June 2022 to RMB6.5 billion in the same period of 2023, primarily due to an increase in revenue from automotive products and services.

Revenue from automotive products and services increased by 19.0% from RMB5.1 billion in the six months ended 30 June 2022 to RMB6.1 billion in the same period of 2023, primarily due to (i) a 22.7% increase in revenue from the sale of tires and chassis parts and related installation services from RMB2.2 billion in the six months ended 30 June 2022 to RMB2.7 billion in the same period of 2023, in particular, the sales volume of tires products increased by 18.1% from 5.5 million units to 6.5 million units, mainly resulting from (a) the post-COVID-19 business recovery. The released accumulative travel demand increased miles driven, and as a result needs for tire changes,



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and (b) the expansion of our Tuhu workshop network and growing customer base, and (ii) a 25.9% increase in revenue from auto maintenance products and services from RMB1.9 billion in the six months ended 30 June 2022 to RMB2.4 billion in the same period of 2023, in particular, the revenue from sale of motor oil and related services increased from RMB954.8 million to RMB1,254.1 million with the sales volume of motor oil products increased by 29.0% from 20.6 million liters to 26.6 million liters, mainly driven by the post-COVID-19 business recovery, and the expansion of our Tuhu workshop network and growing customer base. The number of Tuhu workshops increased from 4,293 as of 30 June 2022 to 5,129 as of 30 June 2023. The revenue increase was partially offset by a 12.1% decrease in revenue from our auto parts sold through Qipeilong from RMB741.9 million in the six months ended 30 June 2022 to RMB652.2 million in the same period of 2023, mainly as a result of the decrease in revenue from regional wholesale service as we strategically allocated more resources to develop the instant procurement service through Qipeilong.

Revenue from advertising, franchise and other services increased by 23.5% from RMB374.7 million in the six months ended 30 June 2022 to RMB462.8 million in the same period of 2023, primarily due to (i) an increase in revenue from franchise services, primarily due to (a) the expansion of franchised Tuhu workshops network from 4,114 franchised Tuhu workshops as of 30 June 2022 to 4,968 as of 30 June 2023, (b) the increase in the management fees as a result of the cessation of our COVID-19 relief measures, such as the reduction and exemption of management fees, and (c) the increase in the profit-based royalty fees in line with the business recovery of the franchised Tuhu workshops, and (ii) an increase in advertising services to brand owners, primarily driven by our brand owners’ enhanced investment in marketing campaigns in line with the post-COVID-19 business recovery, partially offset by a decrease in revenue from our NEV initiatives as we adjusted our development strategies, and terminated the sales of new energy vehicles from certain NEV brands.

### *Cost of revenue*

Our cost of revenue increased by 10.6% from RMB4.5 billion in the six months ended 30 June 2022 to RMB4.9 billion in the same period of 2023, at a pace slower than the growth of our revenue. The increase was primarily attributable to (i) an 18.9% increase in cost of sale of tires and chassis parts and related installation services from RMB1.9 billion in the six months ended 30 June 2022 to RMB2.2 billion in the same period of 2023, and (ii) a 17.3% increase in cost of auto maintenance products and services from RMB1.3 billion in the six months ended 30 June 2022 to RMB1.6 billion in the same period of 2023. The increases mentioned in (i) and (ii) were primarily due to an increase in products and service sales in line with the post-COVID-19 business recovery and expansion of our Tuhu workshop network, partially offset by (i) improved margin profile as a result of changes in products and services category mix, in particular, as revenue from auto maintenance products and services — which generally have higher margins — as a percentage of revenue from automotive products and services increased from 36.9% in the six months ended 30 June 2022 to 39.0% in the same period of 2023, (ii) lower procurement cost of certain product categories as we gained more favourable terms from suppliers in line with our business growth, and (iii) higher revenue contribution from our exclusive and private label products, which generally have higher gross

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margins than branded products. Revenue contribution from exclusive products increased from 35.1% in the six months ended 30 June 2022 to 37.4% in the same period of 2023, and revenue contribution from private label products increased from 22.5% in the six months ended 30 June 2022 to 28.9% in the same period of 2023. The decrease in the cost of revenue from our auto parts sold through Qipeilong also partially offset the increase in cost of revenue as we strategically contained the business scale of our regional wholesale service through Qipeilong and allocated more resources to develop the instant procurement service through Qipeilong.

### ***Gross profit and gross margin***

As a result of the foregoing, our gross profit increased by 58.3% from RMB997.0 million in the six months ended 30 June 2022 to RMB1.6 billion in the same period of 2023. Our overall gross margin improved from 18.2% to 24.2% during the same period, primarily due to (i) improved margin profile as a result of changes in products and services category mix, (ii) lower procurement cost of certain product categories as we gained more favourable terms from suppliers in line with our business growth, and (iii) higher revenue contribution from our exclusive and private label products, which generally have higher gross margins than branded products.

### ***Other income and gains, net***

Our net other income and gains increased from RMB58.1 million in the six months ended 30 June 2022 to RMB83.2 million in the same period of 2023. The increase was primarily because the increase in government grants awarded by the local governments to support our operation.

### ***Operations and support expenses***

Our operations and support expenses decreased from RMB321.3 million in the six months ended 30 June 2022 to RMB272.0 million in the same period of 2023, which was mainly due to a RMB43.0 million decrease in operations and support personnel cost (excluding share-based payment expenses), primarily as a result of the decreased number of operations and support personnel from 2,635 (being the average of the number of our operations and support staff as of 1 January 2022 and as of 30 June 2022) to 2,120 (being the average of the number of our operations and support staff as of 1 January 2023 and as of 30 June 2023) as we adopted a series of measures to reduce costs and increase efficiency.

### ***Research and development expenses***

Our research and development expenses decreased from RMB318.2 million in the six months ended 30 June 2022 and RMB298.0 million in the same period of 2023, mainly attributable to (i) a RMB11.8 million decrease in cloud and service expenses as a result of the decrease in outsourced service fees, and (ii) a RMB6.7 million decrease in share-based payment expenses, mainly due to the decrease in the number of research and development personnel from 972 (being the average of the number of our research and development staff as of 1 January 2022 and as of 30 June 2022) to 906

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(being the average of the number of our research and development staff as of 1 January 2023 and as of 30 June 2023). The decreases in the outsourced service fees and the number of our research and development staff were both due to the series of measures we adopted to reduce costs and increase efficiency.

### *Selling and marketing expenses*

Our selling and marketing expenses increased by 13.4% from RMB741.8 million in the six months ended 30 June 2022 to RMB841.5 million in the same period of 2023, which was mainly due to (i) a RMB86.4 million increase in advertising and promotion-related expenses as part of our investments in marketing to further enhance our brand recognition, in line with the post-COVID-19 business recovery, and (ii) a RMB14.2 million increase in shipping expenses incurred in relation to the delivery of automotive products among warehouses and stores in line with the business recovery, partially offset by a RMB9.5 million decrease in short-term lease expenses, primarily due to the expiration of certain short-term warehouse leases in 2022 and the conversion from short-term leases to long-term leases for certain warehouses.

### *General and administrative expenses*

Our general and administrative expenses decreased by 6.6% from RMB198.6 million in the six months ended 30 June 2022 to RMB185.5 million in the same period of 2023, which was mainly due to (i) a RMB15.3 million decrease in the share-based payment expenses, primarily due to the forfeiture of share awards previously granted to certain managerial personnel as a result of their resignation, (ii) a RMB7.3 million decrease in bank charges as a result of the decrease in the fee rates, and (iii) a RMB6.3 million decrease in general and administrative personnel cost (excluding share-based payment expenses), mainly due to the decrease in the number of general and administrative personnel from 428 (being the monthly average of the number of our general and administrative staff during the six months ended 30 June 2022) to 395 (being the monthly average of the number of our general and administrative staff during the six months ended 30 June 2023) as we adopted a series of measures to reduce costs and increase efficiency, partially offset by a RMB6.2 million increase in the professional and consulting expenses incurred in connection with the [REDACTED].

### *Finance income*

Our finance income increased by 251.0% from RMB17.6 million in the six months ended 30 June 2022 to RMB61.6 million in the same period of 2023, which was mainly due to (i) the interest rate hike for US\$-denominated time deposits and the appreciation of the exchange rate of U.S. dollar against Renminbi in the same period of 2023, and (ii) the increase in average balance of time deposits and demand deposits in the same period of 2023.

### *Finance costs*

Our finance costs decreased by 42.0% from RMB16.3 million in the six months ended 30 June 2022 to RMB9.5 million in the same period of 2023, which was mainly because (i) we incurred less

## FINANCIAL INFORMATION

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interests on lease liabilities in the six months ended 30 June 2023, primarily due to the decrease in the number of self-operated Tuhu workshops, and (ii) we incurred less interest expenses in the six months ended 30 June 2023, as we had less outstanding balance of interest-bearing bank borrowings during the same period of 2023.

### *Fair value changes of convertible redeemable preferred shares*

Our fair value changes of convertible redeemable preferred shares were a loss of RMB47.2 million in the six months ended 30 June 2023, as compared to a loss of RMB406.2 million in the same period of 2022. The changes in the fair value of our convertible redeemable preferred shares were primarily attributable to the increase in our Company’s valuation and the change in the Company’s valuation was relatively small in the six months ended 30 June 2023 as compared to the same period of 2022. See Note 14 to Appendix IIA to this document for details regarding the changes in fair value of convertible redeemable preferred shares.

### *Income tax expense*

Our income tax expense decreased by RMB5.2 million from RMB15.8 million to RMB10.6 million, primarily due to decrease in taxable income of certain subsidiaries.

### *Profit/(loss) for the period*

As a result of the foregoing, we had profit for the period of RMB59.5 million in the six months ended 30 June 2023 as compared with loss for the period of RMB951.9 million in the same period of 2022.

### *Adjusted net profit (non-IFRS measure)*

For the six months ended 30 June 2023, we achieved adjusted net profit (non-IFRS measure) of RMB214.0 million. We adjust for share-based payment expenses of RMB95.4 million, fair value changes of convertible redeemable preferred shares of RMB47.2 million, loss on repurchase of convertible redeemable preferred shares of nil and [REDACTED] expenses of RMB12.0 million to net profit to derive adjusted net profit. See “—Non-IFRS Measures.”

### **Inventories**

Our inventories decreased by RMB92.4 million from RMB1,512.0 million as of 30 June 2022 to RMB1,419.6 million as of 30 June 2023, primarily due to faster turnover of inventories in line with the post-COVID-19 business recovery.

### **Trade receivables**

Our trade receivables increased by RMB11.3 million from RMB195.6 million as of 30 June 2022 to RMB206.9 million as of 30 June 2023, primarily due to the increase in the trade receivables

## FINANCIAL INFORMATION

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in connection with our advertising services to brand owners, primarily driven by their increased investment in marketing campaigns in line with the post-COVID-19 business recovery.

### **Prepayments, other receivables and other assets**

Our prepayments, other receivables and other assets decreased by RMB91.3 million from RMB509.3 million as of 30 June 2022 to RMB418.0 million as of 30 June 2023, primarily due to (i) the decrease in loans receivable as we received repayments from certain entrusted loan borrowers; and (ii) drawdown of prepaid advertising fees in June 2023 during the 618 shopping festival.

### **Cash and bank balance**

Our cash and bank balance decreased by RMB76.2 million from RMB4.9 billion as of 30 June 2022 to RMB4.8 billion as of 30 June 2023, primarily because we allocated more funds in short-term wealth management products.

### **Trade and bills payables**

Our trade and bills payables increased by RMB222.1 million from RMB2.9 billion as of 30 June 2022 to RMB3.2 billion as of 30 June 2023, primarily due to the increase in the procurement of merchandise in line with the post-COVID-19 business recovery.

### **Other payables and accruals**

Our other payables and accruals increased by RMB254.4 million from RMB1.4 billion as of 30 June 2022 to RMB1.6 billion as of 30 June 2023, primarily due to (i) the increase in refundable deposits from potential franchisees prior to entering into the franchise agreements in line with our store network expansion, (ii) the increase in payable relating to the construction of new automated warehouses, and (iii) the increase in our investment in marketing campaigns in line with the post-COVID-19 business recovery.

### **Contract liabilities**

Our contract liability increased by RMB101.5 million from RMB632.7 million as of 30 June 2022 to RMB734.2 million as of 30 June 2023, primarily due to the increase in advance from customers as we launched more customer engagement and retention programs, such as discount voucher promotional activities.

### **Gearing ratio**

Gearing ratio equals total debt (including interest bearing borrowings, lease liabilities and convertible redeemable preferred shares) divided by total equity and multiplied by 100%. Our gearing ratio slightly increased from 147.6% as of December 31, 2022 to 149.3% as of June 30, 2023

## FINANCIAL INFORMATION

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due to a comparatively greater increase in the total debt as compared with the increase in total equity. The increase in total debt was primarily due to (i) the increase in convertible redeemable preferred shares, primarily attributable to the increase in our Company’s valuation, (ii) the increase in lease liabilities, primarily due to the succession of the lease liabilities as a result of the acquisition of Guangzhou Changtu Automobile Technology Co., Ltd. and the lease renewal of certain RDCs.

### **Business Outlook**

For details of our future plans and business outlook, see “Business — Our Strategies” and “Future Plans and Use of [REDACTED]”.

### **DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES**

Our Directors confirm that, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

## FUTURE PLANS AND USE OF [REDACTED]

### FUTURE PLANS

See “Business — Our Strategies” in this document for a detailed description of our future plans.

### USE OF [REDACTED]

Assuming an [REDACTED] of HK\$[REDACTED] per Share (being the mid-point of the [REDACTED] of between HK\$[REDACTED] and HK\$[REDACTED] per Share), we estimate that we will receive net [REDACTED] of HK\$[REDACTED] from the [REDACTED] after deducting the [REDACTED] and other estimated [REDACTED] expenses paid and payable by us in connection with the [REDACTED] and assuming that the [REDACTED] is not exercised. In line with our strategies, we intend to use our [REDACTED] from the [REDACTED] for the purposes and in the amounts set forth below:

- Approximately [REDACTED] (approximately HK\$[REDACTED]) of the net [REDACTED] is expected to be used over the next three years for the enhancement of our supply chain capability. For more details, see “Business — Our Strategies — Further improve fulfilment capabilities.” The detailed breakdown of the net [REDACTED] to be allocated is as follows:
  - i. Approximately [REDACTED] (approximately HK\$[REDACTED]) of the net [REDACTED] is expected to be used to upgrade our core RDCs through the installation of advanced equipment, including robotic picking and packaging, storage, and goods-to-person systems and equipment. We also plan to acquire land parcels in some cities to develop full automation technologies to further improve our fulfilment efficiency.
  - ii. Approximately [REDACTED] (approximately HK\$[REDACTED]) of the net [REDACTED] is expected to be used to expand and optimise our warehouse coverage, including RDCs and FDCs. As of 31 March 2023, we operated 39 RDCs and 267 FDCs, and we plan to increase our RDCs to 43 and our FDCs to 391 by end of 2025. Particularly, we plan to increase warehouses in tier 2 and below cities and counties to support the geographical expansion of our Tuhu workshops.

The following table sets forth the detailed plan of our new RDCs and FDCs for the periods indicated to support our expansion plan.

	<u>Year ending 31 December</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
<b>RDCs</b>			
Tier 1 and New Tier 1 cities .....	0	1	0
Tier 2 and below cities and counties .....	0	1	2
<b>FDCs</b>			
Tier 1 and New Tier 1 cities .....	5	0	0
Tier 2 and below cities and counties .....	20	50	50



## FUTURE PLANS AND USE OF [REDACTED]

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- iii. Approximately [REDACTED] (approximately HK\$[REDACTED]) of the net [REDACTED] is expected to be used to upgrade our freight network. We plan to increase the number of routes to ensure timely replenishment of our RDCs and FDCs inventory and support the expansion of our business. We will also continue to optimise our route planning to improve our fulfillment capacity.
- Approximately [REDACTED] (approximately HK\$[REDACTED]) of the net [REDACTED] is expected to be used over the next three years for research and development to advance our data analytics technologies and further enhance our operating efficiency. We will continue to recruit and retain research and development talents. We plan to recruit 15, 15 and 15 additional research and development personnel in 2023, 2024 and 2025, respectively, and continue to invest in our data analytic and algorithm capabilities. For more details, see “Business — Our Strategies — Continue to invest in technology.”

Specifically, the detailed breakdown of the net [REDACTED] to be allocated is as follows:

- i. Approximately [REDACTED] (approximately HK\$[REDACTED]) of the net [REDACTED] is expected to be used to upgrade our platform, including improving the stability of our core systems, upgrading our ERP system to further integrate supply chain and financial management, and enhancing our cyber security. With an upgraded platform, we can further improve our customer online ordering experience and foster an engaging online car owner community.
- ii. Approximately [REDACTED] (approximately HK\$[REDACTED]) of the net [REDACTED] is expected to be used to further develop our data analytic and algorithm capabilities, which are at the core of our intelligent product recommendation and inventory prediction technologies that differentiate us from our competitors. We plan to continue to invest in such technologies to improve our operational efficiency. In addition, leveraging our well-developed in-house data analytic capabilities and large customer base, we plan to continue to collaborate and strengthen our partnership with brand owners to develop more exclusive products that cater to our customers’ diversified needs. For more details, see “Business – Our Strategies – Partner with more auto part suppliers and further build proprietary brands.”
- iii. Approximately [REDACTED] (approximately HK\$[REDACTED]) of the net [REDACTED] is expected to be used to invest in servers and bandwidth to maintain the quality of our user experience while sustaining the growth of our user base.

## FUTURE PLANS AND USE OF [REDACTED]

- Approximately [REDACTED] (approximately HK\$[REDACTED]) of the net [REDACTED] is expected to be used over the next three years for expanding our store network and franchisee base, especially in the tier 2 and below cities and counties, enlarging our operations and supporting team, and further tightening our relationship with franchisees. Specifically, we plan to:
  - i. continue to expand geographical coverage of Tuhu workshop. According to the CIC Report, vehicle ownership per thousand capita differs greatly across different city tiers; particularly, ample growth opportunities exist in tier 2 and below cities and counties. We have historically focused on expansion in tier-1 and new tier-1 cities, where we have established a strong presence in terms of both number of stores and number of franchisees.

The number of Tuhu workshops per a million car is 13 in tier-2 and below cities and counties, compared with 48 and 27, respectively, in tier-1 and new tier-1 cities, implying ample opportunities to further penetrate into lower tier cities.

	Car parc <sup>1</sup> (mm)	No. of Tuhu workshops <sup>1</sup>	No. of Tuhu workshops per 1mn car <sup>2</sup>
<b>Tier-1 cities</b> .....	16.5	790	48
<b>New Tier-1 cities</b> .....	50.7	1,354	27
<b>Tier-2 and below cities and counties</b> .....	208.0	2,626	13

*Notes:*

1. As of 31 March 2023.
2. Calculated by dividing number of Tuhu workshops by car parc.

In the future, we will maintain stable expansion in upper-tier cities while expanding our footprint in tier 2 and below cities and counties. Our data analytics capabilities help us and our franchisees to better serve the demand in each city as we expand into lower tier cities. The location of each of our stores is carefully selected through a disciplined, data-driven site-selection process, taking into consideration nearby traffic as well as the potential cannibalisation effect of our existing stores to ensure strong performance of sales growth after store opening. The following table sets forth the expansion plan of our Tuhu workshops for the periods indicated. However, we will adjust our store expansion plan dynamically according to the general economic conditions and automotive service market development in cities in different tiers. For detailed discussion of market demand for our products and services, see “Industry Overview.”

## FUTURE PLANS AND USE OF [REDACTED]

	Year ending 31 December		
	2023	2024	2025
<b>Tuhu workshops</b>			
Tier 1 .....	68	61	60
New Tier-1 .....	260	250	240
Tier 2 and below cities and counties .....	872	1,139	1,400

In addition, we plan to continue to cooperate with our partner stores, particularly in cities currently not covered by Tuhu workshops, to provide installation service for orders placed through our online interfaces. With increased store coverage and density, our customers will have more flexibility when choosing our locations to fulfill their orders, which further improves our customer experience. For more details, see “Business — Our Strategies — Expand the scale of platform.”

- ii. expand our operations and supporting team. Our operations and supporting team, which is mainly responsible for business and franchisee development, offline store supporting and products and services quality monitoring, is indispensable to our business operation. We plan to expand our operations and supporting team to approximately 2,200 personnel by the end of 2025. By expanding our operations and supporting team, we will be able to better serve our franchisees and other store owners, tailor solutions for them and provide necessary financial support during difficult times, and achieve win-win result with our franchisees. As our franchisees generate promising economic returns, they often open more than one Tuhu workshops. In addition, we will continue to expand our network of franchisees to support our store expansion plan. We plan to increase our franchisees to approximately 3,300 by the end of 2025.
  - iii. continue to explore specialised store types to meet more customer needs. We have been constantly exploring new store types to increase the engagement of our users, including those providing services to NEV owners in cooperation with NEV brands. For more details, see section headed “Business – Our Strategies – Partner with NEV brands to provide dedicated services to the NEV market” in this [REDACTED].
  - iv. invest more in marketing efforts to enhance our brand awareness. As we penetrate into the tier 2 and below cities and counties, investment spending are required to promote our brand.
- Approximately [REDACTED] (approximately HK\$[REDACTED]) of the net [REDACTED] is expected to be used over the next three years to fund investment related to automotive services for NEV owners as well as investment in tools and equipment related to these services. Specifically, we plan to:
    - i. invest in NEV automotive services. In order to take advantage of the rapid growth opportunities in the NEV sector, we plan to (a) recruit more talents with relevant

## FUTURE PLANS AND USE OF [REDACTED]

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- industry experience in order to provide automotive services for NEV owners; (b) partner with NEV brands to collaboratively explore new business opportunities, which will require initial capital expenditures; and
- ii. invest in tools and equipment. In order to capture business opportunities with the rapid penetration of electric vehicles, we plan to invest more in battery-related diagnostic tools and equipment.
- Approximately [REDACTED] (approximately HK\$[REDACTED]) of the net [REDACTED] is expected to be used for working capital and general corporate purposes.

In the event that the [REDACTED] is fixed at the high or low end of the indicative [REDACTED] range, the net [REDACTED] of the [REDACTED] will increase or decrease by approximately HK\$[REDACTED], respectively. If we make an upward or downward [REDACTED] adjustment to set the final [REDACTED] to be above or below the mid-point of the [REDACTED], we will increase or decrease the allocation of the net [REDACTED] to the above purposes on a pro rata basis.

The additional net [REDACTED] that we would receive if the [REDACTED] were exercised in full would be (i) HK\$[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per Share, being the [REDACTED]), (ii) HK\$[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per Share, being the mid-point of the [REDACTED] and (iii) HK\$[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per Share, being the [REDACTED]).

To the extent that the net [REDACTED] from the [REDACTED] (including the net [REDACTED] from the exercise of the [REDACTED] are either more or less than expected, we may adjust our allocation of the net [REDACTED] for the above purposes on a pro rata basis.

To the extent that the net [REDACTED] of the [REDACTED] are not immediately required for the above purposes or if we are unable to put into effect any part of our plan as intended, we will hold such unused funds in short-term deposits in licensed banks and/or authorised financial institutions (as defined under the SFO and/or applicable laws and regulations in relevant jurisdictions) so long as it is deemed to be in the best interests of the Company. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

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## HOW TO APPLY FOR [REDACTED]

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**APPENDIX I**

**ACCOUNTANTS’ REPORT**

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*The following is the text of a report received from our reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.*

**ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF TUHU CAR INC., GOLDMAN SACHS (ASIA) L.L.C., CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED, MERRILL LYNCH (ASIA PACIFIC) LIMITED AND UBS SECURITIES HONG KONG LIMITED**

***Introduction***

We report on the historical financial information of TUHU Car Inc. (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-4 to I-132, which comprises the consolidated statements of profit or loss, statements of comprehensive income/(loss), statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2019, 2020, 2021 and 2022, and the three months ended 31 March 2023 (the “Relevant Periods”), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2019, 2020, 2021 and 2022 and 31 March 2023 and a summary of material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-4 to I-132 forms an integral part of this report, which has been prepared for inclusion in the [REDACTED] of the Company dated [Date] (the “[REDACTED]”) in connection with the [REDACTED] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

***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 presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors 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 (“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 presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

### ***Opinion***

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the financial position of the Group and the Company as at 31 December 2019, 2020, 2021 and 2022 and 31 March 2023 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

### ***Review of interim comparative financial information***

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss, statement of comprehensive loss, statement of changes in equity and statement of cash flows for the three months ended 31 March 2022 and other explanatory information (the “Interim Comparative Financial Information”). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants’ report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

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**Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange 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 14 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

*No historical financial statements for the Company*

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

[●]

*Certified Public Accountants*

Hong Kong

[Date]

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

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**I HISTORICAL FINANCIAL INFORMATION**

**Preparation of Historical Financial Information**

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

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) (the “Underlying Financial Statements”).

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

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Notes	Year ended 31 December				Three months ended 31	
		2019	2020	2021	2022	March	
		RMB'000	RMB'000	RMB'000	RMB'000	2022	2023
					RMB'000	RMB'000	
						(Unaudited)	
Revenue	6	7,040,361	8,753,316	11,724,263	11,546,851	2,969,165	3,264,621
Cost of revenue		(6,516,954)	(7,673,294)	(9,853,961)	(9,276,669)	(2,436,293)	(2,474,837)
Gross profit		523,407	1,080,022	1,870,302	2,270,182	532,872	789,784
Other income and gains, net	7	11,589	114,528	121,452	151,452	8,857	17,427
Operations and support expenses		(216,180)	(308,265)	(654,051)	(627,473)	(166,231)	(139,362)
Research and development expenses		(223,279)	(369,505)	(619,583)	(621,365)	(162,312)	(152,744)
Selling and marketing expenses		(1,040,958)	(1,262,616)	(1,681,131)	(1,542,216)	(378,324)	(421,459)
General and administrative expenses		(197,906)	(193,143)	(351,022)	(399,094)	(99,153)	(95,963)
Fair value changes on financial assets at fair value through profit or loss	8	8,197	26,113	154	4,594	3,615	(193)
Operating loss		(1,135,130)	(912,866)	(1,313,879)	(763,920)	(260,676)	(2,510)
Finance income	9	41,707	63,236	63,504	56,934	11,008	25,414
Finance costs	9	(26,397)	(50,530)	(65,696)	(27,875)	(9,286)	(4,901)
Fair value changes of convertible redeemable preferred shares		(1,933,597)	(2,992,664)	(4,441,164)	(1,339,273)	(342,022)	(297,954)
Loss on repurchase of convertible redeemable preferred shares		(363,868)	—	—	—	—	—
Share of profits and losses of:							
Joint ventures		—	—	—	(2,985)	—	(2,134)
Associates		(691)	(10,791)	(52,744)	(30,530)	(3,511)	5,023
LOSS BEFORE TAX	10	(3,417,976)	(3,903,615)	(5,809,979)	(2,107,649)	(604,487)	(277,062)
Income tax expense	13	(10,302)	(24,594)	(34,822)	(30,666)	(5,237)	(1,470)
LOSS FOR THE YEAR/ PERIOD		<u>(3,428,278)</u>	<u>(3,928,209)</u>	<u>(5,844,801)</u>	<u>(2,138,315)</u>	<u>(609,724)</u>	<u>(278,532)</u>
Attributable to:							
Owners of the parent		(3,428,278)	(3,928,209)	(5,840,577)	(2,136,173)	(608,888)	(278,151)
Non-controlling interests		—	—	(4,224)	(2,142)	(836)	(381)
		<u>(3,428,278)</u>	<u>(3,928,209)</u>	<u>(5,844,801)</u>	<u>(2,138,315)</u>	<u>(609,724)</u>	<u>(278,532)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT							
Basic (RMB)	15	<u>(24)</u>	<u>(27)</u>	<u>(41)</u>	<u>(15)</u>	<u>(4)</u>	<u>(2)</u>
Diluted (RMB)	15	<u>(24)</u>	<u>(27)</u>	<u>(41)</u>	<u>(15)</u>	<u>(4)</u>	<u>(2)</u>

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)

	Year ended 31 December				Three months ended 31 March	
	2019	2020	2021	2022	2022	2023
	<i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>
					<i>(Unaudited)</i>	
LOSS FOR THE YEAR/PERIOD . . . . .	<u>(3,428,278)</u>	<u>(3,928,209)</u>	<u>(5,844,801)</u>	<u>(2,138,315)</u>	<u>(609,724)</u>	<u>(278,532)</u>
OTHER COMPREHENSIVE INCOME/(LOSS)						
Other comprehensive income/(loss) that will be reclassified to profit or loss in subsequent periods:						
Exchange differences on translation of the financial statements of the subsidiaries of the Company . . . .	<u>—</u>	<u>11,360</u>	<u>106,572</u>	<u>(652,235)</u>	<u>26,257</u>	<u>105,451</u>
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:						
Equity investments designated at fair value through other comprehensive income:						
Changes in fair value . . . . .	<u>—</u>	<u>—</u>	<u>—</u>	<u>(121,487)</u>	<u>—</u>	<u>37,523</u>
Exchange differences on translation of the financial statements of the Company . . . . .	<u>77,125</u>	<u>461,195</u>	<u>158,186</u>	<u>(899,492)</u>	<u>40,167</u>	<u>154,230</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD, NET OF TAX . . . . .	<u>77,125</u>	<u>472,555</u>	<u>264,758</u>	<u>(1,673,214)</u>	<u>66,424</u>	<u>297,204</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR/PERIOD . . . . .	<u>(3,351,153)</u>	<u>(3,455,654)</u>	<u>(5,580,043)</u>	<u>(3,811,529)</u>	<u>(543,300)</u>	<u>18,672</u>
Attributable to:						
Owners of the parent . . . . .	<u>(3,351,153)</u>	<u>(3,455,654)</u>	<u>(5,575,819)</u>	<u>(3,809,387)</u>	<u>(542,464)</u>	<u>19,053</u>
Non-controlling interests . . . . .	<u>—</u>	<u>—</u>	<u>(4,224)</u>	<u>(2,142)</u>	<u>(836)</u>	<u>(381)</u>
	<u>(3,351,153)</u>	<u>(3,455,654)</u>	<u>(5,580,043)</u>	<u>(3,811,529)</u>	<u>(543,300)</u>	<u>18,672</u>

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December				As at
		2019	2020	2021	2022	31 March
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>						
Property, plant and equipment . . . . .	16	206,529	284,297	539,143	671,032	712,930
Right-of-use assets . . . . .	17(a)	322,890	424,150	517,581	467,714	444,615
Goodwill . . . . .	18	—	14,789	15,820	15,820	15,820
Other intangible assets . . . . .	19	1,390	46,353	63,113	69,975	70,089
Financial investments at fair value						
through profit or loss . . . . .	20	31,943	145,963	201,038	227,120	236,413
Investments in joint ventures . . . . .	21	—	—	—	115,375	113,241
Investments in associates . . . . .	22	48,089	207,625	194,224	163,694	168,717
Equity investments designated at fair value through other comprehensive income . . . . .	23	—	—	—	289,312	322,892
Restricted cash and time deposits . . . . .	29	25,000	300,000	480,000	403	115,003
Other non-current assets . . . . .	24	24,834	33,286	74,944	87,825	124,132
Total non-current assets . . . . .		<u>660,675</u>	<u>1,456,463</u>	<u>2,085,863</u>	<u>2,108,270</u>	<u>2,323,852</u>
<b>CURRENT ASSETS</b>						
Inventories . . . . .	25	1,046,812	1,483,537	1,713,513	1,542,547	1,555,808
Trade receivables . . . . .	26	155,614	280,510	202,990	173,731	195,827
Prepayments, other receivables and other assets . . . . .	27	256,576	555,593	539,472	456,257	458,456
Financial assets at fair value through profit or loss . . . . .	28	1,748,715	692,368	320,362	25,921	48,013
Restricted cash and time deposits . . . . .	29	821,157	3,400,888	3,497,661	2,021,037	1,739,702
Cash and cash equivalents . . . . .	29	<u>1,474,876</u>	<u>1,164,958</u>	<u>1,472,293</u>	<u>2,686,353</u>	<u>2,815,580</u>
Total current assets . . . . .		<u>5,503,750</u>	<u>7,577,854</u>	<u>7,746,291</u>	<u>6,905,846</u>	<u>6,813,386</u>

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)

	Notes	As at 31 December				As at 31
		2019	2020	2021	2022	March
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>CURRENT LIABILITIES</b>						
Trade and bills payables . . . . .	30	1,683,398	2,808,434	3,240,321	3,119,324	3,231,297
Other payables and accruals . . . . .	31	698,032	962,270	1,463,777	1,566,010	1,524,310
Contract liabilities . . . . .	32	215,353	382,463	558,999	653,045	634,632
Interest-bearing borrowings . . . . .	33	—	2,016,915	264,000	—	—
Tax payable . . . . .		10,301	34,884	67,517	97,225	97,816
Lease liabilities . . . . .	17(b)	115,360	132,283	148,379	136,595	128,894
Total current liabilities . . . . .		<u>2,722,444</u>	<u>6,337,249</u>	<u>5,742,993</u>	<u>5,572,199</u>	<u>5,616,949</u>
<b>NET CURRENT</b>						
<b>ASSETS</b> . . . . .		<u>2,781,306</u>	<u>1,240,605</u>	<u>2,003,298</u>	<u>1,333,647</u>	<u>1,196,437</u>
<b>TOTAL ASSETS LESS</b>						
<b>CURRENT</b>						
<b>LIABILITIES</b> . . . . .		<u>3,441,981</u>	<u>2,697,068</u>	<u>4,089,161</u>	<u>3,441,917</u>	<u>3,520,289</u>
<b>NON-CURRENT</b>						
<b>LIABILITIES</b>						
Convertible redeemable preferred shares . . . . .	34	9,499,531	11,900,562	18,609,227	21,726,488	21,732,634
Contract liabilities . . . . .	32	71,636	109,468	115,056	60,268	53,502
Lease liabilities . . . . .	17(b)	181,881	252,468	282,873	203,735	190,456
Deferred tax liabilities . . . . .	35	—	10,333	10,333	10,333	10,333
Other non-current liabilities . . . . .	36	184,216	329,780	436,046	397,657	404,797
Total non-current liabilities . .		<u>9,937,264</u>	<u>12,602,611</u>	<u>19,453,535</u>	<u>22,398,481</u>	<u>22,391,722</u>
<b>Net liabilities</b> . . . . .		<u>(6,495,283)</u>	<u>(9,905,543)</u>	<u>(15,364,374)</u>	<u>(18,956,564)</u>	<u>(18,871,433)</u>
<b>EQUITY</b>						
<b>Equity attributable to</b>						
<b>owners of the parent</b>						
Share capital . . . . .	37	21	21	21	21	21
Deficits . . . . .	38	(6,495,304)	(9,909,425)	(15,366,732)	(18,956,780)	(18,871,268)
		(6,495,283)	(9,909,404)	(15,366,711)	(18,956,759)	(18,871,247)
Non-controlling interests . . . .		—	3,861	2,337	195	(186)
<b>Total equity</b> . . . . .		<u>(6,495,283)</u>	<u>(9,905,543)</u>	<u>(15,364,374)</u>	<u>(18,956,564)</u>	<u>(18,871,433)</u>



APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2019

	Attributable to ordinary equity holders of the parent					
	Share capital	Capital reserve*	Share-based payment reserve*	Exchange fluctuation reserve*	Accumulated losses*	Total
At 1 January 2019	RMB '000 (Note 37)	RMB '000 (Note 38)	RMB '000 (Note 38)	RMB '000 (Note 38)	RMB '000	RMB '000
Loss for the year	—	128,094	96,185	—	(3,463,551)	(3,239,272)
Other comprehensive income for the year:						
Exchange differences on translation of foreign operations	—	—	—	77,125	—	77,125
Total comprehensive loss for the year	—	—	—	77,125	(3,428,278)	(3,351,153)
Issue of shares	21	—	—	—	—	21
Share-based payments	—	—	95,121	—	—	95,121
At 31 December 2019	21	128,094	191,306	77,125	(6,891,829)	(6,495,283)

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—(Continued)

Year ended 31 December 2020

	Attributable to ordinary equity holders of the parent							
	Share capital	Capital reserve*	Share-based payment reserve*	Exchange fluctuation reserve*	Accumulated losses*	Total	Non-controlling interests	Total equity
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
At 1 January 2020	21	128,094	191,306	77,125	(6,891,829)	(6,495,283)	—	(6,495,283)
Loss for the year	—	—	—	—	(3,928,209)	(3,928,209)	—	(3,928,209)
Other comprehensive income for the year:								
Exchange differences on translation of foreign operations	—	—	—	472,555	—	472,555	—	472,555
Total comprehensive loss for the year	—	—	—	472,555	(3,928,209)	(3,455,654)	—	(3,455,654)
Share-based payments	—	—	41,533	—	—	41,533	—	41,533
Acquisition of a subsidiary	—	—	—	—	—	—	3,861	3,861
At 31 December 2020	21	128,094	232,839	549,680	(10,820,038)	(9,909,404)	3,861	(9,905,543)

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—(Continued)

Year ended 31 December 2021

	Attributable to ordinary equity holders of the parent						Total equity RMB '000
	Share- based capital	Capital reserve*	Share- based payment reserve*	Exchange fluctuation reserve*	Accumulated losses*	Total	
At 1 January 2021 .....	RMB '000 (Note 37)	RMB '000 (Note 38)	RMB '000 (Note 38)	RMB '000 (Note 38)	RMB '000	RMB '000	RMB '000
Loss for the year .....	21	128,094	232,839	549,680	(10,820,038)	(9,909,404)	(9,905,543)
Other comprehensive income for the year:					(5,840,577)	(5,840,577)	(5,844,801)
Exchange differences on translation of foreign operations .....				264,758	—	264,758	264,758
Total comprehensive loss for the year .....				264,758	(5,840,577)	(5,575,819)	(5,580,043)
Share-based payments .....			118,512	—	—	118,512	118,512
Capital contribution from non-controlling interests ...			—	—	—	—	2,700
At 31 December 2021 .....	21	128,094	351,351	814,438	(16,660,615)	(15,366,711)	(15,364,374)

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—(Continued)

Year ended 31 December 2022

	Attributable to ordinary equity holders of the parent							Total equity RMB'000	
	Share capital RMB'000 (Note 37)	Capital reserve* RMB'000 (Note 38)	Share- based payment reserve* RMB'000 (Note 38)	Fair value reserve of financial assets at		Exchange fluctuation reserve* RMB'000 (Note 38)	Accumulated losses* RMB'000		Non-controlling interests RMB'000
				fair value through other comprehensive income* RMB'000 (Note 38)	fair value through Exchange fluctuation reserve* RMB'000 (Note 38)				
At 1 January 2022 .....	21	128,094	351,351	—	814,438	(16,660,615)	2,337	(15,364,374)	
Loss for the year .....	—	—	—	—	—	(2,136,173)	(2,142)	(2,138,315)	
Other comprehensive loss for the year:									
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax .....	—	—	—	(121,487)	—	—	—	(121,487)	
Exchange differences on translation of foreign operations .....	—	—	—	—	(1,551,727)	—	—	(1,551,727)	
Total comprehensive loss for the year .....	—	—	—	(121,487)	(1,551,727)	(3,809,387)	(2,142)	(3,811,529)	
Share-based payments .....	—	—	219,339	—	—	—	—	219,339	
At 31 December 2022 .....	21	128,094	570,690	(121,487)	(737,289)	(18,796,788)	195	(18,956,564)	

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—(Continued)

For the three months ended 31 March 2022

	Attributable to ordinary equity holders of the parent							
	Share capital	Capital reserve*	Share-based payment reserve*	Exchange fluctuation reserve*	Accumulated losses*	Total	Non-controlling interests	Total equity
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
At 1 January 2022	21	128,094	351,351	814,438	(16,660,615)	(15,366,711)	2,337	(15,364,374)
Loss for the period	—	—	—	—	(608,888)	(608,888)	(836)	(609,724)
Other comprehensive income for the period:								
Exchange differences on translation of foreign operations	—	—	—	66,424	—	66,424	—	66,424
Total comprehensive loss for the period	—	—	—	66,424	(608,888)	(542,464)	(836)	(543,300)
Share-based payments	—	—	52,912	—	—	52,912	—	52,912
At 31 March 2022 (unaudited)	21	128,094	404,263	880,862	(17,269,503)	(15,856,263)	1,501	(15,854,762)

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—(Continued)

For the three months ended 31 March 2023

	Attributable to ordinary equity holders of the parent							Total equity RMB'000	
	Share capital RMB'000 (Note 37)	Capital reserve* RMB'000 (Note 38)	Share- based payment reserve* RMB'000 (Note 38)	Fair value reserve of financial assets at fair value through other comprehensive income* RMB'000 (Note 38)	Exchange fluctuation reserve* RMB'000 (Note 38)	Accumulated losses* RMB'000	Total RMB'000		Non-controlling interests RMB'000
At 1 January 2023	21	128,094	570,690	(121,487)	(737,289)	(18,796,788)	(18,956,759)	195	(18,956,564)
Loss for the period	—	—	—	—	—	(278,151)	(278,151)	(381)	(278,532)
Other comprehensive income for the period:	—	—	—	—	—	—	—	—	—
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	—	—	—	37,523	—	—	37,523	—	37,523
Exchange differences on translation of foreign operations	—	—	—	—	259,681	—	259,681	—	259,681
Total comprehensive income for the period	—	—	—	37,523	259,681	(278,151)	19,053	(381)	18,672
Share-based payments	—	—	66,459	—	—	—	66,459	—	66,459
At 31 March 2023	21	128,094	637,149	(83,964)	(477,608)	(19,074,939)	(18,871,247)	(186)	(18,871,433)

\* These reserve accounts comprise the consolidated deficits of RMB6,495,304,000, RMB9,909,425,000, RMB15,366,732,000, RMB18,956,780,000 and RMB18,871,268,000 in the consolidated statements of financial position as at 31 December 2019, 2020, 2021 and 2022 and 31 March 2023, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December				Three months ended 31 March	
		2019	2020	2021	2022	2022	2023
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
							(Unaudited)
<b>CASH FLOWS FROM</b>							
<b>OPERATING ACTIVITIES</b>							
Loss before tax . . . . .		(3,417,976)	(3,903,615)	(5,809,979)	(2,107,649)	(604,487)	(277,062)
Adjustments for:							
Finance income . . . . .	9	(41,707)	(63,236)	(63,504)	(56,934)	(11,008)	(25,414)
Finance costs . . . . .	9	26,397	50,530	65,696	27,875	9,286	4,901
Share of losses of joint ventures . . . . .	21	—	—	—	2,985	—	2,134
Share of profits and losses of associates . . . . .	22	691	10,791	52,744	30,530	3,511	(5,023)
Fair value changes of convertible redeemable preferred shares . . . . .	34	1,933,597	2,992,664	4,441,164	1,339,273	342,022	297,954
Gain from intangible assets contributed to an associate . . . . .	22	—	(76,500)	(28,000)	—	—	—
Fair value changes of financial assets at fair value through profit or loss . . . . .	20	(3,403)	(12,494)	7,461	2,060	(248)	679
Share-based payment expense . . . . .	10	95,121	41,533	118,512	219,339	52,912	66,459
Loss on disposal of property, plant and equipment . . . . .	16	4,849	4,414	7,055	6,193	2,280	972
Loss on disposal of intangible assets . . . . .	19	—	282	672	—	—	—
Loss on repurchase of convertible redeemable preferred shares . . . . .		363,868	—	—	—	—	—
Foreign exchange differences . . . . .	7	(4,535)	(24,944)	(17,288)	(23,738)	(653)	536
Covid-19-related rent concessions from lessors . . . . .	17(b)	—	(3,616)	—	—	—	—
Depreciation of property, plant and equipment . . . . .	16	62,887	82,483	120,851	156,513	34,528	38,660
Depreciation of right-of-use assets . . . . .	17(a)	135,631	155,874	181,735	203,390	51,957	48,507
Amortisation of other intangible assets . . . . .	19	798	609	1,931	3,873	798	1,144
Impairment losses on trade receivables and other receivables . . . . .	10	11,629	7,893	974	5,228	519	2,106

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

	Notes	Year ended 31 December				Three months ended 31 March	
		2019	2020	2021	2022	2022	2023
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(Unaudited)	
Impairment of inventories . . .	10	17,255	25,241	46,779	77,698	9,658	13,237
Impairment of property, plant and equipment . . . . .	10	1,064	1,156	4,824	1,117	—	—
Impairment of right-of-use assets . . . . .	10	6,637	236	696	1,273	—	—
Termination of leases . . . . .	17	197	(262)	408	(3,303)	6	(306)
		<u>(807,000)</u>	<u>(710,961)</u>	<u>(867,269)</u>	<u>(114,277)</u>	<u>(108,919)</u>	<u>169,484</u>
(Increase)/decrease in inventories . . . . .		(504,774)	(461,813)	(272,745)	87,576	18,218	(26,498)
(Increase)/decrease in trade receivables . . . . .		(74,829)	(132,594)	81,795	26,631	(21,372)	(22,819)
(Increase)/decrease in prepayments, other receivables and other assets . . . . .		(12,656)	(257,585)	18,727	66,523	(93,728)	(17,451)
Decrease/(increase) in other non-current assets . . . . .		4,615	17,450	(18,601)	8,357	(2,608)	250
(Increase)/decrease in restricted cash . . . . .		(426,097)	145,426	(147,916)	(361,608)	(128,637)	21,337
Increase/(decrease) in trade and bills payables . . . . .		1,135,161	1,124,487	430,402	(120,997)	(82,754)	111,973
Increase/(decrease) in other payables and accruals . . . . .		181,642	256,376	390,656	95,174	(90,264)	(33,483)
Increase/(decrease) in contract liabilities . . . . .		150,789	204,942	182,124	39,258	(67,366)	(25,179)
Increase/(decrease) in other non-current liabilities . . . . .		101,610	145,564	106,266	(38,389)	13,352	7,140
Cash (used in)/generated from operations . . . . .		(251,539)	331,292	(96,561)	(311,752)	(564,078)	184,754
Income tax paid . . . . .		—	(12)	(2,189)	(959)	(231)	(880)
Net cash flows (used in)/from operating activities . . . . .		<u>(251,539)</u>	<u>331,280</u>	<u>(98,750)</u>	<u>(312,711)</u>	<u>(564,309)</u>	<u>183,874</u>



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ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

Notes	Year ended 31 December				Three months ended 31 March	
	2019	2020	2021	2022	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
						<i>(Unaudited)</i>
<b>CASH FLOWS FROM</b>						
<b>INVESTING ACTIVITIES</b>						
Purchases of items of property, plant and equipment . . . . .	(138,957)	(160,714)	(285,878)	(334,139)	(128,534)	(119,113)
Purchases of other intangible assets . . . . .	(815)	(4,486)	(19,363)	(11,284)	(6,990)	(1,258)
Purchase of right-of-use assets — land use right . . . . .	(28,278)	(3,067)	(41,590)	(55,221)	—	—
Purchase of financial assets at fair value through profit or loss . . .	(2,501,605)	(4,056,691)	(3,357,699)	(3,585,305)	(957,290)	(48,000)
Proceeds from disposal of financial assets at fair value through profit or loss . . . . .	1,805,455	5,059,236	3,729,705	3,891,058	1,223,298	25,576
Purchase of financial investments at fair value through profit or loss . . . . .	(20,840)	(101,526)	(75,061)	(65,138)	(38,777)	(11,531)
Proceeds from disposal of financial investments at fair value through profit or loss . . .	—	—	162	66,264	242	105
Purchase of shareholding in associates . . . . .	(1,300)	(98,000)	(25,000)	—	—	—
Purchase of shareholding in joint ventures . . . . .	—	—	—	(118,360)	—	—
Purchase of equity investments designated at fair value through other comprehensive income . . . . .	—	—	—	(412,290)	—	—
Acquisition of subsidiaries . . . . .	—	(38,190)	(7,495)	(17,962)	(2,090)	—
Proceeds from disposal of an associate . . . . .	—	—	1,915	—	—	—
Loans to related parties . . . . .	(2,313)	(26,100)	(4,500)	(37,370)	(710)	—
Repayment of loans to related parties . . . . .	—	6,513	18,800	44,234	7,659	531
Loans to equity investees and others . . . . .	(11,200)	(41,891)	(54,839)	(44,982)	(6,960)	—
Repayment of loans to equity investees and others . . . . .	3,879	31,537	29,204	64,371	11,791	12,382
Interest received . . . . .	41,707	63,236	63,504	56,934	11,981	18,634
Increase in time deposits . . . . .	(223,479)	(558,829)	(2,185,544)	(269,554)	(90,982)	(16,002)
Decrease in time deposits . . . . .	—	499,780	1,295,707	1,310,091	603,925	59,611
Net cash flows (used in)/from investing activities . . . . .	(1,077,746)	570,808	(917,972)	481,347	626,563	(79,065)

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ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

	Notes	Year ended 31 December				Three months ended 31 March	
		2019	2020	2021	2022	2022	2023
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
							<i>(Unaudited)</i>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
Principal portion of lease payments	17(b)	(126,844)	(162,915)	(188,179)	(187,194)	(52,216)	(46,082)
Interest portion of lease payments	17(b)	(16,772)	(18,756)	(27,404)	(24,246)	(7,282)	(4,901)
(Increase)/decrease in deposits of leases		(12,492)	(7,131)	(8,275)	4,358	(1,643)	2,454
Interest paid		(326)	(45,818)	(18,363)	(964)	(964)	—
Proceeds from interest-bearing borrowings		—	2,577,739	564,000	50,000	50,000	—
Repayments of interest-bearing borrowings		(22,478)	(561,000)	(2,313,355)	(314,000)	(264,000)	—
Repurchase of convertible redeemable preferred shares	34	(879,097)	—	—	—	—	—
Proceeds from issuance of convertible redeemable preferred shares	34	2,963,450	117,894	2,635,833	—	—	—
Cash received from holders of preferred shares due to the Reorganisation		—	4,621,522	—	—	—	—
Cash paid to holders of preferred shares due to the Reorganisation		—	(4,621,522)	—	—	—	—
Increase in restricted cash		—	(3,469,559)	(2,690,447)	(834,651)	(239,842)	(150,732)
Decrease in restricted cash		—	528,450	3,451,427	2,242,674	49,250	246,872
Capital contribution from non-controlling interests		—	—	2,700	—	—	—
Net cash flows from/ (used in) financing activities		1,905,441	(1,041,096)	1,407,937	935,977	(466,697)	47,611
<b>NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS</b>							
Cash and cash equivalents at beginning of year/period		895,706	1,474,876	1,164,958	1,472,293	1,472,293	2,686,353
Effect of foreign exchange rate changes, net		3,014	(170,910)	(83,880)	109,447	(3,609)	(23,193)

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CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

	Notes	Year ended 31 December				Three months ended 31 March	
		2019	2020	2021	2022	2022	2023
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
							<i>(Unaudited)</i>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD . . . . .</b>							
		<u>1,474,876</u>	<u>1,164,958</u>	<u>1,472,293</u>	<u>2,686,353</u>	<u>1,064,241</u>	<u>2,815,580</u>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>							
Cash and bank balances . . . . .	29	2,321,033	4,865,846	5,449,954	4,707,793	4,834,298	4,670,285
Restricted cash and time deposits . . . . .	29	<u>(846,157)</u>	<u>(3,700,888)</u>	<u>(3,977,661)</u>	<u>(2,021,440)</u>	<u>(3,770,057)</u>	<u>(1,854,705)</u>
<b>CASH AND CASH EQUIVALENTS AS STATED IN THE CONSOLIDATED STATEMENT OF CASH FLOWS . . . . .</b>							
		<u>1,474,876</u>	<u>1,164,958</u>	<u>1,472,293</u>	<u>2,686,353</u>	<u>1,064,241</u>	<u>2,815,580</u>

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STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 December				As at 31 March
		2019	2020	2021	2022	2023
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>NON-CURRENT ASSETS</b>						
Investments in subsidiaries . . . . .	1	2,678,340	2,719,875	2,838,387	3,057,723	3,124,182
Equity investments designated at fair value through other comprehensive income . . . . .	23	—	—	—	289,312	322,892
Total non-current assets . . . . .		<u>2,678,340</u>	<u>2,719,875</u>	<u>2,838,387</u>	<u>3,347,035</u>	<u>3,447,074</u>
<b>CURRENT ASSETS</b>						
Due from subsidiaries . . . . .	27	1,274,358	7,630,051	9,827,970	10,364,210	10,254,627
Due from holders of preferred shares . . . . .	27	4,621,523	—	—	—	—
Prepayments, other receivables and other assets . . . . .	27	—	—	3,581	8,567	9,236
Financial assets at fair value through profit or loss . . . . .	28	1,567,960	4,367	40,762	25,921	—
Cash and cash equivalents . . . . .	29	715	1,490	1,426	2,009	563
Total current assets . . . . .		<u>7,464,556</u>	<u>7,635,908</u>	<u>9,873,739</u>	<u>10,400,707</u>	<u>10,264,426</u>
<b>CURRENT LIABILITIES</b>						
Other payables and accruals . . . . .		9,418	9	13,582	22,253	26,632
Due to subsidiaries . . . . .	31	—	324,270	159,630	231,866	229,777
Total current liabilities . . . . .		<u>9,418</u>	<u>324,279</u>	<u>173,212</u>	<u>254,119</u>	<u>256,409</u>
<b>NET CURRENT ASSETS</b> . . . . .		<u>7,455,138</u>	<u>7,311,629</u>	<u>9,700,527</u>	<u>10,146,588</u>	<u>10,008,017</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> . . . . .		<u>10,133,478</u>	<u>10,031,504</u>	<u>12,538,914</u>	<u>13,493,623</u>	<u>13,455,091</u>
<b>NON-CURRENT LIABILITIES</b>						
Convertible redeemable preferred shares . . . . .	34	9,499,531	11,900,562	18,609,227	21,726,488	21,732,634
Total non-current liabilities . . . . .		<u>9,499,531</u>	<u>11,900,562</u>	<u>18,609,227</u>	<u>21,726,488</u>	<u>21,732,634</u>
<b>Net assets/(liabilities)</b> . . . . .		<u>633,947</u>	<u>(1,869,058)</u>	<u>(6,070,313)</u>	<u>(8,232,865)</u>	<u>(8,277,543)</u>
<b>EQUITY</b>						
Share capital . . . . .	37	21	21	21	21	21
Reserves/(deficits) . . . . .	38	633,926	(1,869,079)	(6,070,334)	(8,232,886)	(8,277,564)
Total equity . . . . .		<u>633,947</u>	<u>(1,869,058)</u>	<u>(6,070,313)</u>	<u>(8,232,865)</u>	<u>(8,277,543)</u>

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II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

TUHU Car Inc. (the “Company”) was incorporated in the Cayman Islands on 8 July 2019. The registered office of the Company is located at Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the Company and its subsidiaries (collectively referred to as the “Group”) primarily provide automotive products and services to consumers through its online interfaces, including “Tuhu Automotive Service” APP, its website and Weixin mini programme in the People’s Republic of China (hereafter, the “PRC”).

As at the date of this report, the Company had direct and indirect interests in its subsidiaries. Particulars of the Company’s principal subsidiaries are set out below:

Name	Notes	Place and date of incorporation/registration and place of operations	Issued ordinary shares/registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Beginner Investment Limited	(a)	British Virgin Islands 17 July 2019	US\$50,000	100%	—	Investment holding
TUHU Car (Hong Kong) Limited	(b)	Hong Kong 29 July 2019	US\$10,000	—	100%	Investment holding
Shanghai Xirang Information Technology Co., Ltd.* (上海息壤信息技術有限公司)	(a)	PRC/Mainland China 2 September 2019	RMB6,020,000,000	—	100%	Investment holding
Shanghai Lantu Information Technology Co., Ltd.* (上海蘭途信息技術有限公司)	(c)	PRC/Mainland China 26 June 2014	RMB6,000,000,000	—	100%	Automotive products and services
Shanghai Jida Trading Co., Ltd.* (上海驥達貿易有限公司)	(a)	PRC/Mainland China 16 April 2015	RMB100,000,000	—	100%	Automotive products and services
Shanghai Mengfan Trade Co., Ltd.* (上海盟帆貿易有限公司)	(a)	PRC/Mainland China 30 June 2015	RMB1,000,000	—	100%	Automotive products and services
Shanghai Zitu E-Commerce Co., Ltd.* (上海紫途電子商務有限公司)	(d)	PRC/Mainland China 18 April 2014	RMB2,100,000,000	—	100%	Automotive products and services
Shanghai Kanming Advertising Co., Ltd.* (上海刊明廣告有限公司)	(a)	PRC/Mainland China 23 February 2017	RMB81,000,000	—	100%	Provision of advertising services
Shanghai Tuju Management Consulting Co., Ltd.* (上海途聚企業管理諮詢有限公司)	(a)	PRC/Mainland China 9 October 2018	RMB20,000,000	—	100%	Management of store network

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Notes:

- (a) No audited financial statements have been prepared for these entities since their incorporation as statutory accounts are not required under the relevant rules and regulations in their jurisdictions of incorporation.
  - (b) The statutory financial statements of the entity for the years ended 31 December 2019, 2020, 2021 and 2022 prepared under Hong Kong Financial Reporting Standards were audited by Wiselite CPA Limited, certified public accountants registered in Hong Kong.
  - (c) The statutory financial statements of this entity for the years ended 31 December 2019, 2020, 2021 and 2022 prepared under PRC Generally Accepted Accounting Principles were audited by Ernst & Young Hua Ming LLP Shanghai Branch, certified public accountants registered in the PRC.
  - (d) The statutory financial statements of this entity for the years ended 31 December 2020, 2021 and 2022 prepared under PRC Generally Accepted Accounting Principles were audited by Ernst & Young Hua Ming LLP Shanghai Branch, certified public accountants registered in the PRC. No audited financial statements have been prepared for this entity for the year ended 31 December 2019.
- \* The English names of these companies represent the best effort made by the management of the Company to directly translate the Chinese names as they do not register any official English names.

### 2.1 BASIS OF PRESENTATION

The Group’s operations are primarily conducted through its PRC subsidiary, Shanghai Lantu Information Technology Co., Ltd. (“Shanghai Lantu”). In preparation for its [REDACTED], the Company was restructured (the “Reorganisation”) on 31 October 2019 (the “Reorganisation Date”) in order to establish the Company as the parent company. As part of the Reorganisation, the business operations of Shanghai Lantu were transferred to the Company. In return, the Company issued ordinary shares, Series Seed convertible preferred shares and Series A, B, C-1, C-2, C-3, D-1, D-2, E-1, E-2, E-3 and E-4 convertible redeemable preferred shares to the same group of shareholders of Shanghai Lantu in the same proportions as the percentage of ordinary share interests and preferred share interests they held in Shanghai Lantu. As the Reorganisation mainly involved inserting new holding companies and has not resulted in any change of economic substance, the financial information for the Relevant Periods has been presented as a continuation of the existing companies as if the Reorganisation had been completed at the beginning of the Relevant Periods.

The consolidated statements of profit or loss, statements of comprehensive income/(loss), statements of changes in equity and statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group as if the current group structure had been in existence throughout the Relevant Periods. The consolidated statements of financial position of the Group as at 31 December 2019, 2020, 2021 and 2022 and 31 March 2023 include the consolidated assets and liabilities of all companies now comprising the Group as if the current group structure had been in existence as of the respective dates. No adjustments are made to reflect fair values or recognise any new assets or liabilities as a result of the Reorganisation.

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## ACCOUNTANTS’ REPORT

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### 2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards (“IFRSs”), (which comprise all standards and interpretations approved by the International Accounting Standards Board (the “IASB”). All IFRSs effective for the accounting period commencing from 1 January 2023 together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for financial assets or liabilities at fair value through profit or loss which have been measured at fair value.

As of 31 March 2023, the Group had net liabilities of RMB18,871,433,000 and accumulated losses of RMB19,074,939,000, respectively, primarily due to the significant fair value changes of convertible redeemable preferred shares. According to the Memorandum and Articles of Association, the preferred shares (other than Series Seed) are redeemable at the option of the holders at any time if the Company fails to complete a Qualified [REDACTED] before 29 June 2025 or the occurrence of certain other events. However, pursuant to the shareholders’ resolution approved on 29 June 2023, the redemption rights ceased to be exercisable immediately before the first filing of the [REDACTED] by the Company with the Stock Exchange of Hong Kong Limited, and shall resume to be exercisable in accordance with below terms upon the earliest of (i) the [REDACTED] being withdrawn, rejected or returned; (ii) the [REDACTED] being lapsed but not renewed by the Company within three months; or (iii) 31 December 2023 if no Qualified [REDACTED] has been consummated by then (with the original redemption event and date unchanged). The preferred shares can be converted in Class A ordinary shares at the option of the holders, or automatically converted into Class A ordinary shares immediately upon the closing of a Qualified [REDACTED]. Further details are set out in note 34. The directors of the Company are of the opinion that the preferred shares will not have cash flow impact to the Group in the next twelve months from the date of this report as they consider the redemption events are unlikely to occur in the next twelve months.

As of 31 March 2023, the Group had net current assets of RMB1,196,437,000. In addition, the Group has performed a cash flow projection for the next twelve months. Accordingly, the directors of the Company believe that the Group will have sufficient working capital to meet its financial liabilities and obligations as and when they fall due and to sustain its operations for the next twelve months from the date of the report. Accordingly, the directors of the Company consider that it is appropriate that the Historical Financial Information is prepared on a going concern basis.

#### **Basis of consolidation**

The Historical Financial Information include the financial information of the Company and its subsidiaries for the Relevant Periods. A subsidiary is an entity (including a structured entity),

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directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial information of the subsidiaries are prepared for the same financial year as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.



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2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to IFRS 10 and IAS 28 (2011) . . . . .	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>2</sup>
Amendments to IFRS 16 . . . . .	<i>Lease Liability in a Sale and Leaseback</i> <sup>1</sup>
Amendments to IAS 1 . . . . .	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i> <sup>1,3</sup>
Amendments to IAS 1 . . . . .	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i> <sup>4</sup>
Amendments to IAS 12 . . . . .	<i>International Tax Reform – Pillar Two Model Rules</i> <sup>6</sup>
Amendments to IAS 7 and IFRS 7 . . . . .	<i>Supplier Finance Arrangements</i> <sup>5</sup>

- 1 Effective for annual periods beginning on or after 1 January 2024
- 2 No mandatory effective date yet determined but available for adoption
- 3 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024.
- 4 As a consequence of the amendments to IAS 1 *Non-current Liabilities with Covenants* issued in 2022, the effective date of the amendments to IAS 1 *Classification of Liabilities as Current or Non-current* was deferred and entities are required to apply both amendments for annual periods beginning on or after 1 January 2024. In addition, consequential amendments were made to IFRS Practice Statement 2 Making Materiality Judgements
- 5 An entity applies the amendments to IAS 7 for annual reporting periods beginning on or after 1 January 2024 and the amendments to IFRS 7 when it applies the amendments to IAS 7
- 6 Effective either immediately or for annual periods beginning on or after 1 January 2023 but it is not applicable for any interim periods before 31 December 2023

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that, these new and revised IFRSs are unlikely to have a significant impact on the Group’s results of operations and financial position.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group’s investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group’s share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group’s share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group’s investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group’s investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree’s identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group’s previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units, or

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groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

### Fair value measurement

The Group measures certain financial assets and financial liabilities at fair value at the end of each of the Relevant Periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

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Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

### Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset’s recoverable amount is estimated. An asset’s recoverable amount is the higher of the asset’s or cash-generating unit’s value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/ amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

### Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person’s family and that person
  - (i) has control or joint control over the Group;

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- (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;
- or
- (b) the party is an entity where any of the following conditions applies:
    - (i) the entity and the Group are members of the same group;
    - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
    - (iii) the entity and the Group 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); and
    - (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 parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where

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significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

<u>Category</u>	<u>Estimated useful life</u>	<u>Estimated residual value</u>
Buildings . . . . .	20 years	5%
Machinery . . . . .	3 to 5 years	5%
Motor vehicles . . . . .	5 years	5%
Furniture and fixtures . . . . .	5 to 6 years	5%
Leasehold improvements . . . . .	Over the shorter of the lease term and estimated useful lives	0%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents warehouses under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

### Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

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Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

### *Software*

Software is stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 3 years.

### *Licences*

Licences represent an insurance brokerage licence and a transportation licence. The insurance brokerage licence has an indefinite useful life as the extension cost is low and the assets can be used indefinitely. The insurance brokerage licence is stated at cost less any impairment losses. The transportation licence is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful lives of 3 years.

### *Research and development costs*

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

### Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

### *Group as a lessee*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.



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### (a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets. Right-of-use assets are subject to impairment.

### (b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g. a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

### (c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

## Investments and other financial assets

### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. With the

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exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for “Revenue recognition” below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

### *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

#### *Financial assets at amortised cost (debt instruments)*

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

#### *Financial assets designated at fair value through other comprehensive income (equity investments)*

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the

definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

#### Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group’s consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

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- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group’s continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

### Impairment of financial assets

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

### *General approach*

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

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The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

### *Simplified approach*

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

### Financial liabilities

#### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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The Group’s financial liabilities include trade and bills payables, other payables and accruals, interest-bearing borrowings, convertible redeemable preferred shares and other non-current liabilities.

### *Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification as follows:

### *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group’s own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities. The Group has designated its convertible redeemable preferred shares as financial liabilities at fair value through profit or loss, details of which are included in note 34 to the Historical Financial Information.

### *Financial liabilities at amortised cost (loans and borrowings)*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

### Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

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### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out method and net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

### Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group’s cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

### Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the financial year of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

### Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

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Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year, taking into consideration interpretations and practises prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the financial year between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax assets relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each financial year and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at the end of each financial year and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be recovered.



Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

#### Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

#### Revenue recognition

##### *Revenue from contracts with customers*

Revenue from contracts with customers is recognised when control of services or of goods is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services or goods.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

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(a) Automotive products and services

Automotive products and services comprise mainly the sale of automotive products such as tires, automotive parts and maintenance products to individuals and automotive service providers, sale of automotive services such as car wash and detailing services, and sale of bundled tire replacement and comprehensive installation and maintenance services. The Group provides its automotive products and services through its online interfaces and offline stores. The Group recognises revenue at a point in time when customers take possession of and accept the automotive products and services. For a transaction that contains sale of automotive products or sale of bundled automotive products and services, the Group recognises revenue on a gross basis as it is the principal in the arrangement that it bears product inventory risk and controls the services prior to the transfer to its customers and it is responsible for the acceptability of the products and services, regardless the transaction is fulfilled through self-operated stores, franchised stores or partner stores. For a service only transaction, the Group recognises revenue on a gross basis when the transaction is fulfilled through self-operated and franchised stores as the Group controls the services prior to the transfer to its customers and it is responsible for the acceptability of the services. The Group recognises revenue on a net basis when an automotive service sold by the Company was fulfilled through partner stores, as the Group acts as an agent and the partners stores are responsible for the acceptability of the services.

The Group also sells automotive service vouchers mainly to its large key account customers. There are two forms of sales of service vouchers, i.e., pay-by-consumption and prepaid service voucher. The majority of such sales of vouchers are paid by those key account customers in accordance with the actual consumption. Certain sales of vouchers are prepaid where key account customers make bulk purchases of vouchers with non-refundable upfront payment, and the value of prepayment is initially recognised as a contract liability. The Group recognises revenues from sales of automotive service vouchers when they are redeemed. For prepaid automotive service vouchers, as the vouchers sold at any given point generally expire over the next 12 months and the prepayment is not refundable, the Group also expects to be entitled to a breakage amount, which is the amount of vouchers that is not expected to be redeemed. The estimated breakage is then recognised as revenue in proportion to the pattern of customer’s redemption of the underlying vouchers. The Group reviews its breakage estimates at least annually based upon the latest available information regarding redemption and expiration patterns. Revenue from breakage amount were not significant during the Relevant Periods.

The Group recognises revenues net of discounts and return allowances. For coupons that are not issued concurrently with the completion of a sales transaction, the Group records such incentives as a deduction of revenue when used by customers, except for referral coupons, which are recognised as selling and marketing expenses when customers provide a customer referral. The amount of marketing expenses related to customer referral is insignificant for the periods presented. For coupons issued to customers concurrent with the completion of a sales transaction that can be redeemed for future products or services before expiration (which is generally within 12 months from the issue date), the Group accounts for such coupons as separate performance obligations.

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Revenue allocated to these coupons is deferred and recognised as the obligation to the customers is satisfied. During the Relevant Periods, each of the amount of deferred and recognised revenue for these coupons was immaterial.

The Group allows for return of products within seven days or 30 days, as applicable. The Group estimates a provision for product returns based on historical experience. At the end of each of the Relevant Periods, estimated liabilities for return allowances were not significant.

### (b) Franchise services

Revenue from franchise services include an upfront franchise fee, monthly fixed management fees and profit-based royalty fees. The upfront franchise and management fees are recognised over the term of the franchise agreements. Franchised stores pay recurring royalty fees, based on a fixed percentage of the franchised stores’ monthly profits throughout the duration of the respective franchise agreement. The recurring royalty fees are recognised at the time the underlying franchised stores’ sales occur. Each franchised store is required to make a deposit, which is fully refundable upon the termination of the franchise agreement.

### (c) Advertising services

Advertising services comprise mainly the services where Company displays its customers’ advertisements on its online interfaces and at its offline stores. Revenues are recognised ratably over the contractual advertising display period as it most faithfully depicts the simultaneous consumption and delivery of services.

### (d) Others

Other revenues mainly represent revenues from insurance brokerage and insurance agency services, software-as-a-service (“SaaS”) solutions and sales of new energy vehicles and sales of used cars and used car transaction services. Revenues from SaaS solutions on fixed-period basis are recognised over the term of the agreements. Revenues from SaaS solutions on project basis, revenue from sales of new energy vehicles and revenues from other categories are recognised at a point in time when customers take possession of and accept the products and services.

### Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

### Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities

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are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

### Right-of-return assets

A right-of-return asset is recognised for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the goods to be returned, less any expected costs to recover the goods and any potential decreases in the value of the returned goods. The Group updates the measurement of the asset for any revisions to the expected level of returns and any additional decreases in the value of the returned goods.

### Share-based payments

The Group operates share award schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Employees (including directors) and consultants of the Group receive remuneration in the form of share-based payments, whereby rendering services in exchange for equity instruments (“equity-settled transactions”).

The cost of equity-settled transactions with employees are measured by reference to the fair values at the dates at which they are granted. The cost of equity-settled transactions with consultants are measured by reference indirectly to the fair values of the equity instruments granted at the dates the counterparty renders services as the fair values of the services received cannot be directly reliably estimated. The fair values of equity instruments granted are determined by an external valuer using a binomial model, further details of which are given in note 39 to the Historical Financial Information.

The cost of equity-settled transactions is recognised as employee benefit expenses or the expenses as the services received by the consultants, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each of the Relevant Periods until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group’s best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

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For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

### Other employee benefits

#### *Pension scheme*

The employees of the Group’s subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute certain percentages of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

### Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company’s memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

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### Foreign currencies

The Historical Financial Information is presented in RMB, which is different from the Company’s functional currency, the United States dollar (“US\$”). As the major revenues and assets of the Group are derived from operations in Mainland China, RMB is chosen as the presentation currency to present the Historical Financial Information. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of the Company and certain overseas subsidiaries are currencies other than RMB. The functional currency of the Company is the US\$. As at the end of each of the Relevant Periods, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each of the Relevant Periods and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of these entities are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of these entities which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

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### 4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group’s Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

#### Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the financial year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

#### *Leases — Estimating the incremental borrowing rate*

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate (“IBR”) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group “would have to pay”, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

#### *Impairment of non-financial assets (other than goodwill)*

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each of the Relevant Periods. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm’s length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

#### *Fair value of financial instruments*

The convertible redeemable preferred shares issued by the Company are not traded in an active market and the respective fair values are determined by using valuation techniques of the option-



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pricing method and equity allocation model. The valuation techniques are certified by an independent and recognised international business valuer before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. Key assumptions include the risk-free interest rate, discounts for lack of marketability (“DLOM”) and volatility.

The fair values of convertible redeemable preferred shares at 31 December 2019, 2020, 2021 and 2022 and 31 March 2023 were RMB9,499,531,000, RMB11,900,562,000, RMB18,609,227,000 and RMB21,726,488,000 and RMB21,732,634,000 respectively. Further details are set out in note 34 to the Historical Financial Information.

### *Fair value measurement of share-based payments*

The Group has set up the 2019 share incentive plan and granted options to the Group’s directors, employees and consultants. The fair values of the options are determined by the binomial option-pricing model at the date of grant to employees and the date the consultants render services. Significant estimates on assumptions, including the underlying equity value, risk-free rate, expected volatility, and dividend yield, are made by the board of directors of the Company. Further details are included in note 39 to the Historical Financial Information.

## 5. OPERATING SEGMENT INFORMATION

No operating segment information is presented as the Group’s revenue and reported results during the Relevant Periods, and the Group’s total assets as at the end of the Relevant Periods were derived from one single operating segment.

### Geographical information

As the Group generates all of its revenues and the non-current assets in the PRC during the Relevant Periods, no further geographical segments are presented.

### Information about major customers

The Group has a large number of customers, and no single customer accounted for more than 10% of the Group’s total revenue during the Relevant Periods and the three months ended 31 March 2022.

## 6. REVENUE

Revenue represents income from automotive products and services, franchise services, advertising services and others during the Relevant Periods and the three months ended 31 March 2022.



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(i) Disaggregated revenue information

	Year ended 31 December				Three months ended 31 March	
	2019	2020	2021	2022	2022	2023
	<i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>
<i>(Unaudited)</i>						
<i>Revenue from contracts with customers:</i>						
Automotive products and services .....	6,818,951	8,340,209	11,066,245	10,722,748	2,786,791	3,044,970
Advertising, franchise and other services						
Franchise services .....	167,246	300,606	474,158	549,679	135,206	173,826
Advertising services .....	51,294	72,984	83,950	59,256	9,341	19,016
Others .....	2,870	39,517	99,910	215,168	37,827	26,809
Total .....	<u>7,040,361</u>	<u>8,753,316</u>	<u>11,724,263</u>	<u>11,546,851</u>	<u>2,969,165</u>	<u>3,264,621</u>

	Year ended 31 December				Three months ended 31 March	
	2019	2020	2021	2022	2022	2023
	<i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>
<i>(Unaudited)</i>						
<i>Timing of revenue recognition</i>						
<i>Services transferred over time:</i>						
Advertising, franchise and other services						
Franchise services .....	167,246	300,606	474,158	549,679	135,206	173,826
Advertising services .....	51,294	72,984	83,950	59,256	9,341	19,016
Others .....	1,050	1,427	3,132	6,004	1,518	1,809
At a point in time:						
Automotive products and services .....	6,818,951	8,340,209	11,066,245	10,722,748	2,786,791	3,044,970
Advertising, franchise and other services						
Others .....	1,820	38,090	96,778	209,164	36,309	25,000
Total revenue from contracts with customers .....	<u>7,040,361</u>	<u>8,753,316</u>	<u>11,724,263</u>	<u>11,546,851</u>	<u>2,969,165</u>	<u>3,264,621</u>

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Revenue recognised that was included in contract liabilities at the beginning of the reporting year/period:

	Year ended 31 December				Three months ended 31 March	
	2019	2020	2021	2022	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					<i>(Unaudited)</i>	
Automotive products and services . . . . .	59,017	163,933	254,943	350,613	172,427	269,511
Advertising, franchise and other service . . .	41,080	51,420	127,520	208,386	60,549	94,172
Total . . . . .	<u>100,097</u>	<u>215,353</u>	<u>382,463</u>	<u>558,999</u>	<u>232,976</u>	<u>363,683</u>

(ii) Performance obligations

Information about the Group’s performance obligations is summarised below:

*Automotive products and services*

The performance obligation is satisfied when customers take possession of and accept the automotive products and services. For majority of the sales transactions, customers make advance payment before the products and services are delivered to them, and for certain sales transactions, payment is due within 30 days.

*Franchise services*

The performance obligation is satisfied over time as services are rendered. Generally, franchise services contracts are for periods of more than one year. Advances are required for upfront licence fees. Monthly fixed management fees and profit-based royalty fees are billed on a monthly basis.

*Advertising services*

The performance obligation is satisfied over time as services are rendered. Generally, advertising services contracts are for periods of less than one year, and are billed based on the time incurred.

*Others*

The performance obligation of SaaS solutions on fixed-period basis is satisfied over time as services are rendered. Generally, SaaS solutions contracts are for period of less than one year. The performance obligation of SaaS solutions on project basis and the performance obligation of other categories are satisfied when customers take possession of and accept the products and services.

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As the practical expedient, the Group does not disclose the transaction price allocated to unsatisfied performance obligations for contracts with an original expected length of one year or less. As at 31 December 2019, 2020, 2021 and 2022 and 31 March 2023, the aggregate amount of transaction prices allocated to performance obligations (unsatisfied or partially unsatisfied) for long-term contracts is related to deferred upfront franchise fees from franchised stores, does not include any variable consideration, and amounted to RMB123,353,000, RMB237,284,000, RMB257,863,000 and RMB240,704,000 and RMB218,386,000 respectively, which are expected to be recognised as revenues over one to six years.

7. OTHER INCOME AND GAINS, NET

An analysis of other income and gains, net is as follows:

	Year ended 31 December				Three months ended 31 March	
	2019	2020	2021	2022	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					<i>(Unaudited)</i>	
Government grants* . . . . .	4,743	6,636	71,398	111,716	271	13,635
Donations . . . . .	—	(5,049)	(468)	—	—	—
Net foreign exchange gains/(losses) . . .	4,535	24,944	17,288	23,738	653	(536)
Gain from intangible assets contributed to an associate . . . . .	—	76,500	28,000	—	—	—
Others . . . . .	<u>2,311</u>	<u>11,497</u>	<u>5,234</u>	<u>15,998</u>	<u>7,933</u>	<u>4,328</u>
	<u>11,589</u>	<u>114,528</u>	<u>121,452</u>	<u>151,452</u>	<u>8,857</u>	<u>17,427</u>

\* Government grants mainly represent various supports awarded by the local governments to support the Group’s operation. There are no contingencies relating to these grants.

8. FAIR VALUE CHANGES ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended 31 December				Three months ended 31 March	
	2019	2020	2021	2022	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					<i>(Unaudited)</i>	
Fair value changes of wealth management products . . . . .	4,794	13,619	7,615	6,654	3,367	486
Fair value changes of financial investments . . . . .	<u>3,403</u>	<u>12,494</u>	<u>(7,461)</u>	<u>(2,060)</u>	<u>248</u>	<u>(679)</u>
	<u>8,197</u>	<u>26,113</u>	<u>154</u>	<u>4,594</u>	<u>3,615</u>	<u>(193)</u>

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9. FINANCE INCOME/(COSTS)

	Year ended 31 December				Three months ended	
					31 March	
	2019	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					<i>(Unaudited)</i>	
<b>Finance income</b>						
Interest income	41,707	63,236	63,504	56,934	11,008	25,414
<b>Finance costs</b>						
Interest on bank loans	(327)	(31,774)	(30,532)	(3,629)	(2,004)	—
Interest on lease liabilities	(16,772)	(18,756)	(27,404)	(24,246)	(7,282)	(4,901)
Transaction costs for the issuance of convertible redeemable preferred shares	(9,298)	—	(7,760)	—	—	—
	<u>(26,397)</u>	<u>(50,530)</u>	<u>(65,696)</u>	<u>(27,875)</u>	<u>(9,286)</u>	<u>(4,901)</u>

10. LOSS BEFORE TAX

The Group’s loss before tax is arrived at after charging/(crediting):

	Notes	Year ended 31 December				Three months ended	
						31 March	
		2019	2020	2021	2022	2022	2023
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						<i>(Unaudited)</i>	
Cost of revenue*		6,230,679	7,392,925	9,487,934	8,820,323	2,330,551	2,369,553
Depreciation of property, plant and equipment	16	62,887	82,483	120,851	156,513	34,528	38,660
Depreciation of right-of-use assets	17(a)	135,631	155,874	181,735	203,390	51,957	48,507
Amortisation of other intangible assets	19	798	609	1,931	3,873	798	1,144
Fair value changes of convertible redeemable preferred shares		1,933,597	2,992,664	4,441,164	1,339,273	342,022	297,954
Lease payments not included in the measurement of lease liabilities		30,670	29,978	53,059	65,328	14,982	13,161
Employee benefit expenses (including directors’ remuneration):							

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Notes	Year ended 31 December				Three months ended 31 March	
	2019	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Wages, salaries and allowances . . . . .	655,398	994,145	1,523,857	1,495,325	381,229	351,050
Pension scheme contributions	47,498	26,443	114,057	131,860	34,698	33,807
Share-based payment expense . . . . .	95,121	41,533	113,448	200,571	49,595	53,563
Share-based payment expenses of consultants . . . . .	—	—	5,064	18,768	3,317	12,896
Foreign exchange differences, net . . . . .	(4,535)	(24,944)	(17,288)	(23,738)	(653)	536
Impairment losses on trade receivables and other receivables . . . . .	11,629	7,893	974	5,228	519	2,106
Impairment of inventories . . . . .	17,255	25,241	46,779	77,698	9,658	13,237
Impairment of property, plant and equipment . . . . . 16	1,064	1,156	4,824	1,117	—	—
Impairment of right-of-use assets . . . . . 17(a)	6,637	236	696	1,273	—	—
Advertising and promotion related expenses . . . . .	485,488	532,422	764,352	617,297	145,459	181,222
Shipping expenses . . . . .	195,699	245,004	367,645	373,935	97,404	102,532
[REDACTED] expenses . . . . .	—	—	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Finance income . . . . .	(41,707)	(63,236)	(63,504)	(56,934)	(11,008)	(25,414)
Interest on bank loans, overdrafts and other loans . . . . .	327	31,774	30,532	3,629	2,004	—
Interest on lease liabilities . . . . . 17(b)	16,772	18,756	27,404	24,246	7,282	4,901
Transaction costs for the issuance of convertible redeemable preferred shares . . . . .	9,298	—	7,760	—	—	—
Loss on repurchase of convertible redeemable preferred shares . . . . .	363,868	—	—	—	—	—

\* The amount of cost of revenue as stated herein excludes those included in the depreciation of property, plant and equipment, depreciation of right-of-use assets, amortisation of other intangible assets, impairment of inventories, employee benefit expenses, short-term lease expenses and shipping expenses.

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11. DIRECTORS’ AND CHIEF EXECUTIVE’S REMUNERATION

Mr. Chen Min was appointed as the chief executive officer and director of the Company on 8 July 2019.

Mr. Yao Leiwen and Mr. Hu Xiaodong were appointed as directors of the Company on 31 October 2019.

Mr. Zhang Shuguo was appointed as a director of the Company on 31 October 2019 and resigned on 8 February 2021.

Ms. Ping Xiaoli, Mr. Liu Erhai, Mr. Feng Yiming, Mr. Chen Hao, Mr. Zhu Yan, Mr. Zhou Lizhi, Mr. Zhou Keren and Mr. Wang Huijie were appointed as directors of the Company on 31 October 2019 and resigned on 29 June 2021.

Mr. Xia Tian, Mr. Liu Xing and Ms. Wen Qing were appointed as directors of the Company on 18 November 2019 and resigned on 29 June 2021.

Certain of the directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors of these subsidiaries. The directors’ remuneration of each of these directors as recorded in the Relevant Periods and the three months ended 31 March 2022 is set out below:

	Year ended 31 December				Three months ended 31 March	
	2019	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
Fees .....	—	—	—	—	—	—
Other emoluments:						
Salaries, allowances and benefits in kind .....	5,673	6,478	5,552	2,754	885	628
Share-based payment expense .....	12,378	151	12,856	7,313	1,384	2,193
Pension scheme contributions .....	351	335	380	188	46	48
	<u>18,402</u>	<u>6,964</u>	<u>18,788</u>	<u>10,255</u>	<u>2,315</u>	<u>2,869</u>

(a) Independent non-executive directors

There were no fees and other emoluments payable to the independent non-executive directors during the Relevant Periods and the three months ended 31 March 2022.

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(b) Executive directors, non-executive directors and the chief executive

Year ended 31 December 2019

	<u>Fees</u>	<u>Salaries allowances and benefits in kind</u>	<u>Share-based payment expense</u>	<u>Pension scheme contributions</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Directors:					
Mr. Chen Min . . . . .	—	879	885	43	1,807
Mr. Hu Xiaodong . . . . .	—	667	13	43	723
Mr. Wang Huijie . . . . .	—	693	1,831	43	2,567
Ms. Wen Qing . . . . .	—	432	—	36	468
Mr. Zhou Lizhi . . . . .	—	1,143	4,647	56	5,846
Mr. Zhou Keren . . . . .	—	1,028	3,684	43	4,755
Mr. Zhu Yan . . . . .	—	831	1,318	87	2,236
Mr. Zhang Shuguo . . . . .	—	—	—	—	—
Mr. Liu Erhai . . . . .	—	—	—	—	—
Mr. Feng Yiming . . . . .	—	—	—	—	—
Ms. Ping Xiaoli . . . . .	—	—	—	—	—
Mr. Chen Hao . . . . .	—	—	—	—	—
Mr. Yao Leiwen . . . . .	—	—	—	—	—
Mr. Liu Xing . . . . .	—	—	—	—	—
Mr. Xia Tian . . . . .	—	—	—	—	—
	<u>—</u>	<u>5,673</u>	<u>12,378</u>	<u>351</u>	<u>18,402</u>

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Year ended 31 December 2020

	<u>Fees</u>	<u>Salaries allowances and benefits in kind</u>	<u>Share-based payment expense</u>	<u>Pension scheme contributions</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Directors:					
Mr. Chen Min . . . . .	—	958	—	47	1,005
Mr. Hu Xiaodong . . . . .	—	644	—	36	680
Mr. Wang Huijie . . . . .	—	829	—	38	867
Ms. Wen Qing . . . . .	—	494	—	38	532
Mr. Zhou Lizhi . . . . .	—	1,370	67	44	1,481
Mr. Zhou Keren . . . . .	—	1,313	84	38	1,435
Mr. Zhu Yan . . . . .	—	870	—	94	964
Mr. Zhang Shuguo . . . . .	—	—	—	—	—
Mr. Liu Erhai . . . . .	—	—	—	—	—
Mr. Feng Yiming . . . . .	—	—	—	—	—
Ms. Ping Xiaoli . . . . .	—	—	—	—	—
Mr. Chen Hao . . . . .	—	—	—	—	—
Mr. Yao Leiwen . . . . .	—	—	—	—	—
Mr. Liu Xing . . . . .	—	—	—	—	—
Mr. Xia Tian . . . . .	—	—	—	—	—
	<u>—</u>	<u>6,478</u>	<u>151</u>	<u>335</u>	<u>6,964</u>



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Year ended 31 December 2021

	<u>Fees</u>	<u>Salaries allowances and benefits in kind</u>	<u>Share-based payment expense</u>	<u>Pension scheme contributions</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Directors:					
Mr. Chen Min	—	1,618	5,442	84	7,144
Mr. Hu Xiaodong	—	797	1,919	80	2,796
Mr. Wang Huijie	—	469	—	41	510
Ms. Wen Qing	—	276	—	41	317
Mr. Zhou Lizhi	—	915	2,031	36	2,982
Mr. Zhou Keren	—	942	2,231	41	3,214
Mr. Zhu Yan	—	535	1,233	57	1,825
Mr. Zhang Shuguo	—	—	—	—	—
Mr. Liu Erhai	—	—	—	—	—
Mr. Feng Yiming	—	—	—	—	—
Ms. Ping Xiaoli	—	—	—	—	—
Mr. Chen Hao	—	—	—	—	—
Mr. Yao Leiwen	—	—	—	—	—
Mr. Liu Xing	—	—	—	—	—
Mr. Xia Tian	—	—	—	—	—
	<u>—</u>	<u>5,552</u>	<u>12,856</u>	<u>380</u>	<u>18,788</u>

Year ended 31 December 2022

	<u>Fees</u>	<u>Salaries allowances and benefits in kind</u>	<u>Share-based payment expense</u>	<u>Pension scheme contributions</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Directors:					
Mr. Chen Min	—	1,950	5,425	94	7,469
Mr. Hu Xiaodong	—	804	1,888	94	2,786
Mr. Yao Leiwen	—	—	—	—	—
	<u>—</u>	<u>2,754</u>	<u>7,313</u>	<u>188</u>	<u>10,255</u>

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Three months ended 31 March 2022 (unaudited)

	<u>Fees</u>	<u>Salaries allowances and benefits in kind</u>	<u>Share-based payment expense</u>	<u>Pension scheme contributions</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Directors:					
Mr. Chen Min .....	—	618	1,027	23	1,668
Mr. Hu Xiaodong .....	—	267	357	23	647
Mr. Yao Leiwen .....	—	—	—	—	—
	<u>—</u>	<u>885</u>	<u>1,384</u>	<u>46</u>	<u>2,315</u>

Three months ended 31 March 2023

	<u>Fees</u>	<u>Salaries allowances and benefits in kind</u>	<u>Share-based payment expense</u>	<u>Pension scheme contributions</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Directors:					
Mr. Chen Min .....	—	432	1,630	24	2,086
Mr. Hu Xiaodong .....	—	196	563	24	783
Mr. Yao Leiwen .....	—	—	—	—	—
	<u>—</u>	<u>628</u>	<u>2,193</u>	<u>48</u>	<u>2,869</u>

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Relevant Periods and the three months ended 31 March 2022 included 1, nil, 1, 1, 1 and 1 director, respectively, details of whose remuneration are set out in note 11.

Details of the remuneration of the remaining 4, 5, 4, 4, 4 and 4 highest paid employees who are not directors nor chief executives of the Company are as follows:

	<u>Year ended 31 December</u>				<u>Three months ended 31 March</u>	
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2022</u>	<u>2023</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, allowances and benefits in kind .....	2,619	5,500	5,133	6,823	2,427	1,605
Share-based payment expenses .....	46,688	7,451	19,797	75,856	19,066	19,882
Pension scheme contributions .....	117	247	320	385	93	96
	<u>49,424</u>	<u>13,198</u>	<u>25,250</u>	<u>83,064</u>	<u>21,586</u>	<u>21,583</u>

(Unaudited)

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The number of non-director highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December				Three months ended 31 March	
	2019	2020	2021	2022	2022	2023
					<i>(Unaudited)</i>	
HK\$1,000,001 to HK\$1,500,000 .....	—	—	—	—	—	2
HK\$1,500,001 to HK\$2,000,000 .....	—	—	—	—	1	—
HK\$2,000,001 to HK\$2,500,000 .....	—	4	—	—	1	—
HK\$4,500,001 to HK\$5,000,000 .....	—	—	—	—	1	—
HK\$5,000,001 to HK\$5,500,000 .....	—	—	—	—	—	1
HK\$5,500,001 to HK\$6,000,000 .....	1	1	2	1	—	—
HK\$8,500,001 to HK\$9,000,000 .....	—	—	1	1	—	—
HK\$9,500,001 to HK\$10,000,000 .....	—	—	1	—	—	—
HK\$14,500,001 to HK\$15,000,000 .....	1	—	—	—	—	—
HK\$15,000,001 to HK\$15,500,000 .....	1	—	—	—	—	—
HK\$16,000,001 to HK\$16,500,000 .....	—	—	—	—	—	1
HK\$17,000,001 to HK\$17,500,000 .....	—	—	—	1	—	—
HK\$17,500,001 to HK\$18,000,000 .....	—	—	—	—	1	—
HK\$20,000,001 to HK\$20,500,000 .....	1	—	—	—	—	—
HK\$65,500,001 to HK\$66,000,000 .....	—	—	—	1	—	—
	<u>4</u>	<u>5</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>

13. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Company and the Group’s subsidiary incorporated in the Cayman Islands and the BVI are not subject to any income tax.

Under the Hong Kong tax laws, the Company’s subsidiaries in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% for taxable income earned in Hong Kong before 1 April 2018. Starting from the financial year commencing on 1 April 2018, the two-tiered profits tax regime took effect, under which the tax rate is 8.25% for assessable profits on the first HK\$2 million and 16.5% for any assessable profits in excess of HK\$2 million. No provision for Hong Kong profits tax was made during the Relevant Periods and the three months ended 31 March 2022 on the basis that the subsidiaries did not have any assessable profits arising in or derived from Hong Kong during such periods.

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PRC corporate income tax has been provided at the rate of 25% on the taxable profits of the Group’s PRC subsidiaries for the Relevant Periods and the three months ended 31 March 2022.

	Year ended 31 December				Three months ended 31 March	
	2019	2020	2021	2022	2022	2023
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
					<i>(Unaudited)</i>	
Current income tax . . . . .	10,302	24,594	34,822	30,666	5,237	1,470
Tax charge for the year/period . . . . .	<u>10,302</u>	<u>24,594</u>	<u>34,822</u>	<u>30,666</u>	<u>5,237</u>	<u>1,470</u>

A reconciliation of the tax expense/credit applicable to loss before tax at the statutory rate applicable in Mainland China to the tax expense at the effective tax rate is as follows:

	Year ended 31 December				Three months ended 31 March	
	2019	2020	2021	2022	2022	2023
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
					<i>(Unaudited)</i>	
Loss before tax . . . . .	(3,417,976)	(3,903,615)	(5,809,979)	(2,107,649)	(604,487)	(277,062)
Tax at the statutory tax rate of 25% . . . . .	(854,494)	(975,904)	(1,452,495)	(526,912)	(151,122)	(69,266)
Effect of differing tax rates in different jurisdictions . . . . .	(93,729)	747,343	1,116,300	374,291	88,137	68,143
Research and development super-deduction . . . . .	(15,610)	(27,377)	(22,726)	(68,954)	(16,125)	(14,519)
Income not subject to tax . . . . .	—	(4,942)	(4,572)	(3,153)	(515)	(1,149)
Expenses not deductible for tax . . . . .	874,643	227,996	295,693	273,087	69,231	36,363
Tax losses and temporary differences for which no deferred income tax assets were recognised/ utilisation of losses in previous years/ periods . . . . .	<u>99,492</u>	<u>57,478</u>	<u>102,622</u>	<u>(17,693)</u>	<u>15,631</u>	<u>(18,102)</u>
Tax charge for the year/period at the Group’s effective rate . . . . .	<u>10,302</u>	<u>24,594</u>	<u>34,822</u>	<u>30,666</u>	<u>5,237</u>	<u>1,470</u>

14. DIVIDEND

No dividend has been paid or declared by the Company and its subsidiaries during the Relevant Periods and the three months ended 31 March 2022.

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15. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amounts is based on the loss attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the Relevant Periods and the three months ended 31 March 2022. In addition, following the subsequent share subdivision by 1:5 occurred on 8 March 2022 as described in note 37 (the “Share Subdivision”), the weighted average number of ordinary shares in issue was calculated taken into account of the effect of the Share Subdivision and then was retrospectively adjusted as if the Share Subdivision had been in issue for the whole Relevant Periods and the three months ended 31 March 2022.

The calculation of basic loss per share is based on:

Loss per share	Year ended 31 December				Three months ended 31 March	
	2019	2020	2021	2022	2022	2023
						(Unaudited)
<b>Loss</b>						
Loss attributable to ordinary equity holders of the parent (RMB’000) . . . . .	(3,428,278)	(3,928,209)	(5,840,577)	(2,136,173)	(608,888)	(278,151)
<b>Shares</b>						
Weighted average number of ordinary shares in issue (thousand) during the year/ period used in the basic loss per share calculation taking into account the effect of the Share Subdivision . . . . .	144,151	144,151	144,151	144,151	144,151	144,151
Loss per share (RMB) . . . . .	<u>(24)</u>	<u>(27)</u>	<u>(41)</u>	<u>(15)</u>	<u>(4)</u>	<u>(2)</u>

The Group has two categories of dilutive potential ordinary shares, which are convertible redeemable preferred shares and share options. As the Group incurred losses during the Relevant Periods and the three months ended 31 March 2022, the potential ordinary shares were not included in the calculation of diluted loss per share as the potential ordinary shares had an anti-dilutive effect. Accordingly, the diluted loss per share for the Relevant Periods and the three months ended 31 March 2022 are the same as the basic loss per share.

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16. PROPERTY, PLANT AND EQUIPMENT

	<u>Buildings</u>	<u>Leasehold improvements</u>	<u>Machinery</u>	<u>Furniture and fixtures</u>	<u>Motor vehicles</u>	<u>Construction in progress</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>31 December 2019</b>							
At 1 January 2019:							
Cost .....	—	146,645	18,729	14,523	1,802	5,285	186,984
Accumulated depreciation and impairment .....	—	(30,733)	(7,627)	(6,712)	(1,244)	—	(46,316)
<b>Net carrying amount .....</b>	<b>—</b>	<b>115,912</b>	<b>11,102</b>	<b>7,811</b>	<b>558</b>	<b>5,285</b>	<b>140,668</b>
<b>At 1 January 2019, net of accumulated depreciation and impairment .....</b>							
Additions .....	19,292	82,230	8,116	5,187	370	19,466	134,661
Disposals .....	—	(4,426)	(423)	—	—	—	(4,849)
Transfers .....	—	18,667	—	102	—	(18,769)	—
Depreciation provided during the year .....	(840)	(52,943)	(6,005)	(2,813)	(286)	—	(62,887)
Impairment provided during the year .....	—	(1,052)	(12)	—	—	—	(1,064)
<b>At 31 December 2019, net of accumulated depreciation and impairment .....</b>	<b>18,452</b>	<b>158,388</b>	<b>12,778</b>	<b>10,287</b>	<b>642</b>	<b>5,982</b>	<b>206,529</b>
<b>At 31 December 2019</b>							
Cost .....	19,292	241,647	26,244	19,812	2,172	5,982	315,149
Accumulated depreciation and impairment .....	(840)	(83,259)	(13,466)	(9,525)	(1,530)	—	(108,620)
<b>Net carrying amount .....</b>	<b>18,452</b>	<b>158,388</b>	<b>12,778</b>	<b>10,287</b>	<b>642</b>	<b>5,982</b>	<b>206,529</b>

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	<u>Buildings</u>	<u>Leasehold improvements</u>	<u>Machinery</u>	<u>Furniture and fixtures</u>	<u>Motor vehicles</u>	<u>Construction in progress</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>31 December 2020</b>							
At 1 January 2020:							
Cost .....	19,292	241,647	26,244	19,812	2,172	5,982	315,149
Accumulated depreciation and impairment .....	(840)	(83,259)	(13,466)	(9,525)	(1,530)	—	(108,620)
<b>Net carrying amount .....</b>	<b><u>18,452</u></b>	<b><u>158,388</u></b>	<b><u>12,778</u></b>	<b><u>10,287</u></b>	<b><u>642</u></b>	<b><u>5,982</u></b>	<b><u>206,529</u></b>
<b>At 1 January 2020, net of accumulated depreciation and impairment .....</b>							
	18,452	158,388	12,778	10,287	642	5,982	206,529
Additions .....	—	78,821	8,454	14,728	3,066	60,752	165,821
Disposals .....	—	(3,330)	(1,024)	(60)	—	—	(4,414)
Transfers .....	—	44,202	4,557	1,881	—	(50,640)	—
Depreciation provided during the year .....	(916)	(68,469)	(5,395)	(7,429)	(274)	—	(82,483)
Impairment provided during the year .....	—	(991)	(165)	—	—	—	(1,156)
<b>At 31 December 2020, net of accumulated depreciation and impairment .....</b>	<b><u>17,536</u></b>	<b><u>208,621</u></b>	<b><u>19,205</u></b>	<b><u>19,407</u></b>	<b><u>3,434</u></b>	<b><u>16,094</u></b>	<b><u>284,297</u></b>
<b>At 31 December 2020</b>							
Cost .....	19,292	359,902	37,441	36,350	5,238	16,094	474,317
Accumulated depreciation and impairment .....	(1,756)	(151,281)	(18,236)	(16,943)	(1,804)	—	(190,020)
<b>Net carrying amount .....</b>	<b><u>17,536</u></b>	<b><u>208,621</u></b>	<b><u>19,205</u></b>	<b><u>19,407</u></b>	<b><u>3,434</u></b>	<b><u>16,094</u></b>	<b><u>284,297</u></b>

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	<b>Buildings</b>	<b>Leasehold improvements</b>	<b>Machinery</b>	<b>Furniture and fixtures</b>	<b>Motor vehicles</b>	<b>Construction in progress</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>31 December 2021</b>							
At 1 January 2021:							
Cost .....	19,292	359,902	37,441	36,350	5,238	16,094	474,317
Accumulated depreciation and impairment .....	(1,756)	(151,281)	(18,236)	(16,943)	(1,804)	—	(190,020)
<b>Net carrying amount .....</b>	<b><u>17,536</u></b>	<b><u>208,621</u></b>	<b><u>19,205</u></b>	<b><u>19,407</u></b>	<b><u>3,434</u></b>	<b><u>16,094</u></b>	<b><u>284,297</u></b>
<b>At 1 January 2021, net of accumulated depreciation and impairment .....</b>							
	17,536	208,621	19,205	19,407	3,434	16,094	284,297
Additions .....	—	150,650	1,457	32,568	5,542	200,798	391,015
Acquisition of subsidiaries (note 40) .....	—	282	34	—	—	—	316
Disposals .....	—	(8,790)	(199)	(357)	(1,464)	—	(10,810)
Transfers .....	—	11,295	4,836	—	—	(16,131)	—
Depreciation provided during the year .....	(916)	(98,257)	(7,992)	(13,142)	(544)	—	(120,851)
Impairment provided during the year .....	—	(1,697)	(3,127)	—	—	—	(4,824)
<b>At 31 December 2021, net of accumulated depreciation and impairment .....</b>	<b><u>16,620</u></b>	<b><u>262,104</u></b>	<b><u>14,214</u></b>	<b><u>38,476</u></b>	<b><u>6,968</u></b>	<b><u>200,761</u></b>	<b><u>539,143</u></b>
<b>At 31 December 2021</b>							
Cost .....	19,293	511,400	42,852	67,651	9,174	200,761	851,131
Accumulated depreciation and impairment .....	(2,673)	(249,296)	(28,638)	(29,175)	(2,206)	—	(311,988)
<b>Net carrying amount .....</b>	<b><u>16,620</u></b>	<b><u>262,104</u></b>	<b><u>14,214</u></b>	<b><u>38,476</u></b>	<b><u>6,968</u></b>	<b><u>200,761</u></b>	<b><u>539,143</u></b>



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	<u>Buildings</u>	<u>Leasehold improvements</u>	<u>Machinery</u>	<u>Furniture and fixtures</u>	<u>Motor vehicles</u>	<u>Construction in progress</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>31 December 2022</b>							
At 1 January 2022:							
Cost .....	19,293	511,400	42,852	67,651	9,174	200,761	851,131
Accumulated depreciation and impairment .....	(2,673)	(249,296)	(28,638)	(29,175)	(2,206)	—	(311,988)
<b>Net carrying amount .....</b>	<b><u>16,620</u></b>	<b><u>262,104</u></b>	<b><u>14,214</u></b>	<b><u>38,476</u></b>	<b><u>6,968</u></b>	<b><u>200,761</u></b>	<b><u>539,143</u></b>
<b>At 1 January 2022, net of accumulated depreciation and impairment .....</b>							
16,620	262,104	14,214	38,476	6,968	200,761	539,143	
Additions .....	—	98,031	13,693	24,954	5,742	159,089	301,509
Disposals .....	—	(4,681)	(3,320)	(1,129)	(2,860)	—	(11,990)
Transfers .....	71,393	23,655	(1,046)	—	—	(94,002)	—
Depreciation provided during the year .....	(2,895)	(126,738)	(9,193)	(16,130)	(1,557)	—	(156,513)
Impairment provided during the year .....	—	(1,117)	—	—	—	—	(1,117)
<b>At 31 December 2022, net of accumulated depreciation and impairment .....</b>							
<b><u>85,118</u></b>	<b><u>251,254</u></b>	<b><u>14,348</u></b>	<b><u>46,171</u></b>	<b><u>8,293</u></b>	<b><u>265,848</u></b>	<b><u>671,032</u></b>	
<b>At 31 December 2022</b>							
Cost .....	90,685	626,378	40,363	83,740	10,604	265,848	1,117,618
Accumulated depreciation and impairment .....	(5,567)	(375,124)	(26,015)	(37,569)	(2,311)	—	(446,586)
<b>Net carrying amount .....</b>	<b><u>85,118</u></b>	<b><u>251,254</u></b>	<b><u>14,348</u></b>	<b><u>46,171</u></b>	<b><u>8,293</u></b>	<b><u>265,848</u></b>	<b><u>671,032</u></b>

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	<b>Buildings</b>	<b>Leasehold improvements</b>	<b>Machinery</b>	<b>Furniture and fixtures</b>	<b>Motor vehicles</b>	<b>Construction in progress</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>31 March 2023</b>							
At 1 January 2023:							
Cost .....	90,685	626,378	40,363	83,740	10,604	265,848	1,117,618
Accumulated depreciation and impairment .....	(5,567)	(375,124)	(26,015)	(37,569)	(2,311)	—	(446,586)
<b>Net carrying amount .....</b>	<b><u>85,118</u></b>	<b><u>251,254</u></b>	<b><u>14,348</u></b>	<b><u>46,171</u></b>	<b><u>8,293</u></b>	<b><u>265,848</u></b>	<b><u>671,032</u></b>
<b>At 1 January 2023, net of accumulated depreciation and impairment .....</b>							
	85,118	251,254	14,348	46,171	8,293	265,848	671,032
Additions .....	—	12,831	2,601	23	294	67,454	83,203
Disposals .....	—	(672)	(775)	(261)	(937)	—	(2,645)
Transfers .....	—	93	45	—	—	(138)	—
Depreciation provided during the period .....	(1,077)	(29,402)	(3,437)	(4,284)	(460)	—	(38,660)
<b>At 31 March 2023, net of accumulated depreciation and impairment .....</b>							
	<b><u>84,041</u></b>	<b><u>234,104</u></b>	<b><u>12,782</u></b>	<b><u>41,649</u></b>	<b><u>7,190</u></b>	<b><u>333,164</u></b>	<b><u>712,930</u></b>
<b>At 31 March 2023</b>							
Cost .....	90,685	638,630	39,885	82,086	9,609	333,164	1,194,059
Accumulated depreciation and impairment .....	(6,644)	(404,526)	(27,103)	(40,437)	(2,419)	—	(481,129)
<b>Net carrying amount .....</b>	<b><u>84,041</u></b>	<b><u>234,104</u></b>	<b><u>12,782</u></b>	<b><u>41,649</u></b>	<b><u>7,190</u></b>	<b><u>333,164</u></b>	<b><u>712,930</u></b>

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**17. Right-of-use assets and lease liabilities**

The Group’s leases consist of its self-operated stores, warehouses, distribution centres, office space and land use rights. The movements in right-of-use assets and lease liabilities during the Relevant Periods are as follows:

	As at 31 December				As at
	2019	2020	2021	2022	31 March
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
(a) <u>Right-of-use assets</u>					
Carrying amount at the beginning of the year/ period .....	329,433	322,890	424,150	517,581	467,714
Additions .....	166,383	260,540	317,364	212,030	33,207
Acquisition of subsidiaries (note 40) .....	—	17,960	7,662	—	—
Depreciation charge .....	(135,631)	(155,874)	(181,735)	(203,390)	(48,507)
Termination .....	(30,658)	(21,130)	(49,164)	(57,234)	(7,799)
Impairment .....	(6,637)	(236)	(696)	(1,273)	—
Carrying amount at the end of the year/period .....	<u>322,890</u>	<u>424,150</u>	<u>517,581</u>	<u>467,714</u>	<u>444,615</u>

	As at 31 December				As at
	2019	2020	2021	2022	31 March
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
(b) <u>Lease liabilities</u>					
Carrying amount at the beginning of the year/ period .....	316,441	297,241	384,751	431,252	340,330
New leases .....	138,105	258,229	275,617	156,809	33,207
Acquisition of subsidiaries (note 40) .....	—	17,204	7,819	—	—
Accretion of interest recognised during the year/period .....	16,772	18,756	27,404	24,246	4,901
Covid-19-related rent concessions from lessors .....	—	(3,616)	—	—	—
Payments .....	(143,616)	(181,671)	(215,583)	(211,440)	(50,983)
Termination .....	(30,461)	(21,392)	(48,756)	(60,537)	(8,105)
Carrying amount at the end of the year/period .....	<u>297,241</u>	<u>384,751</u>	<u>431,252</u>	<u>340,330</u>	<u>319,350</u>
Analysed into:					
Current portion .....	115,360	132,283	148,379	136,595	128,894
Non-current portion .....	<u>181,881</u>	<u>252,468</u>	<u>282,873</u>	<u>203,735</u>	<u>190,456</u>

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	As at 31 December				As at
					31 March
	2019	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(b) <u>Lease liabilities</u>					
Maturity analysis:					
Within 1 year	115,360	132,283	148,379	136,595	128,894
1 to 2 years	88,767	120,166	115,245	84,890	81,785
2 to 5 years	84,360	112,966	134,140	101,348	96,407
More than 5 years	8,754	19,336	33,488	17,497	12,264
	<u>297,241</u>	<u>384,751</u>	<u>431,252</u>	<u>340,330</u>	<u>319,350</u>

The amounts recognised in profit or loss in relation to leases are as follows:

	Year ended 31 December				Three months ended	
					31 March	
	2019	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest on lease liabilities	16,772	18,756	27,425	24,246	7,282	4,901
Depreciation charge of right-of-use						
assets	135,631	155,874	181,735	203,390	51,957	48,507
Expense relating to short term leases	29,508	32,250	51,748	64,396	14,694	12,974
Variable lease payments not included in the measurement of lease liabilities	1,162	1,344	1,311	932	288	187
Covid-19-related rent concessions from lessors	—	(3,616)	—	—	—	—
Termination of leases	197	(262)	408	(3,303)	6	(306)
Impairment of right-of-use assets	6,637	236	696	1,273	—	—
Total amount recognised in profit or loss	<u>189,907</u>	<u>204,582</u>	<u>263,323</u>	<u>290,934</u>	<u>74,227</u>	<u>66,263</u>

The Group’s right-of-use assets held under the leases of its self-operated stores, warehouses, distribution centres, office space have terms ranging between two and eight years. The Group’s right-of-use assets held under the lease of its land use rights have terms between twelve and fifty years. All the payments and all the lease liabilities are payable according to the lease term.

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18. Goodwill

	<i>RMB’000</i>
At 1 January 2019 and 2020 .....	—
Acquisition of a subsidiary .....	<u>14,789</u>
At 31 December 2020 .....	14,789
Acquisition of a subsidiary .....	<u>1,031</u>
At 31 December 2021, 31 December 2022 and 31 March 2023 .....	<u><u>15,820</u></u>

Impairment testing of goodwill

The carrying amount of goodwill allocated to the cash-generating unit (“CGU”) for goodwill impairment testing is as follows:

	<u>As at 31 December</u>				<u>As at</u>
					<u>31 March</u>
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Xi’an Jushuohua (note a) .....	—	14,789	14,789	14,789	14,789
Shanghai Xiangming (note b) .....	—	—	<u>1,031</u>	<u>1,031</u>	<u>1,031</u>
	—	<u>14,789</u>	<u>15,820</u>	<u>15,820</u>	<u>15,820</u>

- (a) On 31 December 2020, the subsidiary of the Company, Shanghai Yangman Consulting Co. Ltd., acquired 64.61% equity interests in Xi’an Jushuohua Automobile Technology Co. Ltd. (“Xi’an Jushuohua”) from a third party. The principal activity of Xi’an Jushuohua is automotive products and services.
- (b) On 31 March 2021, the subsidiary of the Company, Shanghai Tuju Enterprise Management Consulting Co., Ltd. acquired 100% equity interests in Xiangming (Shanghai) Automotive Technology Service Co., Ltd. (“Shanghai Xiangming”) from a third party. The principal activity of Shanghai Xiangming is automotive products and services.

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The recoverable amounts of the CGU have been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a 5-year period. Key assumptions used in the calculation are as follows:

As at 31 December 2020

	<u>Xi’an Jushuohua</u>
Annual revenue growth rate for the 5-year period . . . . .	15.0%-50.0%
Gross profit rate . . . . .	60.7%-61.5%
Terminal growth rate . . . . .	2.3%
Pre-tax discount rate . . . . .	19.98%

As at 31 December 2021

	<u>Xi’an Jushuohua</u>	<u>Shanghai Xiangming</u>
Annual revenue growth rate for the 5-year period . . . . .	8.0%-50.0%	10.0%-45.0%
Gross profit rate . . . . .	61.1%	13.9%-54.6%
Terminal growth rate . . . . .	2.3%	2.3%
Pre-tax discount rate . . . . .	19.95%	17.00%

As at 31 December 2022

	<u>Xi’an Jushuohua</u>	<u>Shanghai Xiangming</u>
Annual revenue growth rate for the 5-year period . . . . .	2.3%-36.0%	2.3%-29.0%
Gross profit rate . . . . .	60.5%-61.8%	32.4%-50.5%
Terminal growth rate . . . . .	2.3%	2.3%
Pre-tax discount rate . . . . .	21.17%	20.83%

As at 31 March 2023

	<u>Xi’an Jushuohua</u>	<u>Shanghai Xiangming</u>
Annual revenue growth rate for the 5-year period . . . . .	2.3%-35.0%	2.3%-39.6%
Gross profit rate . . . . .	60.8%-61.5%	32.3%-46.8%
Terminal growth rate . . . . .	2.3%	2.3%
Pre-tax discount rate . . . . .	21.05%	22.59%

The expected revenue growth rate and gross profit rates are determined by the management based on past performance and its expectation for market development. The discount rates used are before tax and reflect specific risks relating to the relevant units.

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At the end of each of the Relevant Periods, the headroom that the recoverable amount of each CGU exceeds its carrying amount are as follows:

	As at 31 December			As at
	2020	2021	2022	31 March
	RMB'000	RMB'000	RMB'000	2023
Xi'an Jushuohua . . . . .	5,199	11,856	3,698	4,425
Shanghai Xiangming . . . . .	N/A	294	161	337

The Company performs the sensitivity analysis based on the assumption that revenue amount or terminal value or the discount rate has been changed. Had the estimated key assumptions during the forecast period been changed, the headroom would be decreased to as follows:

	As at 31 December			As at
	2020	2021	2022	31 March
	RMB'000	RMB'000	RMB'000	2023
Xi'an Jushuohua				
- Revenue amount decreases by 10% . . . . .	1,692	7,463	256	1,014
- Terminal value decreases by 10% . . . . .	1,410	8,700	1,490	2,180
- Pre-tax discount rate increases by 5% . . . . .	1,193	8,153	1,268	2,043

	As at 31 December			As at
	2020	2021	2022	31 March
	RMB'000	RMB'000	RMB'000	2023
Shanghai Xiangming				
- Revenue amount decreases by 10% . . . . .	N/A	109	21	177
- Terminal value decreases by 10% . . . . .	N/A	64	61	234
- Pre-tax discount rate increases by 5% . . . . .	N/A	80	59	241

As at 31 December 2020, a 14.82% decrease in estimated revenue amount, a 13.72% decrease in estimated terminal value, a 6.62% increase in estimated discount rate, all changes taken in isolation in the value-in-use calculations, would remove the remaining headroom for Xi'an Jushuohua. As at 31 December 2021, a 26.99% decrease in estimated revenue amount, a 37.57% decrease in estimated terminal value, an 18.44% increase in estimated discount rate, all changes taken in isolation in the value-in-use calculations, would remove the remaining headroom for Xi'an Jushuohua. As at 31 December 2022, a 10.74% decrease in estimated revenue amount, a 16.75% decrease in estimated terminal value, a 7.85% increase in estimated discount rate, all changes taken in isolation in the value-in-use calculations, would remove the remaining headroom for Xi'an Jushuohua. As at 31 March 2023, a 12.91% decrease in estimated revenue amount, a 19.71% decrease in estimated terminal value, a 9.78% increase in estimated discount rate, all changes taken in isolation in the value-in-use calculations, would remove the remaining headroom for Xi'an Jushuohua.

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As at 31 December 2021, a 15.90% decrease in estimated revenue amount, a 13.99% decrease in estimated terminal value, a 7.03% increase in estimated discount rate, all changes taken in isolation in the value-in-use calculations, would remove the remaining headroom for Shanghai Xiangming. As at 31 December 2022, an 11.49% decrease in estimated revenue amount, a 16.07% decrease in estimated terminal value, an 8.16% increase in estimated discount rate, all changes taken in isolation in the value-in-use calculations, would remove the remaining headroom for Shanghai Xiangming. As at 31 March 2023, a 20.88% decrease in estimated revenue amount, a 32.74% decrease in estimated terminal value, a 20.65% increase in estimated discount rate, all changes taken in isolation in the value-in-use calculations, would remove the remaining headroom for Shanghai Xiangming.

Management is of the opinion that a reasonably possible change in key assumptions would not cause the carrying amount of each of the CGUs to exceed its recoverable amount as at 31 December 2020, 2021 and 2022 and 31 March 2023.

19. Other intangible assets

	<u>Licences</u>	<u>Software</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>31 December 2019</b>			
At 1 January 2019:			
Cost .....	—	2,724	2,724
Accumulated amortisation and impairment .....	—	(1,351)	(1,351)
<b>Net carrying amount</b> .....	<u>—</u>	<u>1,373</u>	<u>1,373</u>
<b>At 1 January 2019, net of accumulated amortisation and impairment</b> .....	—	1,373	1,373
Additions .....	—	815	815
Amortisation during the year .....	—	(798)	(798)
<b>At 31 December 2019, net of accumulated amortisation and impairment</b> .....	<u>—</u>	<u>1,390</u>	<u>1,390</u>
<b>At 31 December 2019:</b> .....			
Cost .....	—	3,539	3,539
Accumulated amortisation and impairment .....	—	(2,149)	(2,149)
<b>Net carrying amount</b> .....	<u>—</u>	<u>1,390</u>	<u>1,390</u>
<b>31 December 2020</b>			
At 1 January 2020:			
Cost .....	—	3,539	3,539
Accumulated amortisation and impairment .....	—	(2,149)	(2,149)
<b>Net carrying amount</b> .....	<u>—</u>	<u>1,390</u>	<u>1,390</u>



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	<u>Licences</u>	<u>Software</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>At 1 January 2020, net of accumulated amortisation and impairment</b> . . . .	—	1,390	1,390
Additions . . . . .	—	4,486	4,486
Amortisation during the year . . . . .	—	(609)	(609)
Acquisition of a subsidiary . . . . .	41,368	—	41,368
Disposals . . . . .	—	(282)	(282)
<b>At 31 December 2020, net of accumulated amortisation and impairment</b> . . . . .	<u>41,368</u>	<u>4,985</u>	<u>46,353</u>
At 31 December 2020:			
Cost . . . . .	41,368	7,743	49,111
Accumulated amortisation and impairment . . . . .	—	(2,758)	(2,758)
<b>Net carrying amount</b> . . . . .	<u>41,368</u>	<u>4,985</u>	<u>46,353</u>
<b>31 December 2021</b>			
At 1 January 2021:			
Cost . . . . .	41,368	7,743	49,111
Accumulated amortisation and impairment . . . . .	—	(2,758)	(2,758)
<b>Net carrying amount</b> . . . . .	<u>41,368</u>	<u>4,985</u>	<u>46,353</u>
<b>At 1 January 2021, net of accumulated amortisation and impairment</b> . . . .	41,368	4,985	46,353
Additions . . . . .	—	19,363	19,363
Amortisation during the year . . . . .	—	(1,931)	(1,931)
Disposals . . . . .	—	(672)	(672)
<b>At 31 December 2021, net of accumulated amortisation and impairment</b> . . . . .	<u>41,368</u>	<u>21,745</u>	<u>63,113</u>
At 31 December 2021:			
Cost . . . . .	41,368	25,123	66,491
Accumulated amortisation and impairment . . . . .	—	(3,378)	(3,378)
<b>Net carrying amount</b> . . . . .	<u>41,368</u>	<u>21,745</u>	<u>63,113</u>
<b>31 December 2022</b>			
At 1 January 2022:			
Cost . . . . .	41,368	25,123	66,491
Accumulated amortisation and Impairment . . . . .	—	(3,378)	(3,378)
<b>Net carrying amount</b> . . . . .	<u>41,368</u>	<u>21,745</u>	<u>63,113</u>
<b>At 1 January 2022, net of accumulated amortisation and impairment</b> . . . .	41,368	21,745	63,113
Additions . . . . .	2,400	8,884	11,284
Amortisation during the year . . . . .	(667)	(3,206)	(3,873)
Disposals . . . . .	—	(549)	(549)
<b>At 31 December 2022, net of accumulated amortisation and impairment</b> . . . . .	<u>43,101</u>	<u>26,874</u>	<u>69,975</u>

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	<u>Licences</u>	<u>Software</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 31 December 2022:			
Cost .....	43,768	33,456	77,224
Accumulated amortisation and impairment .....	<u>(667)</u>	<u>(6,582)</u>	<u>(7,249)</u>
<b>Net carrying amount</b> .....	<u><b>43,101</b></u>	<u><b>26,874</b></u>	<u><b>69,975</b></u>
<b>31 March 2023</b>			
At 1 January 2023:			
Cost .....	43,768	33,456	77,224
Accumulated amortisation and impairment .....	<u>(667)</u>	<u>(6,582)</u>	<u>(7,249)</u>
<b>Net carrying amount</b> .....	<u><b>43,101</b></u>	<u><b>26,874</b></u>	<u><b>69,975</b></u>
<b>At 1 January 2023, net of accumulated amortisation and impairment</b> . . . .	43,101	26,874	69,975
Additions .....	—	1,258	1,258
Amortisation during the period .....	<u>(200)</u>	<u>(944)</u>	<u>(1,144)</u>
<b>At 31 March 2023, net of accumulated amortisation and impairment</b> . . . .	<u><b>42,901</b></u>	<u><b>27,188</b></u>	<u><b>70,089</b></u>
<b>At 31 March 2023:</b> .....			
Cost .....	43,768	34,713	78,481
Accumulated amortisation and impairment .....	<u>(867)</u>	<u>(7,525)</u>	<u>(8,392)</u>
<b>Net carrying amount</b> .....	<u><b>42,901</b></u>	<u><b>27,188</b></u>	<u><b>70,089</b></u>

The licences included an insurance brokerage licence, which had an indefinite useful life and amounted to RMB41,368,000 as at 31 December 2020, 2021 and 2022 and 31 March 2023. The Group performs impairment test of the insurance brokerage licence at 31 December 2020, 2021 and 2022 and 31 March 2023. The recoverable amount has been determined based on a fair value less costs to sell using discounted cash flow method with cash flow projections from financial budgets approved by senior management covering a 5-year period. Key assumptions used in the calculation are as follows:

	<u>As at 31 December</u>			<u>As at 31 March</u>
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Annual revenue growth rate for the 5-year period .....	15.0%-50.0%	3.0%-62.0%	2.3%-60.0%	2.3%-53.0%
Gross profit rate .....	67.2%-69.1%	26.4%-54.0%	38.6%-38.9%	38.7%-43.0%
Terminal growth rate .....	2.3%	2.3%	2.3%	2.3%
Pre-tax discount rate .....	18.66%	19.27%	18.80%	18.80%

As at 31 December 2020, 2021 and 2022 and 31 March 2023, the headroom that the recoverable amount of the insurance brokerage licence exceeds its carrying amount of RMB5,132,000, RMB6,432,000 and RMB4,932,000 and RMB4,932,000 respectively.

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The Group performs the sensitivity analysis based on the assumption that revenue amount or terminal value or the discount rate has been changed. Had the estimated key assumptions during the forecast period been changed, the headroom would be decreased to as follows:

	As at 31 December			As at 31 March
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
- Revenue amount decreases by 10% . . . . .	532	1,632	132	72
- Terminal value decreases by 10% . . . . .	2,954	4,485	3,071	3,023
- Pre-tax discount rate increases by 5% . . . . .	1,932	3,632	2,332	2,332

As at 31 December 2020, an 11.10% decrease in estimated revenue amount, a 23.56% decrease in estimated terminal value, an 8.42% increase in estimated discount rate, all changes taken in isolation in the calculations, would remove the remaining headroom for the licence. As at 31 December 2021, a 13.50% decrease in estimated revenue amount, a 33.03% decrease in estimated terminal value, a 12.38% increase in estimated discount rate, all changes taken in isolation in the calculations, would remove the remaining headroom for the licence. As at 31 December 2022, a 10.09% decrease in estimated revenue amount, a 26.05% decrease in estimated terminal value, a 9.96% increase in estimated discount rate, all changes taken in isolation in the calculations, would remove the remaining headroom for the licence.

As at 31 March 2023, a 10.15% decrease in estimated revenue amount, a 25.83% decrease in estimated terminal value, a 9.95% increase in estimated discount rate, all changes taken in isolation in the calculations, would remove the remaining headroom for the licence.

Management is of the opinion that a reasonably possible change in key assumptions would not cause the carrying amount of the licence to exceed its recoverable amount as at 31 December 2020, 2021 and 2022 and 31 March 2023.

**20. Financial investments at fair value through profit or loss**

	As at 31 December				As at 31 March
	2019	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period . . . . .	7,700	31,943	145,963	201,038	227,120
Additions . . . . .	20,840	101,526	62,698	94,569	10,077
Fair value changes through profit or loss . . . . .	3,403	12,494	(7,461)	(2,060)	(679)
Disposals . . . . .	—	—	(162)	(66,427)	(105)
At the end of the year/period . . . . .	<u>31,943</u>	<u>145,963</u>	<u>201,038</u>	<u>227,120</u>	<u>236,413</u>

During the Relevant Periods, the Group made investments in certain convertible redeemable preferred shares or ordinary shares with preferential rights issued by private investee companies. The

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above investments were classified as financial assets at fair value through profit or loss as the Group has not elected to recognise the fair value gain or loss through other comprehensive income or the investments are not qualified to be designated as financial assets at fair value through other comprehensive income.

21. Investments in joint ventures

	As at 31 December				As at 31 March
	2019	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Share of net assets .....	—	—	—	115,375	113,241

Particulars of the Group’s joint ventures are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of			Principal activities
			Ownership interest	Voting power	Profit sharing	
Shanghai Zhisheng Automobile Technology Co., Ltd .....	Registered capital of RMB1 each	PRC/ Mainland China	51	51	51	Automobile
Shanghai Wuqi Private Fund Limited Partnership .....	Registered capital of RMB1 each	PRC/ Mainland China	59	59	59	Privately offering fund

The investments in Shanghai Zhisheng Automobile Technology Co., Ltd. (“Shanghai Zhisheng”) and Shanghai Wuqi Private Fund Limited Partnership (“Shanghai Wuqi”) are accounted as investments in joint ventures as the activities that significantly affect the returns of Shanghai Zhisheng and Shanghai Wuqi require the unanimous consents of the Group and other owners of Shanghai Zhisheng and Shanghai Wuqi.

Share of loss from Shanghai Zhisheng was RMB2,998,000 and RMB1,159,000 respectively for the year ended 31 December 2022 and for the three months ended 31 March 2023. Share of profit from Shanghai Wuqi was RMB13,000 for the year ended 31 December 2022 and share of loss from Shanghai Wuqi was RMB975,000 for the three months ended 31 March 2023. As at 31 December 2022 and 31 March 2023, the Group is of the opinion that the losses of Shanghai Zhisheng and Shanghai Wuqi were temporary due to the start-up expenses and there were no significant negative indicators of the impairment in the investment in Shanghai Zhisheng and Shanghai Wuqi.

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The following table illustrates the aggregate financial information of the Group’s joint ventures that are not individually material:

	As at 31 December				As at 31 March
	2019	2020	2021	2022	2023
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Share of the joint ventures’ loss for the year/period . . .	—	—	—	(2,985)	(2,134)
Share of the joint ventures’ total comprehensive loss . . . . .	—	—	—	(2,985)	(2,134)
Aggregate carrying amount of the Group’s investments in the joint ventures . . . . .	—	—	—	115,375	113,241

22. Investments in associates

	As at 31 December				As at 31 March
	2019	2020	2021	2022	2023
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
At the beginning of the year/period . . . . .	47,480	48,089	207,625	194,224	163,694
Additions . . . . .	1,300	174,500	53,000	—	—
Disposal or derecognition . . . . .	—	(4,173)	(13,657)	—	—
Share of profits and losses . . . . .	(691)	(10,791)	(52,744)	(30,530)	5,023
At the end of the year/period . . . . .	<u>48,089</u>	<u>207,625</u>	<u>194,224</u>	<u>163,694</u>	<u>168,717</u>

On 30 December 2020, the Group acquired 15% equity interest in Shanghai Fuchuang Industrial Development Co., Ltd (“Shanghai Fuchuang”). As the Group can appoint one out of five directors of Shanghai Fuchuang under the Articles of Association, the Group has the power to participate in the financial and operating policy decisions of Shanghai Fuchuang and therefore can exercise significant influence over Shanghai Fuchuang. The total investment was RMB202,500,000 comprising RMB98,000,000 cash contribution and the fair value of intangible assets to be contributed of RMB104,500,000. As the contribution of the intangible assets were made separately in two stages during the years end 31 December 2020 and 2021, the Group recognised a gain amounting to RMB76,500,000 and RMB28,000,000, respectively, which represents the difference between the fair value and the carrying amount of intangible assets contributed during the year and was recorded in other income and gains, net. The Group determined the fair value of the intangible assets contributed with the assistance of an independent valuation firm.

Share of losses from Shanghai Fuchuang were nil, RMB5,322,000, RMB53,668,000 and RMB37,349,000 for the years ended 31 December 2019, 2020, 2021 and 2022 respectively. Share of profit from Shanghai Fuchuang were RMB2,734,000 for the three months ended 31 March 2023. Share of losses from other associates were RMB691,000 and RMB5,469,000 for the years ended

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31 December 2019 and 2020, respectively, and share of profits was RMB924,000, RMB6,819,000 and RMB2,290,000 for the years ended 31 December 2021 and 2022, and the three months ended 31 March 2023, respectively.

The Group performs impairment test of the investment in Shanghai Fuchuang at 31 December 2020, 2021 and 2022 and 31 March 2023. The recoverable amount has been determined based on a fair value less costs to sell using discounted cash flow method with cash flow projections from financial budgets approved by senior management covering a 5-year period. Key assumptions used in the calculation are as follows:

	As at 31 December			As at 31 March
	2020	2021	2022	2023
Annual revenue growth rate for the 5-year period . . . . .	19.5%-41.8%	15.0%-35.0%	4.0%-20.0%	4.0%-17.0%
Gross profit rate . . . . .	6.9%-14.9%	8.9%-16.9%	9.0%-20.3%	9.4%-19.9%
Terminal growth rate . . . . .	2.3%	2.3%	2.3%	2.3%
Pre-tax discount rate . . . . .	16.32%	16.79%	16.67%	16.78%

As at 31 December 2020, 2021 and 2022 and 31 March 2023, the headroom that the recoverable amount of investment in Shanghai Fuchuang exceeds its carrying amount of RMB18,094,000, RMB46,326,000 and RMB7,890,000 and RMB7,095,000 respectively.

The Group performs the sensitivity analysis based on the assumption that revenue amount or terminal value or the discount rate has been changed. Had the estimated key assumptions during the forecast period been changed, the headroom would be decreased to as follows:

	As at 31 December			As at 31 March
	2020	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
— Revenue amount decreases by 10% . . . . .	8,710	35,820	4,830	4,239
— Terminal value decreases by 10% . . . . .	8,506	38,355	4,422	3,525
— Pre-tax discount rate increases by 5% . . . . .	3,823	33,378	1,668	873

As at 31 December 2020, a 19.36% decrease in estimated revenue amount, an 18.95% decrease in estimated terminal value, a 6.46% increase in estimated discount rate, all changes taken in isolation in the calculations, would remove the remaining headroom for the investment in Shanghai Fuchuang. As at 31 December 2021, a 44.07% decrease in estimated revenue amount, a 57.96% decrease in estimated terminal value, a 21.70% increase in estimated discount rate, all changes taken in isolation in the calculations, would remove the remaining headroom for the investment in Shanghai Fuchuang. As at 31 December 2022, a 27.52% decrease in estimated revenue amount, a 23.11% decrease in estimated terminal value, a 6.50% increase in estimated discount rate, all changes taken in isolation in the

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calculations, would remove the remaining headroom for the investment in Shanghai Fuchuang. As at 31 March 2023, a 24.81% decrease in estimated revenue amount, a 19.83% decrease in estimated terminal value, a 5.76% increase in estimated discount rate, all changes taken in isolation in the calculations, would remove the remaining headroom for the investment in Shanghai Fuchuang.

Other than the investment in Shanghai Fuchuang, the Group is of the opinion that the losses from the associates were temporary and there were no significant negative indicators of the impairment in the investment in those associates at the end of 31 December 2019 and 2020. Since 2021, the Group had recognised profits from these associates.

As either Shanghai Fuchuang or each of the other associates of the Group is not individually material to the consolidated financial statements, the following tables illustrate the aggregate financial information of the Group’s associates that are not individually material:

	As at 31 December				Three months ended 31 March	
	2019	2020	2021	2022	2022	2023
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
						(Unaudited)
Share of profits and losses of associates . . . .	(691)	(10,791)	(52,744)	(30,530)	(3,511)	5,023
Share of total comprehensive (losses)/ income of associates . . . . .	(691)	(10,791)	(52,744)	(30,530)	(3,511)	5,023

	As at 31 December				As at 31 March
	2019	2020	2021	2022	2023
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Aggregate carrying amount of the Group’s investments in the associates . . . . .	48,089	207,625	194,224	163,694	168,717

23. Equity investments designated at fair value through other comprehensive income

	As at 31 December				As at 31 March
	2019	2020	2021	2022	2023
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
<b>Equity investments designated at fair value through other comprehensive income . . . . .</b>					
Listed equity investments, at fair value . . . . .	—	—	—	289,312	322,892

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

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24. Other non-current assets

	As at 31 December				As at
	2019	2020	2021	2022	31 March
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Deposits .....	22,212	29,408	25,972	15,148	18,442
Prepayments .....	578	2,786	17,920	56,179	89,855
Others .....	2,044	1,092	31,052	16,498	15,835
	<u>24,834</u>	<u>33,286</u>	<u>74,944</u>	<u>87,825</u>	<u>124,132</u>

Prepayments included in other non-current assets represent prepayments for property, plant and equipment, prepayments for financial and equity investments and prepayments for business combination. During the year ended 31 December 2022, the Group made prepayments of RMB2,090,000 to purchase 100% equity interests in a target company from third parties (“transaction A”) and prepayments of RMB15,872,000 to purchase 82.98% equity interests in another target company from third parties (“transaction B”). Transaction A had been terminated in 2023. As at 30 June 2023, the Group had completed the acquisition of 68.89% equity interests in the target company in relation to transaction B.

25. Inventories

	As at 31 December				As at
	2019	2020	2021	2022	31 March
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Commodities .....	<u>1,046,812</u>	<u>1,483,537</u>	<u>1,713,513</u>	<u>1,542,547</u>	<u>1,555,808</u>

26. Trade receivables

	As at 31 December				As at
	2019	2020	2021	2022	31 March
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables .....	174,155	291,972	215,607	188,976	211,795
Impairment .....	(18,541)	(11,462)	(12,617)	(15,245)	(15,968)
Trade receivables, net .....	<u>155,614</u>	<u>280,510</u>	<u>202,990</u>	<u>173,731</u>	<u>195,827</u>

The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.



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The credit terms granted by the Group are generally within 30 days. An ageing analysis of the Group’s trade receivables, based on the transaction date and net of loss allowance, as at the end of each of the Relevant Periods is as follows:

	As at 31 December				As at
					31 March
	2019	2020	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	91,343	151,403	121,223	97,911	118,833
2 to 3 months	47,217	32,421	39,169	44,354	34,817
4 to 6 months	8,719	53,400	36,927	22,988	31,171
7 to 12 months	8,335	43,286	5,671	8,478	11,006
	<u>155,614</u>	<u>280,510</u>	<u>202,990</u>	<u>173,731</u>	<u>195,827</u>

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 December				As at
					31 March
	2019	2020	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of year/period	7,241	18,541	11,462	12,617	15,245
Impairment losses, net	11,300	7,697	1,155	2,628	723
Amount written off	—	(14,776)	—	—	—
At end of year/period	<u>18,541</u>	<u>11,462</u>	<u>12,617</u>	<u>15,245</u>	<u>15,968</u>

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days invoiced for groupings of various customer segments with similar loss patterns (by customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group writes off trade receivables when there is information indicating that the counterparty is in severe financial difficulties and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs sooner, also taking into account legal advice where appropriate.

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a) Specific judgement

Set out below is the information about the credit risk exposure on the Group’s trade receivables using specific judgement:

	As at 31 December				As at 31 March
	2019	2020	2021	2022	2023
Expected credit loss rate	100%	100%	—	—	—
Gross carrying amount (RMB’000)	14,776	741	—	—	—
Expected credit losses (RMB’000)	14,776	741	—	—	—

b) Probability of default method

Set out below is the information about the credit risk exposure on the Group’s trade receivables using a provision matrix:

**As at 31 December 2019**

	Within 3 months	4 to 6 months	7 to 12 months	Over 1 year	Total
Expected credit loss rate	1.16%	2.64%	4.95%	100%	2.36%
Gross carrying amount (RMB’000)	140,180	8,955	8,769	1,475	159,379
Expected credit losses (RMB’000)	1,620	236	434	1,475	3,765

**As at 31 December 2020**

	Within 3 months	4 to 6 months	7 to 12 months	Over 1 year	Total
Expected credit loss rate	1.26%	2.49%	4.69%	100%	3.68%
Gross carrying amount (RMB’000)	186,173	54,767	45,414	4,877	291,231
Expected credit losses (RMB’000)	2,350	1,366	2,128	4,877	10,721

**As at 31 December 2021**

	Within 3 months	4 to 6 months	7 to 12 months	Over 1 year	Total
Expected credit loss rate	1.61%	2.17%	2.12%	100%	5.85%
Gross carrying amount (RMB’000)	163,014	37,745	5,794	9,054	215,607
Expected credit losses (RMB’000)	2,622	818	123	9,054	12,617

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As at 31 December 2022

	Within 3 months	4 to 6 months	7 to 12 months	Over 1 year	Total
Expected credit loss rate . . . . .	2.39%	3.51%	3.67%	100%	8.07%
Gross carrying amount (RMB’000) . . . . .	145,748	23,825	8,801	10,602	188,976
Expected credit losses (RMB’000) . . . . .	3,483	837	323	10,602	15,245

As at 31 March 2023

	Within 3 months	4 to 6 months	7 to 12 months	Over 1 year	Total
Expected credit loss rate . . . . .	1.68%	2.64%	2.70%	100%	7.54%
Gross carrying amount (RMB’000) . . . . .	156,278	32,016	11,311	12,190	211,795
Expected credit losses (RMB’000) . . . . .	2,628	845	305	12,190	15,968

27. Prepayments, other receivables and other assets

Group

	Notes	As at 31 December				As at 31 March
		2019	2020	2021	2022	2023
		RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Prepayments . . . . .	(a)	145,884	306,904	182,959	157,637	156,257
Deposits and other receivables . . . . .	(b)	39,461	100,382	126,650	127,610	127,244
Value-Added Tax (“VAT”) recoverable . . . . .	(c)	54,238	97,984	174,065	148,157	164,869
Loans receivable . . . . .	(d)	8,159	39,052	42,784	22,727	10,229
Receivable from employees . . . . .	(e)	9,163	11,796	13,358	3,070	4,184
Impairment allowance . . . . .		(329)	(525)	(344)	(2,944)	(4,327)
		<u>256,576</u>	<u>555,593</u>	<u>539,472</u>	<u>456,257</u>	<u>458,456</u>

Notes:

- (a) Prepayments represent advances to certain major suppliers for the purchase of goods or services.
- (b) Deposits and other receivables mainly represent lease deposits and deposits with suppliers. Deposits and other receivables are non-interest-bearing and trade in nature.
- (c) VAT recoverable is mainly due to the input tax to be deducted arising from purchase, installation service fees, warehousing and logistics fees and lease payments, etc.

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- (d) Loans receivable represents loans to related parties, equity investees and others. The loans receivable bears interest rate ranging from nil to 12% per annum.
- (e) Receivables from employees mainly represent the temporary fund provided to the managers of self-operated stores for miscellaneous purchases of tools, materials and office supplies and the temporary fund provided to marketing personnel for miscellaneous offline promotion activities.

Except for certain loss allowance provided for loans receivable and other receivables, the financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts.

**Company**

	As at 31 December				As at
	2019	2020	2021	2022	31 March
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Due from subsidiaries . . . . .	1,274,358	7,630,051	9,827,970	10,364,210	10,254,627
Due from holders of preferred shares . . . . .	4,621,523	—	—	—	—
Prepayments, other receivables and other assets . . . . .	—	—	3,581	8,567	9,236

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

**28. Financial assets at fair value through profit or loss**

**Group**

	As at 31 December				As at
	2019	2020	2021	2022	31 March
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets at fair value through profit or loss . . .	<u>1,748,715</u>	<u>692,368</u>	<u>320,362</u>	<u>25,921</u>	<u>48,013</u>

**Company**

	As at 31 December				As at
	2019	2020	2021	2022	31 March
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets at fair value through profit or loss . . .	<u>1,567,960</u>	<u>4,367</u>	<u>40,762</u>	<u>25,921</u>	<u>—</u>

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The financial assets at fair value through profit or loss above were wealth management products issued by commercial banks. They were classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest and they were held for trading.

29. Cash and bank balances

Group

	As at 31 December				As at
	2019	2020	2021	2022	31 March
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Current</b>					
Cash and cash equivalents . . . . .	1,474,876	1,164,958	1,472,293	2,686,353	2,815,580
Time deposits with maturities over three months . . . . .	223,479	307,528	1,017,365	514,115	471,793
Restricted cash current portion:					
Restricted for bills payable . . . . .	517,128	731,256	2,027,405	1,094,947	903,006
Restricted for interest-bearing borrowings . . . . .	—	2,165,494	163,757	—	—
Restricted for letters of guarantee . . . . .	80,550	191,610	169,664	362,949	341,052
Restricted for others . . . . .	—	5,000	119,470	49,026	23,851
	<u>2,296,033</u>	<u>4,565,846</u>	<u>4,969,954</u>	<u>4,707,390</u>	<u>4,555,282</u>
<b>Non-current</b>					
Time deposits with maturities over one year . . . . .	25,000	—	380,000	—	—
Restricted cash non-current portion:					
Restricted for bills payable . . . . .	—	—	100,000	—	—
Restricted for interest-bearing borrowings . . . . .	—	300,000	—	—	—
Restricted for letters of guarantee . . . . .	—	—	—	403	115,003
	<u>25,000</u>	<u>300,000</u>	<u>480,000</u>	<u>403</u>	<u>115,003</u>
	<u>2,321,033</u>	<u>4,865,846</u>	<u>5,449,954</u>	<u>4,707,793</u>	<u>4,670,285</u>
Denominated in:					
RMB . . . . .	2,039,459	1,568,854	1,581,566	2,589,850	2,555,199
US\$ . . . . .	281,574	3,296,992	3,868,388	2,117,943	2,115,086
	<u>2,321,033</u>	<u>4,865,846</u>	<u>5,449,954</u>	<u>4,707,793</u>	<u>4,670,285</u>

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The RMB is not freely convertible into other currencies, however, under Mainland China’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and bank balances approximate to their fair values.

The restricted cash for bills payable is operating in nature when it is designated to settle the bills payable upon maturity, otherwise it is financing in nature.

**Company**

	As at 31 December				As at
	2019	2020	2021	2022	31 March
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>Current</b>					
Cash and cash equivalents . . . . .	<u>715</u>	<u>1,490</u>	<u>1,426</u>	<u>2,009</u>	<u>563</u>
Denominated in:					
RMB . . . . .	—	121	95	95	95
US\$ . . . . .	<u>715</u>	<u>1,369</u>	<u>1,331</u>	<u>1,914</u>	<u>468</u>
	<u>715</u>	<u>1,490</u>	<u>1,426</u>	<u>2,009</u>	<u>563</u>

**30. Trade and bills payables**

	As at 31 December				As at
	2019	2020	2021	2022	31 March
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade payables . . . . .	371,536	806,169	1,098,761	808,085	755,207
Bills payable . . . . .	<u>1,311,862</u>	<u>2,002,265</u>	<u>2,141,560</u>	<u>2,311,239</u>	<u>2,476,090</u>
	<u>1,683,398</u>	<u>2,808,434</u>	<u>3,240,321</u>	<u>3,119,324</u>	<u>3,231,297</u>

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An ageing analysis of the trade and bills payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December				As at 31 March
	2019	2020	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months . . . . .	1,352,237	2,188,646	2,697,050	2,392,343	2,497,002
3 to 6 months . . . . .	305,229	546,830	527,179	705,200	711,889
6 to 12 months . . . . .	12,715	57,236	8,951	13,890	14,501
Over 1 year . . . . .	13,217	15,722	7,141	7,891	7,905
	<u>1,683,398</u>	<u>2,808,434</u>	<u>3,240,321</u>	<u>3,119,324</u>	<u>3,231,297</u>

The trade and bills payables are non-interest-bearing. Trade payables are normally settled on 30-days to 90-days terms. Bills payables generally have a longer payment term of 6 to 12 months.

**31. Other payables and accruals**

**Group**

	As at 31 December				As at 31 March
	2019	2020	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other tax payable . . . . .	211,387	287,219	322,768	307,283	294,080
Payroll and welfare payable . . . . .	221,266	306,621	514,549	539,397	539,901
Accrual and other payables . . . . .	<u>265,379</u>	<u>368,430</u>	<u>626,460</u>	<u>719,330</u>	<u>690,329</u>
	<u>698,032</u>	<u>962,270</u>	<u>1,463,777</u>	<u>1,566,010</u>	<u>1,524,310</u>

Other payables and accruals were trade in nature, non-interest-bearing and repayable on demand.

**Company**

	As at 31 December				As at 31 March
	2019	2020	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Due to subsidiaries . . . . .	<u>—</u>	<u>324,270</u>	<u>159,630</u>	<u>231,866</u>	<u>229,777</u>

The amounts due to subsidiaries were non-interest-bearing and repayable on demand.

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32. Contract liabilities

	As at 31 December				As at 31 March
	2019	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Current:</b>					
Automotive products and services . . . . .	163,933	254,943	350,613	472,609	471,782
Franchise services . . . . .	51,420	127,520	208,386	180,436	162,850
	<u>215,353</u>	<u>382,463</u>	<u>558,999</u>	<u>653,045</u>	<u>634,632</u>
<b>Non-current:</b>					
Franchise services . . . . .	<u>71,636</u>	<u>109,468</u>	<u>115,056</u>	<u>60,268</u>	<u>53,502</u>

Contract liabilities of the Group mainly arise from the advance payments received from customers for automotive products and services and deferred upfront franchise fees from franchised stores.

33. Interest-bearing borrowings

	Note	As at 31 December 2020		
		Effective interest rate (%)	Maturity	RMB'000
<b>Current</b>				
Bank loans — unsecured . . . . .		3.46-3.60	2021	278,560
Bank loans — secured . . . . .	(a)	2.63-3.50	2021	<u>1,738,355</u>
				<u>2,016,915</u>

	Note	As at 31 December 2021		
		Effective interest rate (%)	Maturity	RMB'000
<b>Current</b>				
Bank loans — unsecured . . . . .		2.95	2022	100,000
Bank loans — secured . . . . .	(a)	2.65-3.15	2022	<u>164,000</u>
				<u>264,000</u>



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	As at 31 December				As at
	2019	2020	2021	2022	31 March
	RMB'000	RMB'000	RMB'000	RMB'000	2023
Analysed into:					
Bank loans repayable:					
Within one year .....	—	2,016,915	264,000	—	—

Notes:

- (a) Certain of the Group’s bank loans are secured by:
  - (i) the Group’s bank deposits and time deposits amounting to RMB2,465,494,000 and RMB163,757,000 as of 31 December 2020 and 2021, respectively.
  - (ii) the guarantee of a related-party company controlled by Mr. Chen Min amounting to RMB100,000,000 as of 31 December 2020 and the corresponding bank loan has been fully repaid during the year ended 31 December 2021.

**34. Convertible redeemable preferred shares**

On 31 October 2019, in conjunction with the Reorganisation (note 2.1), the Company issued the Series Seed, Series A, Series B, Series C-1, Series C-2, Series C-3, Series D-1, Series D-2, Series E-1, Series E-2, Series E-3 and Series E-4 preferred shares (collectively, the “Reorganisation Preferred Shares”) to existing preferred shareholders of Shanghai Lantu to replace their preferred share interests in Shanghai Lantu. As discussed in note 2.1, the consolidated financial statements of the Company were prepared as if the corporate structure of the Company after the Reorganisation had been in existence since the beginning of the earliest period presented. The following table provides key information of each series of the Reorganisation Preferred Shares outstanding on the Reorganisation Date.

Reorganisation Preferred Shares	Number of shares
Series Seed convertible preferred shares (“Series Seed Preferred Shares”) .....	2,242,396
Series A convertible redeemable preferred shares (“Series A Preferred Shares”) .....	3,324,228
Series B convertible redeemable preferred shares (“Series B Preferred Shares”) .....	6,873,513
Series C-1 convertible redeemable preferred shares (“Series C-1 Preferred Shares”) .....	2,579,568
Series C-2 convertible redeemable preferred shares (“Series C-2 Preferred Shares”) .....	6,684,368

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<b>Reorganisation Preferred Shares</b>	<b>Number of shares</b>
Series C-3 convertible redeemable preferred shares (“Series C-3 Preferred Shares”) . . . . .	8,928,374
Series D-1 convertible redeemable preferred shares (“Series D-1 Preferred Shares”) . . . . .	5,707,296
Series D-2 convertible redeemable preferred shares (“Series D-2 Preferred Shares”) . . . . .	7,146,360
Series E-1 convertible redeemable preferred shares (“Series E-1 Preferred Shares”) . . . . .	12,288,896
Series E-2 convertible redeemable preferred shares (“Series E-2 Preferred Shares”) . . . . .	6,125,137
Series E-3 convertible redeemable preferred shares (“Series E-3 Preferred Shares”) . . . . .	18,173,211
Series E-4 convertible redeemable preferred shares (“Series E-4 Preferred Shares”) . . . . .	<u>994,030</u>
<b>Total</b> . . . . .	<u><u>81,067,377</u></u>

The following table provides key information for each series of preferred shares issued after the Reorganisation.

	<u>Issuance date</u>	<u>Number of shares</u>	<u>Issue price per share</u>	<u>Cash consideration</u>
			<i>US\$</i>	<i>US\$’000</i>
Series A Preferred Shares . . . . .	18 November 2019	5,009,050	14.94	74,818
Series C-2 Preferred Shares . . . . .	18 November 2019	333,301	15.05	5,016
Series C-3 Preferred Shares . . . . .	14 July 2020	1,121,233	16.22	18,186
Series D-1 Preferred Shares . . . . .	18 November 2019	629,804	14.94	9,407
Series D-2 Preferred Shares . . . . .	18 November 2019	519,603	15.05	7,819
Series E-2 Preferred Shares . . . . .	18 November 2019	616,537	16.22	10,000
Series E-2 Preferred Shares . . . . .	8 February 2021	176,812	20.99	3,711
Series F Preferred Shares . . . . .	18 November 2019	18,206,100	16.50	300,348
Series F-2 Preferred Shares . . . . .	8 February 2021	10,792,861	25.57	275,944
Series F-3 Preferred Shares . . . . .	29 June 2021	4,627,476	27.38	126,708

As described in note 37, on 8 March 2022, each existing issued and unissued authorised share of the Company with a par value of US\$0.0001 each, including the preferred shares above, was subsequently subdivided into five shares of the corresponding class or series with a par value of US\$0.00002 each.

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The Reorganisation Preferred Shares and preferred shares issued after the Reorganisation are collectively referred to as the “Preferred Shares”. The following is a summary of the significant terms of the Preferred Shares:

### **Conversion rights**

Each holder of the Preferred Shares has the right, at each holder’s sole discretion, to convert at any time and from time to time, all or any portion of the Preferred Shares into Class A ordinary shares. The initial conversion price is the stated issuance price for each series of Preferred Shares. The initial conversion ratio for each series of Preferred Shares is on a one for one basis and subject to adjustments in the event of share splits, reverse share splits, share dividends and distribution, or any capital reorganisation or reclassification of the ordinary shares. The Preferred Shares are automatically converted into Class A ordinary shares immediately upon the closing of a Qualified [REDACTED]. As of 31 March 2023, the conversion ratio was one Preferred Share convertible into one Class A ordinary share.

### **Voting rights**

Each holder of the Preferred Shares has voting rights equivalent to the number of ordinary shares into which the Preferred Shares could then be converted. The holders of the Preferred Shares and Class A ordinary shares should vote together as a single class, with respect to any matter upon which the holders of the ordinary shares have the right to vote.

### **Dividend rights**

The holders of the Preferred Shares are entitled to receive dividends at the same rate as for the holders of the ordinary shares on an as converted basis when, as, and if declared by the board of directors. No dividends were declared during the Relevant Periods.

### **Redemption rights**

All of the Preferred Shares other than Series Seed Preferred Shares are redeemable at the holders’ option at any time upon the occurrence of: (i) the Company fails to complete a Qualified [REDACTED] before 29 June 2025; or any of the following events (the “Redemption Events”) (ii) the Company and management materially breach the agreements entered into with the preferred shareholders or the articles of association; (iii) any fraud, negligence, intentional misconduct, violation of laws and regulations or breach of the shareholder agreements by the Company and management; (iv) the CEO resigns as management for more than three consecutive months; (v) Preferred Shareholders other than Series Seed Preferred Shareholders have requested the Company to redeem its shares or (vi) the Reorganisation has not been completed upon expiry of six months after the reorganisation agreements becoming invalid due to any governmental order or court decision.

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The redemption price of each of the Preferred Shares other than Series Seed Preferred Shares is calculated at an amount equal to (a) the original issue price or deemed issue price as applicable, plus (b) an interest of 15% per annum calculated from the original issue date through the date on which the preferred shares are required to be redeemed, plus (c) all declared but unpaid dividend on such share. Series Seed Preferred Shares are not redeemable but have a liquidation preference as indicated below.

Pursuant to the shareholders’ resolution approved on 29 June 2023, the redemption rights shall cease to be exercisable immediately before the first filing of the [REDACTED] by the Company with the Stock Exchange of Hong Kong Limited, and shall resume to be exercisable in accordance with above terms upon the earliest of (i) the [REDACTED] being withdrawn, rejected or returned; (ii) the [REDACTED] being lapsed but not renewed by the Company within three months; or (iii) 31 December 2023 if no Qualified [REDACTED] has been consummated by then (with the original redemption event and date unchanged).

### **Registration rights**

All the Preferred Shareholders have the following registration rights:

#### **(a) Demand registration rights**

##### *Registration other than on Form F-3*

At any time after the earlier of (i) 29 June 2026 and (ii) expiry of 180 days following an [REDACTED], holders holding 10% or more of the outstanding registrable securities held by all holders may make a written request to the Company to register, and the Company shall use its best efforts to cause the registrable securities to be registered and/or qualified for sale and distribution, under the Securities Act the number of registrable securities specified in the requests, provided, however, that the Company shall not be obligated to effect more than two registrations.

##### *Registration on Form F-3*

The Company shall use its best efforts to qualify for registration on Form F-3. If the Company qualifies for registration on Form F-3, any holder is entitled to request the Company to register, so long as such registration offerings are in excess of US\$5,000,000, and the Company shall cause the registrable securities to be registered and/or qualified for sale and distribution, under the Securities Act on Form F-3 the number of registrable securities specified in the requests. However, the Company shall not be required to effect more than three registrations.

#### **(b) Piggyback registration rights**

If the Company proposes to register for its own account any equity securities, or for the account of any holder of equity securities, other than a holder of the registrable securities, in connection with the public offering of such securities, the Company shall register the registrable securities requested by the holders to be registered.

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The Company is required to use its best efforts to affect the registration if requested by the Preferred Shareholders, but the provisions of the registration rights do not stipulate the consequences of non-performance if the Company made its best efforts to effect registration nor any requirement to pay any monetary or non-monetary consideration for non-performance. The registration rights shall terminate on the earlier of (i) the fifth anniversary of the closing of a Qualified [REDACTED], and (ii) with respect to any security holder, the date on which such holder may sell all of its registrable securities under Rule 144 of the Securities Act in any 90-day period.

### Liquidation preference

Upon the voluntary or involuntary liquidation, winding up or dissolution of the Company, or any deemed liquidation event (the “Liquidation Events”), the assets of the Company legally available for distribution will be distributed as follows:

Each holder of the Series F-3 Preferred Shares is entitled to receive, on a pari passu basis, an amount equal to 120% of the original issue price, plus all declared but unpaid dividends in preference to any distribution to the holders of the Series F-2, Series F, Series E-4, Series E-3, Series E-2, Series E-1, Series D-2, Series D-1, Series C-3, Series C-2, Series C-1, Series B, Series A and Series Seed Preferred Shares and the ordinary shareholders of the Company.

After the payment to the holders of Series F-3 Preferred Shares, the remaining assets of the Company available for distribution shall be distributed the holders of the Series F-2 Preferred Shares, on a pari passu basis, with an amount equal to 120% of the deemed issue price plus all declared but unpaid dividends in preference to any distribution to the holders of the Series F, Series E-3, Series E-2, Series E-1, Series D-2, Series D-1, Series C-3, Series C-2, Series C-1, Series B, Series A and Series Seed Preferred Shares and the ordinary shareholders of the Company.

After the payment to the holders of Series F-2 Preferred Shares, the remaining assets of the Company available for distribution shall be distributed the holders of the Series F Preferred Shares, on a pari passu basis, with an amount equal to 120% of the deemed issue price plus all declared but unpaid dividends in preference to any distribution to the holders of the Series E-3, Series E-2, Series E-1, Series D-2, Series D-1, Series C-3, Series C-2, Series C-1, Series B, Series A and Series Seed Preferred Shares and the ordinary shareholders of the Company.

After the payment to the holders of Series F Preferred Shares, the remaining assets of the Company available for distribution shall be distributed the holders of the Series E-4 Preferred Shares, on a pari passu basis, with an amount equal to 120% of the deemed issue price plus all declared but unpaid dividends in preference to any distribution to the holders of the Series E-3, Series E-2, Series E-1, Series D-2, Series D-1, Series C-3, Series C-2, Series C-1, Series B, Series A and Series Seed Preferred Shares and the ordinary shareholders of the Company.

After the payment to the holders of Series E-4 Preferred Shares, the remaining assets of the Company available for distribution will be distributed to the holders of the Series E-3 Preferred

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Shares, on a pari passu basis, with an amount equal to 120% of the deemed issue price plus all declared but unpaid dividends in preference to any distribution to the holders of Series E-2, Series E-1, Series D-2, Series D-1, Series C-3, Series C-2, Series C-1, Series B, Series A and Series Seed Preferred Shares and the ordinary shareholders of the Company.

After the payment to the holders of Series E-3 Preferred Shares, the remaining assets of the Company available for distribution will be distributed to the holders of the Series E-2 and/or Series E-1 Preferred Shares, on a pari passu basis, with an amount equal to 120% of deemed issue price plus all declared but unpaid dividends in preference to any distribution to the holders of the Series D-2, Series D-1, Series C-3, Series C-2, Series C-1, Series B, Series A and Series Seed Preferred Shares and the ordinary shareholders of the Company.

After the payment to the holders of Series E-2 and E-1 Preferred Shares, the remaining assets of the Company available for distribution will be distributed to the holders of the Series D-2 and/or Series D-1 Preferred Shares, on a pari passu basis, with an amount equal to 120% of deemed issue price plus all declared but unpaid dividends in preference to any distribution to the holders of the Series C-3, Series C-2, Series C-1, Series B, Series A and Series Seed Preferred Shares and the ordinary shareholders of the Company.

After the payment to the holders of Series D-2 and Series D-1 Preferred Shares, the remaining assets of the Company available for distribution will be distributed to the holders of the Series C-3, Series C-2 and Series C-1 Preferred Shares, on a pari passu basis, with an amount equal to 130% of deemed issue price plus all declared but unpaid dividends in preference to any distribution to the holder of the Series B, Series A and Series Seed Preferred Shares and the ordinary shareholders of the Company.

After the payment to the holders of Series C-3, Series C-2 and Series C-1 Preferred Shares, the remaining assets of Company available for distribution will be distributed to the holders of the Series B Preferred Shares, on a pari passu basis, with an amount equal to 130% of deemed issue price plus all declared but unpaid dividends in preference to any distribution to the holders of the Series A and Series Seed Preferred Shares and the ordinary shareholders of the Company.

After the payment to the holders of Series B Preferred Shares, the remaining assets of Company available for distribution will be distributed to the holders of the Series A Preferred Shares, on a pari passu basis, with an amount equal to 150% of deemed issue price plus all declared but unpaid dividends in preference to any distribution to the holders of Series Seed Preferred Shares and the ordinary shareholders of the Company.

After the payment to the holders of Series A Preferred Shares, the remaining assets of the Company available for distribution will be distributed to the holders of the Series Seed Preferred Shares, on a pari passu basis, with an amount equal to the deemed issue price in preference to any distribution to the ordinary shareholders of the Company.

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After payment has been made to the holders of the Preferred Shares in accordance with the above, the remaining assets of the Company available for distribution to shareholders shall be distributed ratably among the holders of ordinary shares and the Preferred Shares based on the number of ordinary shares into which such Preferred Shares are convertible.

Each of the following events shall also be treated as a liquidation event: (a) the voluntary or involuntary liquidation under any applicable bankruptcy, insolvency or reorganisation legislation or the dissolution or winding up of the Group operating all or substantially all the business taken as a whole, (b) any appointment of an administrator or a receiver over all or substantially all assets of the Group taken as a whole, (c) a trade sale (including any approved sale, proposed sale or qualified sale), (d) cessation of operating all or substantially all of the business by the Group taken as a whole due to the Group’s incurrence of serious or substantial losses, and (e) cessation of operating all or substantially all of the business by the Group taken as a whole due to reasons other than the Group’s incurrence of serious or substantial losses, and it shall be determined by all investors in writing that the situation set forth in (e) shall be deemed as a liquidation event.

### **Modification**

Upon the issuance of the Series F Preferred Shares, the redemption term of any previously issued series of preferred shares was modified to be the same as the Series F Preferred Shares’ redemption term.

### **Repurchase of Preferred Shares**

From June 2019 to August 2019, the Company repurchased a total of 8,339,340 preferred shares consisting of Series A, Series C-2, Series C-3, Series D-1, Series D-2 and Series E-2 Preferred Shares from the preferred shareholders (the “Repurchased Preferred Shares”) for a total cash consideration of RMB879,097,000. The Company accounted for the difference between the fair value of the consideration paid for the Repurchased Preferred Shares and their respective carrying value was recorded in the statements of profit or loss.



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The movements of the convertible redeemable preferred shares are set out below:

	Series Seed	Series A	Series B	Series C-1	Series C-2	Series C-3	Series D-1	Series D-2	Series E-1	Series E-2	Series E-3	Series E-4	Series F	Series F-2	Series F-3	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January																
2019	61,641	243,042	232,338	100,934	279,036	431,376	385,145	466,501	936,540	528,564	1,560,544	88,657	—	—	—	5,314,318
New issue	—	524,137	—	—	35,253	—	65,612	54,958	—	70,223	—	—	2,108,008	—	—	2,858,191
Repurchase	—	(238,995)	—	—	(20,721)	(74,579)	(55,210)	(45,599)	—	(80,125)	—	—	—	—	—	(515,229)
Change in fair value	41,680	(126,895)	141,764	55,630	137,826	227,677	137,524	169,805	248,401	156,095	351,883	20,955	371,252	—	—	1,933,597
Exchange realignment	(1,150)	(3,114)	(4,190)	(1,763)	(4,744)	(6,601)	(5,770)	(7,107)	(13,489)	(7,193)	(21,386)	(1,214)	(13,625)	—	—	(91,346)
At 31 December																
2019	102,171	398,175	369,912	154,801	426,650	577,873	527,301	638,558	1,171,452	667,564	1,891,041	108,398	2,465,635	—	—	9,499,531
New issue	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	127,192
Change in fair value	79,606	294,120	238,545	87,523	237,513	278,945	193,790	234,305	336,940	180,744	452,088	23,733	354,812	—	—	2,992,664
Exchange realignment	(9,271)	(35,590)	(31,905)	(12,940)	(35,540)	(50,959)	(40,589)	(49,142)	(87,045)	(49,227)	(137,446)	(7,805)	(171,366)	—	—	(718,825)
At 31 December																
2020	172,506	656,705	576,552	229,384	628,623	933,051	680,502	823,721	1,421,347	799,081	2,205,683	124,326	2,649,081	—	—	11,900,562
New issue	—	—	—	—	—	—	—	—	—	24,140	—	—	—	1,795,249	824,204	2,643,593
Change in fair value	123,504	451,492	355,772	127,191	343,837	476,750	255,609	308,894	440,629	231,242	595,329	30,864	395,674	237,828	66,549	4,441,164
Exchange realignment	(5,373)	(20,238)	(17,298)	(6,716)	(18,351)	(26,849)	(18,517)	(22,408)	(37,597)	(21,427)	(57,321)	(3,200)	(65,151)	(38,475)	(17,171)	(376,092)
At 31 December																
2021	290,637	1,087,959	915,026	349,859	954,109	1,382,952	917,594	1,110,207	1,824,379	1,033,036	2,743,691	151,990	2,979,604	1,994,602	873,582	18,609,227
Change in fair value	28,521	106,801	89,714	33,984	92,617	133,799	84,170	101,848	153,346	86,383	203,825	10,357	152,522	45,408	15,978	1,339,273
Exchange realignment	28,105	105,205	88,478	33,815	92,216	133,645	88,470	107,042	175,281	99,231	262,422	14,496	281,948	186,239	81,395	1,777,988
At 31 December																
2022	347,263	1,299,965	1,093,218	417,658	1,138,942	1,650,396	1,090,234	1,319,097	2,153,006	1,218,650	3,209,938	176,843	3,414,074	2,226,249	970,955	21,726,488
Change in fair value	3,906	14,909	13,186	5,248	14,393	21,434	15,470	18,715	30,532	17,404	44,051	2,398	48,020	33,505	14,783	297,954
Exchange realignment	(4,659)	(17,440)	(14,671)	(5,606)	(15,289)	(22,158)	(14,646)	(17,721)	(28,924)	(16,372)	(43,113)	(2,375)	(45,862)	(29,921)	(13,051)	(291,808)
At 31 March																
2023	346,510	1,297,434	1,091,733	417,300	1,138,046	1,649,672	1,091,058	1,320,091	2,154,614	1,219,682	3,210,876	176,866	3,416,232	2,229,833	972,687	21,732,634



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The Group has used the discounted cash flow method to determine the underlying equity value of the Company and adopted the equity allocation model to determine the fair value of the Preferred Shares.

Key assumptions are set out below:

	As at 31 December				As at
	2019	2020	2021	2022	31 March
Discount rate . . . . .	15.00%	15.00%	15.00%	15.00%	15.00%
Risk-free interest rate . . . . .	1.65%	0.17%	0.19%-1.04%	4.57%-4.60%	4.00%-4.79%
DLOM . . . . .	13.39%	16.12%	8.58%	7.68%	5.89%
Volatility . . . . .	31.34%	44.12%	32.93%-40.70%	37.05%-38.03%	36.26%-37.01%

The discount rate was estimated by the weighted average cost of capital as of the valuation date. The Group estimated the risk-free interest rate based on the yield of US Treasury Strips. The DLOM was estimated based on the option-pricing method. Under the option-pricing method, the cost of a put option, which can hedge the price change before the privately held share can be sold, was considered as a basis to determine the discount for lack of marketability. Volatility was estimated based on annualised standard deviation of daily stock price return of comparable companies for a period from the valuation date and with a similar time span to expiration.

**35. Deferred Tax**

Deferred tax assets have not been recognised in respect of the following items:

	As at 31 December				As at
	2019	2020	2021	2022	31 March
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Tax losses . . . . .	363,256	363,696	377,946	369,682	344,504
Deductible temporary differences . . . . .	132,410	176,987	265,359	256,998	264,075
	<u>495,666</u>	<u>540,683</u>	<u>643,305</u>	<u>626,680</u>	<u>608,579</u>

The Group had tax losses of RMB1,453,024,000, RMB1,454,784,000, RMB1,515,879,000 and RMB1,478,727,000 and RMB1,265,708,000 at 31 December 2019, 2020, 2021 and 2022 and 31 March 2023, respectively, mainly arising from subsidiaries in Mainland China. The tax losses of subsidiaries in Mainland China will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that enough taxable profits will be available against which the tax losses can be utilised.

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The movements in deferred tax liabilities during the Relevant Periods are as follows:

	<b>Revaluation of assets on acquisition</b>
	<i>RMB’000</i>
As at 1 January 2019 and 31 December 2019 .....	—
Addition .....	<u>10,333</u>
As at 31 December 2020, 2021 and 2022 and 31 March 2023 .....	<u><u>10,333</u></u>

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 August 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

As at the end of each of the Relevant Periods, no deferred tax has been recognised for withholding taxes as the Group’s subsidiaries incorporated in Mainland China have no such earnings to distribute to their intermediate holding company incorporated in Hong Kong from 1 January 2008.

**36. Other non-current liabilities**

	<b>As at 31 December</b>				<b>As at 31 March</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Deposits from franchised and partner stores .....	151,503	303,301	436,046	397,657	404,797
Other liabilities .....	<u>32,713</u>	<u>26,479</u>	—	—	—
	<u><u>184,216</u></u>	<u><u>329,780</u></u>	<u><u>436,046</u></u>	<u><u>397,657</u></u>	<u><u>404,797</u></u>

**37. Share capital**

On 8 March 2022, pursuant to the shareholders’ resolution, each existing issued and unissued authorised share of the Company with a par value of US\$0.0001 each, including both ordinary shares and preferred shares, was subdivided into five shares of the corresponding class or series with a par value of US\$0.00002 each.

As at 31 March 2023, the authorised share capital of the Company is US\$50,000 divided into 2,500,000,000 shares, comprising of: (i) 1,815,549,650 Class A Ordinary Shares of a nominal or par value of US\$0.00002 each, (ii) 68,949,580 Class B Ordinary Shares of a nominal or par value of US\$0.00002 each, (iii) 11,211,980 Series Seed Preferred Shares of a nominal or par value of

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US\$0.00002 each, (iv) 41,666,390 Series A Preferred Shares of a nominal or par value of US\$0.00002 each, (v) 34,367,565 Series B Preferred Shares of a nominal or par value of US\$0.00002 each, (vi) 12,897,840 Series C-1 Preferred Shares of a nominal or par value of US\$0.00002 each, (vii) 35,088,345 Series C-2 Preferred Shares of a nominal or par value of US\$0.00002 each, (viii) 50,248,035 Series C-3 Preferred Shares of a nominal or par value of US\$0.00002 each, (ix) 31,685,500 Series D-1 Preferred Shares of a nominal or par value of US\$0.00002 each, (x) 38,329,815 Series D-2 Preferred Shares of a nominal or par value of US\$0.00002 each, (xi) 61,444,480 Series E-1 Preferred Shares of a nominal or par value of US\$0.00002 each, (xii) 34,592,430 Series E-2 Preferred Shares of a nominal or par value of US\$0.00002 each, (xiii) 90,866,055 Series E-3 Preferred Shares of a nominal or par value of US\$0.00002 each, (xiv) 4,970,150 Series E-4 Preferred Shares of a nominal or par value of US\$0.00002 each, (xv) 91,030,500 Series F Preferred Shares of a nominal or par value of US\$0.00002 each, (xvi) 53,964,305 Series F-2 Preferred Shares of a nominal or par value of US\$0.00002 each, and (xvii) 23,137,380 Series F-3 Preferred Shares of a nominal or par value of US\$0.00002 each, with power for the Company insofar as is permitted by law, to redeem or purchase any of its shares and to increase or reduce the said capital subject to the provisions of the Companies Act (as amended) and the Articles of Association.

	As at 31 December				As at
					31 March
	2019	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Issued and fully paid:					
Class A ordinary shares	11	11	11	11	11
Class B ordinary shares	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>
	<u>21</u>	<u>21</u>	<u>21</u>	<u>21</u>	<u>21</u>

The movements in share capital are as follows:

	Number of shares in issue			Share capital RMB'000
	Class A	Class B	Total	
	ordinary shares	ordinary shares		
At 1 January 2019	—	—	—	—
Issue of shares (a)	<u>15,040,228</u>	<u>13,789,916</u>	<u>28,830,144</u>	<u>21</u>
At 31 December 2019, 2020 and 2021 and 1 January 2022	<u>15,040,228</u>	<u>13,789,916</u>	<u>28,830,144</u>	21
Share Subdivision by 1:5	<u>60,160,912</u>	<u>55,159,664</u>	<u>115,320,576</u>	—
At 31 December 2022 and 31 March 2023	<u>75,201,140</u>	<u>68,949,580</u>	<u>144,150,720</u>	<u>21</u>

- (a) Upon the Reorganisation on 31 October 2019, the Company issued and re-designated 15,040,228 Class A ordinary shares of a nominal or par value of US\$0.0001 each, and 13,789,916 Class B ordinary shares of a nominal or par value of US\$0.0001 each. Included in those shares 9,149,063 Class A ordinary shares and 885,124 Class B ordinary shares were issued upon the exercise of the employee share options.

### 38. Deficits

The amounts of the Group’s deficits and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity of the Group.

(a) Capital reserve

The capital reserve represents (i) the capital contributions from the then equity holders of the Group’s subsidiaries, after elimination of investments in subsidiaries and (ii) the waiver of an amount due to a related party. Details of the movement in capital reserve are set out in the consolidated statements of changes in equity of the Historical Financial Information.

(b) Share-based payment reserve

The share-based payment reserve comprises the fair value of share options granted, as further explained in the accounting policy for share-based payments in note 3 to the Historical Financial Information.

(c) Fair value reserve of financial assets at fair value through other comprehensive income

The Group irrevocably elected to recognise changes in the fair value of certain equity investments in other comprehensive income.

(d) Exchange fluctuation reserve

The exchange fluctuation reserve is used to record exchange differences arising from the translation of the financial information of entities of which the functional currency is not RMB.

(e) Statutory surplus reserve

In accordance with the PRC Company Law, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the PRC Company Law, part of the statutory surplus reserves may be converted to share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

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(f) Reserve movement of the Company

Period ended 31 December 2019

	Share- based payment reserve	Exchange fluctuation reserve	Accumulated losses	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 8 July 2019 (date of incorporation) . . . . .	—	—	—	—
Loss for the period . . . . .	—	—	365,495	365,495
Other comprehensive income for the period:				
Exchange differences on translation of financial statements . . . . .	—	77,125	—	77,125
Total comprehensive loss for the period . . . . .	—	77,125	365,495	442,620
Share-based payments . . . . .	191,306	—	—	191,306
At 31 December 2019 . . . . .	<u>191,306</u>	<u>77,125</u>	<u>365,495</u>	<u>633,926</u>

Year ended 31 December 2020

	Share- based payment reserve	Exchange fluctuation reserve	Accumulated losses	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2020 . . . . .	191,306	77,125	365,495	633,926
Loss for the year . . . . .	—	—	(3,005,733)	(3,005,733)
Other comprehensive income for the year:				
Exchange differences on translation of financial statements . . . . .	—	461,195	—	461,195
Total comprehensive loss for the year . . . . .	—	461,195	(3,005,733)	(2,544,538)
Share-based payments . . . . .	41,533	—	—	41,533
At 31 December 2020 . . . . .	<u>232,839</u>	<u>538,320</u>	<u>(2,640,238)</u>	<u>(1,869,079)</u>

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Year ended 31 December 2021

	Share-based Payment reserve	Exchange fluctuation reserve	Accumulated losses	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2021 .....	232,839	538,320	(2,640,238)	(1,869,079)
Loss for the year .....	—	—	(4,477,953)	(4,477,953)
Other comprehensive income for the year:				
Exchange differences on translation of financial statements .....	—	158,186	—	158,186
Total comprehensive loss for the year .....	—	158,186	(4,477,953)	(4,319,767)
Share-based payments .....	118,512	—	—	118,512
At 31 December 2021 .....	<u>351,351</u>	<u>696,506</u>	<u>(7,118,191)</u>	<u>(6,070,334)</u>

Year ended 31 December 2022

	Share-based Payment reserve	Fair value reserve of financial assets at fair value through other comprehensive income	Exchange fluctuation reserve	Accumulated losses	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2022 .....	351,351	—	696,506	(7,118,191)	(6,070,334)
Loss for the year .....	—	—	—	(1,360,912)	(1,360,912)
Other comprehensive income for the year:					
Fair value changes of equity investments designated at fair value through other comprehensive income .....	—	(121,487)	—	—	(121,487)
Exchange differences on translation of financial statements .....	—	—	(899,492)	—	(899,492)
Total comprehensive loss for the year .....	—	(121,487)	(899,492)	(1,360,912)	(2,381,891)
Share-based payments .....	219,339	—	—	—	219,339
At 31 December 2022 .....	<u>570,690</u>	<u>(121,487)</u>	<u>(202,986)</u>	<u>(8,479,103)</u>	<u>(8,232,886)</u>

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Three months ended 31 March 2022 (unaudited)

	Share-based payment reserve	Exchange fluctuation reserve	Accumulated losses	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2022 .....	351,351	696,506	(7,118,191)	(6,070,334)
Loss for the period .....	—	—	(349,237)	(349,237)
Other comprehensive income for the period:				
Exchange differences on translation of financial statements .....	—	40,167	—	40,167
Total comprehensive loss for the period .....	—	40,167	(349,237)	(309,070)
Share-based payments .....	52,912	—	—	52,912
At 31 March 2022 .....	<u>404,263</u>	<u>736,673</u>	<u>(7,467,428)</u>	<u>(6,326,492)</u>

Three months ended 31 March 2023

	Share-based payment reserve	Fair value reserve of financial assets through other comprehensive income at fair value	Exchange fluctuation reserve	Accumulated losses	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2023 .....	570,690	(121,487)	(202,986)	(8,479,103)	(8,232,886)
Loss for the period .....	—	—	—	(302,890)	(302,890)
Other comprehensive income for the period:					
Fair value changes of equity investments designated at fair value through other comprehensive income .....	—	37,523	—	—	37,523
Exchange differences on translation of financial statements .....	—	—	154,230	—	154,230
Total comprehensive loss for the period .....	—	37,523	154,230	(302,890)	(111,137)
Share-based payments .....	66,459	—	—	—	66,459
At 31 March 2023 .....	<u>637,149</u>	<u>(83,964)</u>	<u>(48,756)</u>	<u>(8,781,993)</u>	<u>(8,277,564)</u>

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39. Share-based payments

2019 Share Incentive Plan

On 31 October 2019, the Company’s shareholders and the board of directors approved the 2019 Share Incentive Plan (the “2019 Plan”) with a maximum aggregate number of 5,596,271 ordinary shares that are authorised to be issued under the 2019 Plan. The Company’s shareholders and board of directors subsequently approved to increase the share award pool under the 2019 Plan to 18,747,437 ordinary shares. (which was further adjusted to 93,737,185 ordinary shares after the Share Subdivision as described in note 37). Eligible participants of the 2019 Plan include the directors, consultants and employees of the Group. The 2019 Plan has a contractual term of ten years. The 2019 Plan replaced options granted under a previous plan on 31 October 2019 (the “Modification Date”) on a one for one basis.

Upon the adoption of the 2019 Plan, the exercise price was modified from RMB1 to US\$0.0001 per share, and the terms and conditions were modified such that the grantee can only exercise vested options upon the earlier of (i) the completion of the Company’s [REDACTED] and lapse of the applicable lock-up period; and (ii) consummation of a trade sale of the Company (liquidation, consolidation, merger or other business combination of the Company). The cost of the original award was recognised as if it had not been modified. The incremental fair value would be recognised over the period from the date of modification to the date of vesting for the modified instruments.

In addition, all the new grants under the 2019 Plan are also subject to the aforementioned performance condition.

Majority of outstanding share options granted to directors and employees will become vested in four equal tranches of 25% over a period of four years. Certain share options granted to employees of the Group will become vested in five tranches over a period of five years. The share options granted to consultants of the Group will become vested in two equal tranches of 50% over a period of two years.

The following share options were outstanding under the share-based payment scheme during the Relevant Periods:

Share options granted to directors and employees

	<b>Weighted average exercise price</b>	<b>Number of share options</b>
	<i>RMB per share</i>	<i>'000</i>
At 1 January 2019 .....		9,824
Granted .....	1	2,156
Exercised .....	1	(10,034)
Forfeited .....	1	(50)
Expired .....	1	(12)
At 31 October 2019 .....		<u>1,884</u>



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	<b>Weighted average exercise price</b>	<b>Number of share options</b>
	<i>US\$ per share</i>	<i>'000</i>
At 31 October 2019 .....		1,884
Granted .....	0.0001	<u>465</u>
At 31 December 2019 .....	0.0001	<u>2,349</u>
Exercisable as of 31 December 2019 .....		—
At 1 January 2020 .....		2,349
Granted .....	0.0001	2,391
Forfeited .....	0.0001	<u>(201)</u>
At 31 December 2020 .....	0.0001	<u>4,539</u>
Exercisable as of 31 December 2020 .....		—
At 1 January 2021 .....		4,539
Granted .....	0.0001	4,389
Forfeited .....	0.0001	<u>(796)</u>
At 31 December 2021 .....	<u>0.0001</u>	<u>8,132</u>
Exercisable as of 31 December 2021 .....		—
At 1 January 2022 .....		8,132
Forfeited before Share Subdivision .....	0.0001	(116)
Share Subdivision by 1:5 .....	0.00002	32,064
Granted after the Share Subdivision .....	0.00002	6,134
Forfeited after the Share Subdivision .....	0.00002	<u>(2,700)</u>
At 31 December 2022 .....	<u>0.00002</u>	<u>43,514</u>
Exercisable as of 31 December 2022 .....		—
At 1 January 2023 .....		43,514
Granted .....	0.00002	—
Forfeited .....	0.00002	<u>(1,927)</u>
At 31 March 2023 .....	<u>0.00002</u>	<u>41,587</u>
Exercisable as of 31 March 2023 .....		—

Share options granted to consultants

	<b>Weighted average exercise price</b>	<b>Number of share options</b>
	<i>US\$ per share</i>	<i>'000</i>
At 1 January 2019, 31 December 2019, 31 December 2020 and 1 January 2021 .....		—
Granted .....	0.0001	<u>222</u>
At 31 December 2021 .....	0.0001	<u>222</u>

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	Weighted average exercise price	Number of share options
	<i>US\$ per share</i>	<i>'000</i>
Exercisable as of 31 December 2021 .....		—
At 1 January 2022 .....		222
Share Subdivision by 1:5 .....	0.00002	888
Granted after the Share Subdivision .....	0.00002	1,434
Forfeited after the Share Subdivision .....	<u>0.00002</u>	<u>(352)</u>
At 31 December 2022 .....	<u>0.00002</u>	<u>2,192</u>
Exercisable as of 31 December 2022 .....		—
At 1 January 2023 and 31 March 2023 .....		<u>2,192</u>
Exercisable as of 31 March 2023 .....		—

The fair value of equity-settled share options granted was estimated as at the date of grant to employees and at the date the consultants render services using a binomial model, taking into account the terms and conditions upon which the options were granted, including the share options granted to the consultants as the fair value of the services received cannot be reliably estimated. The following table lists the key assumptions that the model used:

	Year ended 31 December			
	2019	2020	2021	2022
Dividend yield .....	0%	0%	0%	0%
Expected volatility .....	29%-31%	31%-35%	35%	35%
Risk free interest rate .....	1.52%-2.60%	0.55%-1.92%	0.93%-1.69%	2.94%-4.00%
Expected exercise multiple .....	2.50	2.50	2.50	2.50
Ordinary share price at grant date (US\$ per share) .....	3.93-6.47	6.51-11.77	11.77-19.06	4.20-4.38

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

The weighted average fair value of the share options at the grant date was RMB42.28, RMB67.13, RMB113.46 and RMB30.22 during years ended 31 December 2019, 2020, 2021 and 2022. The Group recognised share-based payment expenses of RMB95,121,000, RMB41,533,000, RMB113,448,000, RMB200,571,000, RMB53,563,000 and RMB49,595,000 in relation to the share options granted to directors and employees during the Relevant Periods and the three months ended 31 March 2022, and share-based payment expenses of nil, nil, RMB5,064,000, RMB18,768,000, RMB12,896,000 and RMB3,317,000 during the Relevant Periods and the three months ended 31 March 2022 in relation to the share options granted to consultants.

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40. Business combination

Year ended 31 December 2020

On 9 June 2020, the subsidiary of the Company, Shanghai Lantu Information Technology Co., Ltd. acquired 100% equity interests of Beijing Shengtang Insurance Broker Co., Ltd. (“Beijing Shengtang”) from a third party. The consideration was RMB53,196,000 and was paid in 2020.

On 31 December 2020, the subsidiary of the Company, Shanghai Yangman Consulting Ltd., Co. acquired 64.61% equity interests in Xi’an Jushuohua from a third party. The consideration was RMB21,841,000, with RMB13,000,000 paid during the year ended 31 December 2020 and the remaining RMB8,841,000 paid during the year ended 31 December 2021.

The fair values of the identifiable assets and liabilities of Xi’an Jushuohua and Beijing Shengtang as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition
		<i>RMB’000</i>
Right-of-use assets . . . . .		17,960
Other intangible assets . . . . .	19	41,368
Inventories . . . . .		153
Prepayments, other receivables and other assets . . . . .		8,240
Cash and cash equivalents . . . . .		28,006
Trade payables . . . . .		(549)
Other payables and accruals . . . . .		(3,532)
Lease liabilities . . . . .		(17,204)
Deferred tax liabilities . . . . .		(10,333)
Total identifiable net assets at fair value . . . . .		64,109
Non-controlling interests . . . . .		(3,861)
Goodwill on acquisition . . . . .	18	14,789
Satisfied by:		
Cash . . . . .		<u>75,037</u>
An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:		
Cash consideration paid during the year ended 31 December 2020 . . . . .		(66,196)
Cash and cash equivalents acquired . . . . .		<u>28,006</u>
Net outflow of cash and cash equivalents included in cash flows from investing activities . . . . .		<u>(38,190)</u>

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Since the acquisition, Xi’an Jushuohua Automobile Technology Co., Ltd and Beijing Shengtang Insurance Brokerage Co., Ltd. contributed RMB9,781,000 to the Group’s revenue and RMB444,000 to the consolidated loss for the year ended 31 December 2020.

Had the combination taken place at the beginning of the year, the revenue and the loss of the Group for the year would have been RMB8,755,212,000 and RMB3,928,848,000, respectively.

Year ended 31 December 2021

On 31 March 2021, the subsidiary of the Company, Shanghai Tuju Enterprise Management Consulting Co., Ltd. acquired 100% equity interests in Shanghai Xiangming from a third party. The consideration was RMB800,000, with RMB700,000 paid in 2021.

On 2 September 2021, the subsidiary of the Company, Shanghai Lantu Information Technology Co., Ltd. acquired 55% equity interests in Shanghai Fengtu Automobile Technology Co., Ltd. (“Shanghai Fengtu”) from a third party. The cash consideration was paid during the year ended 31 December 2021. The consideration was RMB14,960,000. Shanghai Lantu Information Technology Co., Ltd. previously owned 45% equity interests in Shanghai Fengtu and fair value of the 45% equity interests upon the acquisition date was RMB9,914,000.

The fair values of the identifiable assets and liabilities of Shanghai Fengtu and Shanghai Xiangming as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition
		RMB’000
Right-of-use assets . . . . .		7,662
Property, plant and equipment . . . . .	16	316
Inventories . . . . .		4,010
Trade receivables . . . . .		5,430
Prepayments, other receivables and other assets . . . . .		884
Cash and cash equivalents . . . . .		17,004
Trade payables . . . . .		(1,485)
Other payables and accruals . . . . .		(1,359)
Lease liabilities . . . . .		<u>(7,819)</u>
Total identifiable net assets at fair value . . . . .		24,643
Goodwill on acquisition . . . . .	18	<u>1,031</u>
Satisfied by:		
Fair value of 45% equity interests in Shanghai Fengtu . . . . .		9,914
Cash . . . . .		<u>15,760</u>
		<u>25,674</u>

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	Fair value recognised on acquisition
Notes	RMB’000
An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:	
Cash consideration paid during the year ended 31 December 2021 .....	(15,660)
Cash and cash equivalents acquired .....	<u>17,004</u>
Net inflow of cash and cash equivalents included in cash flows from investing activities .....	<u><u>1,344</u></u>

Since the acquisition, Shanghai Fengtu Automobile Technology Co., Ltd. and Xiangming (Shanghai) Automobile Technical Service Co., Ltd. contributed RMB7,214,000 to the Group’s revenue and contributed a profit of RMB447,000, which had been net off by the consolidated loss for the year ended 31 December 2021.

Had the combination taken place at the beginning of the year, the revenue and the loss of the Group for the year would have been RMB11,765,397,000 and RMB5,843,634,000, respectively.

**41. Notes to the consolidated statements of cash flows**

(a) Major non-cash transactions

During the Relevant Periods and the three months ended 31 March 2022, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB138,105,000, RMB258,229,000, RMB275,617,000, RMB156,809,000, RMB33,207,000 and RMB44,617,000, respectively, in respect of lease arrangements for plant and equipment.

During the year ended 31 December 2020 and 2021, the Group had non-cash gains from intangible assets contributed to an associate of RMB76,500,000 and RMB28,000,000, respectively.

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(b) Changes in liabilities arising from financing activities

Year ended 31 December 2019

	<b>Interest- bearing borrowings</b>	<b>Lease liabilities</b>	<b>Convertible redeemable preferred shares</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2019	(22,478)	(316,441)	(5,314,318)
Changes from financing cash flows	22,478	143,616	—
Repurchase of convertible redeemable preferred shares	—	—	879,097
Issuance of convertible redeemable preferred shares	—	—	(2,858,191)
Fair value changes of convertible redeemable preferred shares	—	—	(1,933,597)
Losses on repurchase of convertible redeemable preferred shares	—	—	(363,868)
New leases	—	(138,105)	—
Interest expense (note 9)	—	(16,772)	—
Termination of lease contracts	—	30,461	—
Exchange realignment	—	—	91,346
At 31 December 2019	<u>—</u>	<u>(297,241)</u>	<u>(9,499,531)</u>

Year ended 31 December 2020

	<b>Interest- bearing borrowings</b>	<b>Lease liabilities</b>	<b>Convertible redeemable preferred shares</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2020	—	(297,241)	(9,499,531)
Changes from financing cash flows	(2,020,300)	181,671	—
Issuance of convertible redeemable preferred shares	—	—	(127,192)
Fair value changes of convertible redeemable preferred shares	—	—	(2,992,664)
New leases	—	(258,229)	—
Acquisition of subsidiaries (note 40)	—	(17,204)	—
Interest expense (note 9)	—	(18,756)	—
Covid-19-related rent concessions from lessors	—	3,616	—
Termination of lease contracts	—	21,392	—
Exchange realignment	3,385	—	718,825
At 31 December 2020	<u>(2,016,915)</u>	<u>(384,751)</u>	<u>(11,900,562)</u>

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Year ended 31 December 2021

	<b>Interest- bearing borrowings</b>	<b>Lease liabilities</b>	<b>Convertible redeemable preferred shares</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2021 .....	(2,016,915)	(384,751)	(11,900,562)
Changes from financing cash flows .....	1,752,915	215,583	—
Issuance of convertible redeemable preferred shares .....	—	—	(2,643,593)
Fair value changes of convertible redeemable preferred shares .....	—	—	(4,441,164)
New leases .....	—	(275,617)	—
Acquisition of subsidiaries (note 40) .....	—	(7,819)	—
Interest expense (note 9) .....	—	(27,404)	—
Termination of lease contracts .....	—	48,756	—
Exchange realignment .....	—	—	376,092
At 31 December 2021 .....	<u>(264,000)</u>	<u>(431,252)</u>	<u>(18,609,227)</u>

Year ended 31 December 2022

	<b>Interest- bearing borrowings</b>	<b>Lease liabilities</b>	<b>Convertible redeemable preferred shares</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2022 .....	(264,000)	(431,252)	(18,609,227)
Changes from financing cash flows .....	264,000	211,440	—
Fair value changes of convertible redeemable preferred shares .....	—	—	(1,339,273)
New leases .....	—	(156,809)	—
Interest expense (note 9) .....	—	(24,246)	—
Termination of lease contracts .....	—	60,537	—
Exchange realignment .....	—	—	(1,777,988)
At 31 December 2022 .....	<u>—</u>	<u>(340,330)</u>	<u>(21,726,488)</u>

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Three months ended 31 March 2022 (unaudited)

	<b>Interest- bearing borrowings</b>	<b>Lease liabilities</b>	<b>Convertible redeemable preferred shares</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2022 .....	(264,000)	(431,252)	(18,609,227)
Changes from financing cash flows .....	214,000	59,498	—
Fair value changes of convertible redeemable preferred shares .....	—	—	(342,022)
New leases .....	—	(44,617)	—
Interest expense (note 9) .....	—	(7,282)	—
Termination of lease contracts .....	—	335	—
Exchange realignment .....	—	—	81,005
At 31 March 2022 (unaudited) .....	<u>(50,000)</u>	<u>(423,318)</u>	<u>(18,870,244)</u>

Three months ended 31 March 2023

	<b>Lease liabilities</b>	<b>Convertible redeemable preferred shares</b>
	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2023 .....	(340,330)	(21,726,488)
Changes from financing cash flows .....	50,983	—
Fair value changes of convertible redeemable preferred shares .....	—	(297,954)
New leases .....	(33,207)	—
Interest expense (note 9) .....	(4,901)	—
Termination of lease contracts .....	8,105	—
Exchange realignment .....	—	291,808
At 31 March 2023 .....	<u>(319,350)</u>	<u>(21,732,634)</u>



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(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	Year ended 31 December				Three months ended	
					31 March	
	2019	2020	2021	2022	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					<i>(Unaudited)</i>	
Within operating activities . . . . .	30,670	33,594	53,059	65,328	14,982	13,161
Within investing activities . . . . .	28,278	3,067	41,590	55,221	—	—
Within financing activities . . . . .	143,616	181,671	215,583	211,440	59,498	50,983
	<u>202,564</u>	<u>218,332</u>	<u>310,232</u>	<u>331,989</u>	<u>74,480</u>	<u>64,144</u>

**42. Commitments**

The Group had the following capital commitments at the end of each of the Relevant Periods:

	As at 31 December				As at
					31 March
	2019	2020	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contracted, but not provided for:					
Property, plant and equipment . . . . .	—	63,899	56,759	478,280	372,784
	<u>—</u>	<u>63,899</u>	<u>56,759</u>	<u>478,280</u>	<u>372,784</u>

The Group’s purchase commitments are primarily relevant to the construction of new automated warehouses and are all scheduled to be paid within one to two years.

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43. Related party transactions

(1) Significant related party transactions

The Group had the following material transactions carried out with related parties during the Relevant Periods and the three months ended 31 March 2022:

	Notes	Year ended 31 December				Three months ended 31 March	
		2019	2020	2021	2022	2022	2023
		RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
<b>Sales of products and services to related parties</b>							
Associates of the Group . . . . .	(i)	34,778	92,548	139,459	133,886	30,336	40,129
A joint venture of the Group . . . . .	(i)	—	—	—	1,195	—	859
<b>Purchases of products and services from related parties</b>							
Associates of the Group . . . . .	(ii)	45,916	50,283	39,775	22,608	5,484	7,018
A joint venture of the Group . . . . .	(ii)	—	—	—	—	—	775
One of the Company’s shareholders . . . .	(iii)	137,740	106,015	106,532	87,723	22,739	35,981
<b>Loan to related parties</b>							
Associates of the Group . . . . .	(iv)	—	25,600	4,000	37,370	740	—
Companies controlled by key management personnel . . . . .	(vii)	2,313	500	500	—	—	—
<b>Loan from related parties</b>							
Companies controlled by key management personnel . . . . .	(v)	—	11,707	1,000	—	—	—
<b>Repayment from related parties</b>							
Associates of the Group . . . . .	(iv)	—	4,200	17,800	44,234	7,659	531
Companies controlled by key management personnel . . . . .	(vii)	—	2,313	1,000	—	—	—
<b>Interest from related parties</b>							
Associates of the Group . . . . .	(iv)	—	480	374	—	—	—
<b>Repayment to related parties</b>							
Key management personnel of the Group . . . . .	(vi)	—	6,234	26,182	—	—	—
Companies controlled by key management personnel . . . . .	(v)	—	—	12,707	—	—	—

(Unaudited)

Notes:

(i) The sales to related parties were made according to the terms and prices agreed in the contracts.

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- (ii) The purchases from related parties were made according to the terms and prices agreed in the contracts. The purchases from the associates as well as a joint venture of the Group mainly comprise purchase of auto products and the installation services.
- (iii) One of the Company’s shareholders represents Tencent Holdings Limited and its affiliates. The purchase from Tencent Holdings Limited and its affiliates were made according to the terms and prices agreed in the contracts and purchases mainly comprises:
  - (a) advertising services amounting to RMB114,928,000, RMB69,897,000, RMB48,570,000 and RMB26,683,000, RMB17,137,000 and RMB6,967,000 for the Relevant Periods and the three months ended 31 March 2022, respectively;
  - (b) payment processing fees amounting to RMB21,064,000, RMB32,046,000, RMB48,602,000 and RMB46,009,000, RMB12,749,000 and RMB12,655,000 for the Relevant Periods and the three months ended 31 March 2022, respectively;
  - (c) cloud services amounting to RMB1,748,000, RMB4,072,000, RMB9,360,000 and RMB15,031,000, RMB6,095,000 and RMB3,117,000 for the Relevant Periods and the three months ended 31 March 2022, respectively.
- (iv) The loans to the associates of the Group were three short-term working capital loans amounting to RMB25,600,000 for the year ended 31 December 2020, one short-term working capital loan amounting to RMB4,000,000 for the year ended 31 December 2021, working capital loans amounting to RMB37,370,000 for the year ended 31 December 2022, and working capital loans amounting to nil and RMB740,000 for the three months ended 31 March 2023 and 2022 at interest rates ranging from nil to 12% per annum. The loans of RMB4,200,000, RMB17,800,000 and RMB44,232,000 and RMB531,000 had been repaid during the year ended 31 December 2020, 2021 and 2022 and the three months ended 31 March 2023, respectively. The remaining balance as at 31 March 2023 was RMB205,000 and was interest-free.
- (v) The loan from companies controlled by key management personnel is working capital advances that have been fully repaid in 2021.
- (vi) The loan from key management personnel is an interest-free working capital loan with a principal amount of RMB32,416,000 amongst which, RMB6,234,000 and RMB26,182,000 was repaid during the years ended 31 December 2020 and 2021, respectively.
- (vii) The loans to the companies controlled by key management personnel have been fully repaid during the year ended 31 December 2021.

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(2) Outstanding balances with related parties

Amounts due from related parties:

	Notes	As at 31 December				As at 31 March
		2019	2020	2021	2022	2023
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade related:						
Associates of the Group . . .		2,149	3,431	13,732	4,206	6,820
A joint venture of the Group . . . . .		—	—	—	113	1,342
One of the Company’s shareholders . . . . .		29,698	10,474	13,692	2,361	3,158
		<u>31,847</u>	<u>13,905</u>	<u>27,424</u>	<u>6,680</u>	<u>11,320</u>
Non-trade related:						
Associates of the Group . . .	(i)	—	21,400	7,600	736	205
Companies controlled by key management personnel . . . . .		2,505	759	—	—	—
		<u>2,505</u>	<u>22,159</u>	<u>7,600</u>	<u>736</u>	<u>205</u>

Amounts due to related parties:

	Notes	As at 31 December				As at 31 March
		2019	2020	2021	2022	2023
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade related:						
Associates of the Group . . .		13,351	20,262	15,193	11,735	13,180
A joint venture of the Group . . . . .		—	—	—	—	1,730
One of the Company’s shareholders . . . . .		—	—	—	3,422	—
		<u>13,351</u>	<u>20,262</u>	<u>15,193</u>	<u>15,157</u>	<u>14,910</u>
Non-trade related:						
Companies controlled by key management personnel . . . . .		—	11,707	—	—	—
Key management personnel of the Group . . . . .		32,416	26,182	—	—	—
		<u>32,416</u>	<u>37,889</u>	<u>—</u>	<u>—</u>	<u>—</u>

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Notes:

- (i) The non-trade balance due from associates of the Group as at 31 March 2023 represented working capital loans to an associate and it was interest-free. As at 31 May 2023, the non-trade balance due from associates of the Group had been fully repaid.

**(3) Compensation of key management personnel of the Group**

Compensation of key management personnel of the Group, which comprises the directors’ and chief executive’s remuneration that disclosed in note 11 to the Historical Financial Information, are as follows:

	Year ended 31 December				Three months ended 31 March	
	2019	2020	2021	2022	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
					<i>(Unaudited)</i>	
Salaries, allowances and benefits in kind . . . . .	6,669	9,133	11,102	12,699	4,223	1,734
Share-based payment expense . . . . .	29,759	416	26,278	80,253	20,116	21,273
Pension scheme contributions . . . . .	397	426	670	714	192	130
	<u>36,825</u>	<u>9,975</u>	<u>38,050</u>	<u>93,666</u>	<u>24,531</u>	<u>23,137</u>

**44. Financial instruments by category**

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

As at 31 December 2019

Financial assets

	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Financial investments at fair value through profit or loss . . .	—	31,943	31,943
Financial assets included in other non-current assets . . . . .	24,256	—	24,256
Trade receivables . . . . .	155,614	—	155,614
Financial assets included in other receivables and other assets . . . . .	80,710	—	80,710
Financial assets at fair value through profit or loss . . . . .	—	1,748,715	1,748,715
Cash and bank balances . . . . .	<u>2,321,033</u>	—	<u>2,321,033</u>
	<u>2,581,613</u>	<u>1,780,658</u>	<u>4,362,271</u>

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Financial liabilities

	<b>Financial liabilities at amortised cost</b>	<b>Financial liabilities at fair value through profit or loss</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and bills payables . . . . .	1,683,398	—	1,683,398
Financial liabilities included in other payables and accruals . . .	265,379	—	265,379
Convertible redeemable preferred shares . . . . .	—	9,499,531	9,499,531
Other non-current liabilities . . . . .	184,216	—	184,216
	<u>2,132,993</u>	<u>9,499,531</u>	<u>11,632,524</u>

As at 31 December 2020

Financial assets

	<b>Financial assets at amortised cost</b>	<b>Financial assets at fair value through profit or loss</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial investments at fair value through profit or loss . . .	—	145,963	145,963
Financial assets included in other non-current assets . . . . .	30,500	—	30,500
Trade receivables . . . . .	280,510	—	280,510
Financial assets included in other receivables and other assets . . . . .	181,205	—	181,205
Financial assets at fair value through profit or loss . . . . .	—	692,368	692,368
Cash and bank balances . . . . .	4,865,846	—	4,865,846
	<u>5,358,061</u>	<u>838,331</u>	<u>6,196,392</u>

Financial liabilities

	<b>Financial liabilities at amortised cost</b>	<b>Financial liabilities at fair value through profit or loss</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and bills payables . . . . .	2,808,434	—	2,808,434
Financial liabilities included in other payables and accruals . . . .	368,430	—	368,430
Interest-bearing borrowings . . . . .	2,016,915	—	2,016,915
Convertible redeemable preferred shares . . . . .	—	11,900,562	11,900,562
Other non-current liabilities . . . . .	329,780	—	329,780
	<u>5,523,559</u>	<u>11,900,562</u>	<u>17,424,121</u>

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As at 31 December 2021

Financial assets

	<b>Financial assets at amortised cost</b>	<b>Financial assets at fair value through profit or loss</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial investments at fair value through profit or loss . . .	—	201,038	201,038
Financial assets included in other non-current assets . . . . .	57,024	—	57,024
Trade receivables . . . . .	202,990	—	202,990
Financial assets included in other receivables and other assets . . . . .	182,448	—	182,448
Financial assets at fair value through profit or loss . . . . .	—	320,362	320,362
Cash and bank balances . . . . .	5,449,954	—	5,449,954
	<u>5,892,416</u>	<u>521,400</u>	<u>6,413,816</u>

Financial liabilities

	<b>Financial liabilities at amortised cost</b>	<b>Financial liabilities at fair value through profit or loss</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and bills payables . . . . .	3,240,321	—	3,240,321
Financial liabilities included in other payables and accruals . . . . .	626,460	—	626,460
Interest-bearing borrowings . . . . .	264,000	—	264,000
Convertible redeemable preferred shares . . . . .	—	18,609,227	18,609,227
Other non-current liabilities . . . . .	436,046	—	436,046
	<u>4,566,827</u>	<u>18,609,227</u>	<u>23,176,054</u>

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As at 31 December 2022

Financial assets

	<b>Financial assets at amortised cost</b>	<b>Financial assets at fair value through profit or loss</b>	<b>Financial assets at fair value through other comprehensive income</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial investments at fair value through profit or loss . . . . .	—	227,120	—	227,120
Equity investments designated at fair value through other comprehensive income . . . . .	—	—	289,312	289,312
Financial assets included in other non-current assets . . . . .	31,646	—	—	31,646
Trade receivables . . . . .	173,731	—	—	173,731
Financial assets included in other receivables and other assets . . . . .	150,463	—	—	150,463
Financial assets at fair value through profit or loss . . . . .	—	25,921	—	25,921
Cash and bank balances . . . . .	4,707,793	—	—	4,707,793
	<u>5,063,633</u>	<u>253,041</u>	<u>289,312</u>	<u>5,605,986</u>

Financial liabilities

	<b>Financial liabilities at amortised cost</b>	<b>Financial liabilities at fair value through profit or loss</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and bills payables . . . . .	3,119,324	—	3,119,324
Financial liabilities included in other payables and accruals . . . . .	719,330	—	719,330
Convertible redeemable preferred shares . . . . .	—	21,726,488	21,726,488
Other non-current liabilities . . . . .	397,657	—	397,657
	<u>4,236,311</u>	<u>21,726,488</u>	<u>25,962,799</u>



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As at 31 March 2023

Financial assets

	<b>Financial assets at amortised cost</b>	<b>Financial assets at fair value through profit or loss</b>	<b>Financial assets at fair value through other comprehensive income</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial investments at fair value through profit or loss . . . . .	—	236,413	—	236,413
Equity investments designated at fair value through other comprehensive income . . . . .	—	—	322,892	322,892
Financial assets included in other non-current assets . . . . .	34,277	—	—	34,277
Trade receivables . . . . .	195,827	—	—	195,827
Financial assets included in other receivables and other assets . . . . .	137,330	—	—	137,330
Financial assets at fair value through profit or loss . . . . .	—	48,013	—	48,013
Cash and bank balances . . . . .	<u>4,670,285</u>	<u>—</u>	<u>—</u>	<u>4,670,285</u>
	<u>5,037,719</u>	<u>284,426</u>	<u>322,892</u>	<u>5,645,037</u>

Financial liabilities

	<b>Financial liabilities at amortised cost</b>	<b>Financial liabilities at fair value through profit or loss</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and bills payables . . . . .	3,231,297	—	3,231,297
Financial liabilities included in other payables and accruals . . . . .	690,329	—	690,329
Convertible redeemable preferred shares . . . . .	—	21,732,634	21,732,634
Other non-current liabilities . . . . .	<u>404,797</u>	<u>—</u>	<u>404,797</u>
	<u>4,326,423</u>	<u>21,732,634</u>	<u>26,059,057</u>

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45. Fair value and fair value hierarchy of financial instruments

The carrying amounts and fair values of the Group’s financial instruments, other than those with carrying amounts that reasonably approximate to their fair values, are as follows:

	Carrying amounts					Fair values				
	31 March					31 March				
	2019	2020	2021	2022	2023	2019	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Financial assets</b>										
Financial investments at fair value through profit or loss . . . . .	31,943	145,963	201,038	227,120	236,413	31,943	145,963	201,038	227,120	236,413
Equity investments designated at fair value through other comprehensive income . . . . .	—	—	—	289,312	322,892	—	—	—	289,312	322,892
Financial assets at fair value through profit or loss . . . . .	1,748,715	692,368	320,362	25,921	48,013	1,748,715	692,368	320,362	25,921	48,013
<b>Financial liabilities</b>										
Convertible redeemable preferred shares . . . . .	9,499,531	11,900,562	18,609,227	21,726,488	21,732,634	9,499,531	11,900,562	18,609,227	21,726,488	21,732,634

Management has assessed that the fair values of cash and bank balances, trade receivables, financial assets included in other receivables and other assets, financial assets included in other non-current assets, trade and bills payables, financial liabilities included in other payables and accruals, interest-bearing borrowings and other non-current liabilities approximate to their carrying amounts.

The Group’s finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of each of the Relevant Periods, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

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The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair value of other non-current liabilities has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group’s own non-performance risk for the long-term interest-bearing borrowings as at the end of each of the Relevant Periods was assessed to be insignificant.

The Group, with the assistance of an external appraiser, measures financial instruments such as financial investments and convertible redeemable preferred shares at the end of each of the Relevant Periods.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group’s financial instruments :

As at 31 December 2019:

	<u>Fair value measurement categorised into</u>			<u>Total</u>
	<u>Quoted prices in active markets</u>	<u>Significant observable inputs</u>	<u>Significant unobservable inputs</u>	
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Financial investments at fair value through profit or loss . . . . .	—	—	31,943	31,943
Financial assets at fair value through profit or loss . . . .	—	1,748,715	—	1,748,715
Convertible redeemable preferred shares . . . . .	—	—	9,499,531	9,499,531
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

As at 31 December 2020:

	<u>Fair value measurement categorised into</u>			<u>Total</u>
	<u>Quoted prices in active markets</u>	<u>Significant observable inputs</u>	<u>Significant unobservable inputs</u>	
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Financial investments at fair value through profit or loss . . . . .	—	—	145,963	145,963
Financial assets at fair value through profit or loss . . . .	—	692,368	—	692,368
Convertible redeemable preferred shares . . . . .	—	—	11,900,562	11,900,562
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

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As at 31 December 2021:

	Fair value measurement categorised into			Total
	Quoted prices	Significant	Significant	
	in active	observable	unobservable	
	markets	inputs	inputs	
(Level 1)	(Level 2)	(Level 3)		
	RMB'000	RMB'000	RMB'000	RMB'000
Financial investments at fair value through profit or loss	—	—	201,038	201,038
Financial assets at fair value through profit or loss	—	320,362	—	320,362
Convertible redeemable preferred shares	—	—	18,609,227	18,609,227

As at 31 December 2022:

	Fair value measurement categorized into			Total
	Quoted prices	Significant	Significant	
	in active	observable	unobservable	
	markets	inputs	inputs	
(Level 1)	(Level 2)	(Level 3)		
	RMB'000	RMB'000	RMB'000	RMB'000
Financial investments at fair value through profit or loss	—	—	227,120	227,120
Equity investments designated at fair value through other comprehensive income	289,312	—	—	289,312
Financial assets at fair value through profit or loss	—	25,921	—	25,921
Convertible redeemable preferred shares	—	—	21,726,488	21,726,488

As at 31 March 2023:

	Fair value measurement categorized into			Total
	Quoted prices	Significant	Significant	
	in active	observable	unobservable	
	markets	inputs	inputs	
(Level 1)	(Level 2)	(Level 3)		
	RMB'000	RMB'000	RMB'000	RMB'000
Financial investments at fair value through profit or loss	—	—	236,413	236,413
Equity investments designated at fair value through other comprehensive income	322,892	—	—	322,892
Financial assets at fair value through profit or loss	—	48,013	—	48,013
Convertible redeemable preferred shares	—	—	21,732,634	21,732,634

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The following table is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2019, 2020, 2021 and 2022 and 31 March 2023:

Description	Unobservable inputs	Range of inputs					Relationship of unobservable inputs to fair values
		31 December 2019	31 December 2020	31 December 2021	31 December 2022	31 March 2023	
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Financial investments at fair value through profit or loss . . . . .	Expected	38.30%	41.19%	35.39%	37.34%	41.00%	The higher the expected volatility, the lower the fair value
	Volatility	-53.50%	-52.15%	-58.11%	-50.00%	-42.89%	
	DLOM	21.31%	21.86%	19.16%	13.23%	12.16%	
		-30.07%	-30.00%	-30.00%	-30.00%	-18.49%	The higher the DLOM, the lower the fair value
	Risk free rate	2.89%	2.88%	2.54%	2.35%	2.35%	The higher the risk-free rate, the higher the fair value
		-3.09%	-3.17%	-2.80%	-2.64%	-2.66%	
Convertible redeemable preferred shares . . . . .	Expected	31.34%	44.12%	32.93%	37.05%	36.26%	The higher the expected volatility, the lower the fair value
	Volatility			-40.70%	-38.03%	-37.01%	
	DLOM	13.39%	16.12%	8.58%	7.68%	5.89%	
	Risk free rate	1.65%	0.17%	0.19%	4.57%	4.00%	The higher the risk-free rate, the lower the fair value
				-1.04%	-4.60%	-4.79%	

If the fair values of the financial investment at fair value through profit or loss held by the Group had been 10% higher/lower, the loss before income tax for the years ended 31 December 2019, 2020, 2021 and 2022 and the three months ended 31 March 2023 would have been approximately RMB3,194,000 lower/higher, RMB14,596,000 lower/higher, RMB20,104,000 lower/higher, and RMB15,771,000 lower/higher and RMB10,145,000 lower/higher, respectively.

Fair value of convertible redeemable preferred shares is affected by changes in Company’s equity value. If the Company’s equity value had increased/decreased by 10% with all other variables held constant, the loss before income tax for the years ended 31 December 2019, 2020, 2021 and 2022 and the three months ended 31 March 2023 would have been approximately RMB844 million higher/ RMB853 million lower, RMB1,100 million higher/ RMB1,105 million lower, RMB1,788 million higher/ RMB1,792 million lower, and RMB2,088 million higher/ RMB2,089 million lower, and RMB2,084 million higher/ RMB2,086 million lower, respectively. During the period/year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

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46. Financial risk management objectives and policies

The Group’s principal financial instruments comprise interest-bearing borrowings, convertible redeemable preferred shares, financial assets at fair value through profit or loss and cash and bank balances. The main purpose of these financial instruments is to support the Group’s operations. The Group has various other financial assets and liabilities such as trade receivables and trade and bills payables which arise directly from its operations.

The main risks arising from the Group’s financial instruments are foreign currency risk, credit risk and liquidity risk. As the Group’s exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing these risks and they are summarised below.

*Foreign currency risk*

The Group operates the businesses in Mainland China and nearly all operational transactions are conducted in RMB. The foreign currency exposures of the Group mainly arise from the bank balances denominated in US\$ held by the subsidiaries of the Company incorporated in Mainland China.

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in the RMB and US\$ exchange rate, with all other variables held constant, of the Group’s loss before tax and the Group’s equity.

	Increase/ (decrease) in rate of foreign currency	Increase/ (decrease) in loss before tax	Increase/ (decrease) in equity
	%	RMB’000	RMB’000
Year ended 31 December 2019			
If RMB weakens against US\$ .....	5	(14,043)	14,043
If RMB strengthens against US\$ .....	(5)	14,043	(14,043)
Year ended 31 December 2020			
If RMB weakens against US\$ .....	5	(13,352)	13,352
If RMB strengthens against US\$ .....	(5)	13,352	(13,352)
Year ended 31 December 2021			
If RMB weakens against US\$ .....	5	(21,027)	21,027
If RMB strengthens against US\$ .....	(5)	21,027	(21,027)
Year ended 31 December 2022			
If RMB weakens against US\$ .....	5	(7,692)	7,692
If RMB strengthens against US\$ .....	(5)	7,692	(7,692)
Three months ended 31 March 2023			
If RMB weakens against US\$ .....	5	(21,448)	21,448
If RMB strengthens against US\$ .....	(5)	21,448	(21,448)

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*Credit risk*

The Group trades only with recognised and creditworthy third parties and related parties. It is the Group’s policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group’s exposure to bad debts is not significant.

*Maximum exposure year-end staging*

The table below shows the credit quality and the maximum exposure to credit risk based on the Group’s credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at the end of each of the Relevant Periods. The amounts presented are gross carrying amounts for financial assets.

31 December 2019

	12 months	Lifetime ECLs			Total
	ECLs				
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets included in other non-current assets — normal**	24,256	—	—	—	24,256
Trade receivables*	—	—	—	174,155	174,155
Financial assets included in other receivables and other assets — normal**	80,710	—	—	—	80,710
Financial assets included in other receivables and other assets — doubtful**	—	—	329	—	329
Cash and bank balances	2,321,033	—	—	—	2,321,033
Total	<u>2,425,999</u>	<u>—</u>	<u>329</u>	<u>174,155</u>	<u>2,600,483</u>

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31 December 2020

	12 months	Lifetime ECLs			Total
	ECLs	Simplified			
	Stage 1	Stage 2	Stage 3	approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets included in other non-current assets — normal**	30,500	—	—	—	30,500
Trade receivables*	—	—	—	291,972	291,972
Financial assets included in other receivables and other assets — normal**	181,205	—	—	—	181,205
Financial assets included in other receivables and other assets — doubtful**	—	—	525	—	525
Cash and bank balances	4,865,846	—	—	—	4,865,846
<b>Total</b>	<b>5,077,551</b>	<b>—</b>	<b>525</b>	<b>291,972</b>	<b>5,370,048</b>

31 December 2021

	12 months	Lifetime ECLs			Total
	ECLs	Simplified			
	Stage 1	Stage 2	Stage 3	approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets included in other non-current assets — normal**	57,024	—	—	—	57,024
Trade receivables*	—	—	—	215,607	215,607
Financial assets included in other receivables and other assets — normal**	182,448	—	—	—	182,448
Financial assets included in other receivables and other assets — doubtful**	—	—	344	—	344
Cash and bank balances	5,449,954	—	—	—	5,449,954
<b>Total</b>	<b>5,689,426</b>	<b>—</b>	<b>344</b>	<b>215,607</b>	<b>5,905,377</b>



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31 December 2022

	12 months		Lifetime ECLs		
	ECLs				
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets included in other non-current assets — normal**	31,646	—	—	—	31,646
Trade receivables*	—	—	—	188,976	188,976
Financial assets included in other receivables and other assets — normal**	150,463	—	—	—	150,463
Financial assets included in other receivables and other assets — doubtful**	—	—	2,944	—	2,944
Cash and bank balances	4,707,793	—	—	—	4,707,793
Total	<u>4,889,902</u>	<u>—</u>	<u>2,944</u>	<u>188,976</u>	<u>5,081,822</u>

31 March 2023

	12 months		Lifetime ECLs		
	ECLs				
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets included in other non-current assets — normal**	52,238	—	—	—	52,238
Trade receivables*	—	—	—	211,795	211,795
Financial assets included in other receivables and other assets — normal**	137,330	—	—	—	137,330
Financial assets included in other receivables and other assets — doubtful**	—	—	4,327	—	4,327
Cash and bank balances	4,670,285	—	—	—	4,670,285
Total	<u>4,859,853</u>	<u>—</u>	<u>4,327</u>	<u>211,795</u>	<u>5,075,975</u>

\* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 26 to the Historical Financial Information.

\*\* The credit quality of the financial assets included in other receivables and other assets and financial assets included in other non-current assets is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

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*Liquidity risk*

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations to meet its debt obligations as they fall due, and its ability to obtain external financing to meet its committed future capital expenditure.

The maturity profile of the Group’s financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

31 December 2019

	<b>On demand</b>	<b>Within 1 year</b>	<b>1 to 2 years</b>	<b>2 to 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade and bills payables . . . . .	—	1,670,181	13,217	—	—	1,683,398
Financial liabilities included in other payables and accruals . . . . .	—	265,379	—	—	—	265,379
Lease liabilities . . . . .	—	127,729	95,690	89,644	9,474	322,537
Convertible redeemable preferred shares (note) . . . . .	—	—	—	12,318,066	827	12,318,893
Other non-current liabilities . . . . .	—	—	31,400	122,200	30,616	184,216
<b>Total . . . . .</b>	<b>—</b>	<b>2,063,289</b>	<b>140,307</b>	<b>12,529,910</b>	<b>40,917</b>	<b>14,774,423</b>

31 December 2020

	<b>On demand</b>	<b>Within 1 year</b>	<b>1 to 2 years</b>	<b>2 to 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade and bills payables . . . . .	—	2,792,712	15,722	—	—	2,808,434
Financial liabilities included in other payables and accruals . . . . .	—	368,430	—	—	—	368,430
Lease liabilities . . . . .	—	152,465	131,828	124,279	20,844	429,416
Interest-bearing borrowings . . . . .	—	2,016,915	—	—	—	2,016,915
Convertible redeemable preferred shares (note) . . . . .	—	—	—	11,985,116	827	11,985,943
Other non-current liabilities . . . . .	—	—	109,041	165,797	54,942	329,780
<b>Total . . . . .</b>	<b>—</b>	<b>5,330,522</b>	<b>256,591</b>	<b>12,275,192</b>	<b>76,613</b>	<b>17,938,918</b>

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31 December 2021

	<b>On demand</b>	<b>Within 1 year</b>	<b>1 to 2 years</b>	<b>2 to 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and bills payables . . . . .	—	3,233,180	7,141	—	—	3,240,321
Financial liabilities included in						
other payables and accruals . . . . .	—	626,460	—	—	—	626,460
Lease liabilities . . . . .	—	170,779	128,194	150,100	35,894	484,967
Interest-bearing borrowings . . . . .	—	264,000	—	—	—	264,000
Convertible redeemable preferred						
shares (note) . . . . .	—	—	—	17,672,632	827	17,673,459
Other non-current liabilities . . . . .	—	—	103,240	332,806	—	436,046
<b>Total . . . . .</b>	<b>—</b>	<b>4,294,419</b>	<b>238,575</b>	<b>18,155,538</b>	<b>36,721</b>	<b>22,725,253</b>

31 December 2022

	<b>On demand</b>	<b>Within 1 year</b>	<b>1 to 2 years</b>	<b>2 to 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and bills payables . . . . .	—	3,111,433	7,891	—	—	3,119,324
Financial liabilities included in						
other payables and accruals . . . . .	—	719,330	—	—	—	719,330
Lease liabilities . . . . .	—	146,024	93,373	110,852	18,503	368,752
Convertible redeemable preferred						
shares (note) . . . . .	—	—	—	18,557,609	827	18,558,436
Other non-current liabilities . . . . .	—	—	172,348	225,309	—	397,657
<b>Total . . . . .</b>	<b>—</b>	<b>3,976,787</b>	<b>273,612</b>	<b>18,893,770</b>	<b>19,330</b>	<b>23,163,499</b>

31 March 2023

	<b>On demand</b>	<b>Within 1 year</b>	<b>1 to 2 years</b>	<b>2 to 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and bills payables . . . . .	—	3,223,392	7,905	—	—	3,231,297
Financial liabilities included in						
other payables and accruals . . . . .	—	690,329	—	—	—	690,329
Lease liabilities . . . . .	—	154,081	89,937	104,902	12,905	361,825
Convertible redeemable preferred						
shares (note) . . . . .	—	—	—	18,418,002	827	18,418,829
Other non-current liabilities . . . . .	—	—	182,203	222,594	—	404,797
<b>Total . . . . .</b>	<b>—</b>	<b>4,067,802</b>	<b>280,045</b>	<b>18,745,498</b>	<b>13,732</b>	<b>23,107,077</b>

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Note: The liquidity risk of convertible redeemable preferred shares other than Series Seed is calculated based on the redemption price, which equals to the original issue price or deemed issue price as applicable plus the respective predetermined interest, assuming that no consummation of Qualified [REDACTED] before the respective date of the redemption event at the end of each of the Relevant Periods and the holder of those preferred shares request the Company to redeem all of the preferred shares. The liquidity risk of Series Seed preferred shares is calculated based on the liquidation price. Details of the descriptions of convertible redeemable preferred shares are presented in note 34.

*Capital management*

The primary objectives of the Group’s capital management are to safeguard the Group’s ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders’ value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may issue new shares or return capital to shareholders. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using gearing ratio, which is total liabilities minus convertible redeemable preferred shares, divided by total assets. The gearing ratio as at the end of each of the Relevant Periods are as follows:

	As at 31 December				As at 31 March
	2019	2020	2021	2022	2023
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Total assets . . . . .	<u>6,164,425</u>	<u>9,034,317</u>	<u>9,832,154</u>	<u>9,014,116</u>	<u>9,137,238</u>
Total liabilities minus the convertible redeemable preferred shares . . . . .	<u>3,160,177</u>	<u>7,039,298</u>	<u>6,587,301</u>	<u>6,244,192</u>	<u>6,276,037</u>
Gearing ratio . . . . .	<u>51%</u>	<u>78%</u>	<u>67%</u>	<u>69%</u>	<u>69%</u>

**47. Events after the reporting period**

The Group has evaluated subsequent events through the date of the Accountants’ Report, and noted no significant subsequent events.

**48. Subsequent financial statements**

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 March 2023.

## APPENDIX IIA

## UNAUDITED INTERIM FINANCIAL INFORMATION

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### REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF TUHU CAR INC.

#### Introduction

We have reviewed the interim financial information set out on pages IIA-2 to IIA-36, which comprises the condensed consolidated statement of financial position of Tuhu Car Inc. (the “Company”) and its subsidiaries (the “Group”) as at 30 June 2023 and the related condensed consolidated statements of profit or loss, comprehensive loss, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”) issued by the International Accounting Standards Board (the “IASB”). Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

#### Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

[●]

*Certified Public Accountants*

Hong Kong

[Date]

**APPENDIX IIA** **UNAUDITED INTERIM FINANCIAL INFORMATION**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

**For the six months ended 30 June 2023**

	Notes	Six months ended 30 June	
		2023	2022
		RMB'000	RMB'000
		(Unaudited)	
Revenue	5	6,521,629	5,468,028
Cost of revenue		(4,943,520)	(4,471,057)
Gross profit		1,578,109	996,971
Other income and gains, net	6	83,223	58,147
Operations and support expenses		(272,020)	(321,314)
Research and development expenses		(297,957)	(318,190)
Selling and marketing expenses		(841,540)	(741,839)
General and administrative expenses		(185,454)	(198,569)
Fair value changes on financial assets at fair value through profit or loss		2,370	6,747
Operating profit/(loss)		66,731	(518,047)
Finance income		61,640	17,563
Finance costs		(9,479)	(16,337)
Fair value changes of convertible redeemable preferred shares		(47,161)	(406,245)
Share of losses of:			
Joint ventures		(1,518)	—
Associates		(77)	(12,946)
PROFIT/(LOSS) BEFORE TAX	7	70,136	(936,012)
Income tax expense	8	(10,649)	(15,847)
PROFIT/(LOSS) FOR THE PERIOD		<u>59,487</u>	<u>(951,859)</u>
Attributable to:			
Owners of the parent		60,264	(950,632)
Non-controlling interests		(77)	(1,227)
		<u>59,487</u>	<u>(951,859)</u>
EARNINGS/(LOSSES) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (RMB)	10	<u>0.4</u>	<u>(7)</u>
Diluted (RMB)	10	<u>0.1</u>	<u>(7)</u>

**APPENDIX IIA** **UNAUDITED INTERIM FINANCIAL INFORMATION**

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

**For the six months ended 30 June 2023**

	<u>Six months ended 30 June</u>	
	<u>2023</u>	<u>2022</u>
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	
PROFIT/(LOSS) FOR THE PERIOD .....	<u>59,487</u>	<u>(951,859)</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive loss that will be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the financial statements of the subsidiaries of the Company .....	(351,738)	(372,770)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value .....	84,054	—
Exchange differences on translation of the financial statements of the Company ...	(389,834)	(487,786)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX .....	(657,518)	(860,556)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD .....	<u>(598,031)</u>	<u>(1,812,415)</u>
Attributable to:		
Owners of the parent .....	(597,254)	(1,811,188)
Non-controlling interests .....	(777)	(1,227)
	<u>(598,031)</u>	<u>(1,812,415)</u>

**APPENDIX IIA**

**UNAUDITED INTERIM FINANCIAL INFORMATION**

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**30 June 2023**

	Notes	<b>30 June 2023</b>	<b>31 December 2022</b>
		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment . . . . .	11	785,665	671,032
Right-of-use assets . . . . .		497,402	467,714
Goodwill . . . . .		20,323	15,820
Other intangible assets . . . . .		70,027	69,975
Financial investments at fair value through profit or loss . . . . .		200,140	227,120
Investments in joint ventures . . . . .		208,616	115,375
Investments in associates . . . . .		163,617	163,694
Equity investments designated at fair value through other comprehensive income . . . . .		387,319	289,312
Restricted cash and time deposits . . . . .		12,399	403
Other non-current assets . . . . .		68,124	87,825
Total non-current assets . . . . .		<u>2,413,632</u>	<u>2,108,270</u>
<b>CURRENT ASSETS</b>			
Inventories . . . . .		1,419,565	1,542,547
Trade receivables . . . . .	12	206,918	173,731
Prepayments, other receivables and other assets . . . . .		418,024	456,257
Financial assets at fair value through profit or loss . . . . .		304,327	25,921
Restricted cash and time deposits . . . . .		1,622,856	2,021,037
Cash and cash equivalents . . . . .		3,193,844	2,686,353
Total current assets . . . . .		<u>7,165,534</u>	<u>6,905,846</u>



**APPENDIX IIA** **UNAUDITED INTERIM FINANCIAL INFORMATION**

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(continued)

30 June 2023

	Notes	<b>30 June 2023</b>	<b>31 December 2022</b>
		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	
<b>CURRENT LIABILITIES</b>			
Trade and bills payables . . . . .	13	3,161,562	3,119,324
Other payables and accruals . . . . .		1,626,239	1,566,010
Contract liabilities . . . . .		678,068	653,045
Interest-bearing borrowings . . . . .		1,009	—
Tax payable . . . . .		106,305	97,225
Lease liabilities . . . . .		150,587	136,595
Total current liabilities . . . . .		<u>5,723,770</u>	<u>5,572,199</u>
<b>NET CURRENT ASSETS</b> . . . . .		<u>1,441,764</u>	<u>1,333,647</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> . . . . .		<u>3,855,396</u>	<u>3,441,917</u>
<b>NON-CURRENT LIABILITIES</b>			
Convertible redeemable preferred shares . . . . .	14	22,589,346	21,726,488
Interest-bearing borrowings . . . . .		8,000	—
Contract liabilities . . . . .		56,129	60,268
Lease liabilities . . . . .		229,256	203,735
Deferred tax liabilities . . . . .		10,333	10,333
Other non-current liabilities . . . . .		413,735	397,657
Total non-current liabilities . . . . .		<u>23,306,799</u>	<u>22,398,481</u>
<b>Net liabilities</b> . . . . .		<u>(19,451,403)</u>	<u>(18,956,564)</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital . . . . .	15	21	21
Deficits . . . . .		(19,458,621)	(18,956,780)
		(19,458,600)	(18,956,759)
Non-controlling interests . . . . .		7,197	195
<b>Total equity</b> . . . . .		<u>(19,451,403)</u>	<u>(18,956,564)</u>

APPENDIX IIA

UNAUDITED INTERIM FINANCIAL INFORMATION

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to ordinary equity holders of the parent								
	Share capital	Capital reserve*	Share-based payment reserve*	Fair value reserve of financial assets at			Non-controlling interests	Total equity	
				Share-based payment reserve*	Exchange fluctuation reserve*	Accumulated losses*			Total
RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	
At 1 January 2023	21	128,094	570,690	(121,487)	(737,289)	(18,796,788)	60,264	195	(18,956,564)
Profit/(loss) for the period	—	—	—	—	—	60,264	—	(777)	59,487
Other comprehensive income/(loss) for the period:									
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	—	—	—	84,054	—	—	84,054	—	84,054
Exchange differences on translation of foreign operations	—	—	—	—	(741,572)	—	(741,572)	—	(741,572)
Total comprehensive income/(loss) for the period	—	—	—	84,054	(741,572)	60,264	(597,254)	(777)	(598,031)
Share-based payments	—	—	95,413	—	—	—	95,413	—	95,413
Acquisition of a subsidiary	—	—	—	—	—	—	—	7,779	7,779
At 30 June 2023 (unaudited)	21	128,094	666,103	(37,433)	(1,478,861)	(18,736,524)	(19,458,600)	7,197	(19,451,403)

APPENDIX IIA

UNAUDITED INTERIM FINANCIAL INFORMATION

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

For the six months ended 30 June 2022

	Attributable to ordinary equity holders of the parent						Total equity RMB'000	
	Share capital RMB'000	Capital reserve RMB'000	Share-based payment reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000		Non-controlling interests RMB'000
At 1 January 2022	21	128,094	351,351	814,438	(16,660,615)	(15,366,711)	2,337	(15,364,374)
Loss for the period	—	—	—	—	(950,632)	(950,632)	(1,227)	(951,859)
Other comprehensive loss for the period:								
Exchange differences on translation of foreign operations	—	—	—	(860,556)	—	(860,556)	—	(860,556)
Total comprehensive loss for the period	—	—	—	(860,556)	(950,632)	(1,811,188)	(1,227)	(1,812,415)
Share-based payments	—	—	118,003	—	—	118,003	—	118,003
At 30 June 2022	21	128,094	469,354	(46,118)	(17,611,247)	(17,059,896)	1,110	(17,058,786)

\* These reserve accounts comprise the consolidated deficits of RMB19,458,621,000 in the interim condensed consolidated statements of financial position as at 30 June 2023.

APPENDIX IIA

UNAUDITED INTERIM FINANCIAL INFORMATION

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023	2022
		<i>RMB '000</i>	<i>RMB '000</i>
		(Unaudited)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit/(loss) before tax	7	70,136	(936,012)
Adjustments for:			
Finance income		(61,640)	(17,563)
Finance costs		9,479	16,337
Dividend income		(1,778)	—
Share of losses of joint ventures		1,518	—
Share of losses of associates		77	12,946
Fair value changes of convertible redeemable preferred shares	14	47,161	406,245
Fair value changes of financial assets at fair value through profit or loss		(122)	(2,118)
Share-based payment expense		95,413	118,003
Loss on disposal of property, plant and equipment		406	2,929
Foreign exchange differences		(21,533)	(27,164)
Depreciation of property, plant and equipment		79,001	71,247
Depreciation of right-of-use assets		97,951	103,737
Amortisation of other intangible assets		2,337	1,760
Impairment/(reversal of impairment) losses on trade receivables and other receivables		10,356	(50)
Impairment of inventories		23,993	35,347
Impairment of property, plant and equipment		—	369
Impairment of right-of-use assets		—	1,053
Termination of leases		(533)	267
		<u>352,222</u>	<u>(212,667)</u>
Decrease in inventories		99,769	166,174
(Increase)/decrease in trade receivables		(34,711)	9,269
Decrease in prepayments, other receivables and other assets		35,812	45,660
Decrease in other non-current assets		717	1,258
Decrease/(increase) in restricted cash		160,402	(147,865)
Increase/(decrease) in trade and bills payables		41,077	(300,869)
Increase/(decrease) in other payables and accruals		29,009	(90,353)
Increase/(decrease) in contract liabilities		16,025	(41,382)
Increase in other non-current liabilities		16,078	2,291
Cash generated from/(used in) operations		<u>716,400</u>	<u>(568,484)</u>
Income tax paid		(1,569)	(372)
Net cash flows from/(used in) operating activities		<u>714,831</u>	<u>(568,856)</u>

**APPENDIX IIA**

**UNAUDITED INTERIM FINANCIAL INFORMATION**

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)**

**For the six months ended 30 June 2023**

	Notes	Six months ended 30 June	
		2023	2022
		RMB '000	RMB '000
		(Unaudited)	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Dividends received from a joint venture . . . . .		5,241	—
Dividends received from financial investments at fair value through profit or loss . . .		1,778	—
Purchase of items of property, plant and equipment . . . . .		(165,207)	(164,162)
Purchase of other intangible assets . . . . .		(2,009)	(7,415)
Purchase of right-of-use assets — land use right . . . . .		—	(55,221)
Purchase of financial assets at fair value through profit or loss . . . . .		(308,597)	(1,775,825)
Proceeds from disposal of financial assets at fair value through profit or loss . . . . .		30,576	2,068,477
Purchase of financial investments at fair value through profit or loss . . . . .		(15,801)	(48,438)
Proceeds from disposal of financial investments at fair value through profit or loss . . . . .		40,575	355
Acquisition of a subsidiary . . . . .	16	31,111	(2,090)
Purchase of shareholding in a joint venture . . . . .		(100,000)	—
Loans to related parties . . . . .		—	(2,370)
Repayment of loans to related parties . . . . .		736	8,016
Loans to equity investees and others . . . . .		—	(39,580)
Repayment of loans to equity investees and others . . . . .		18,680	25,579
Interest received . . . . .		44,109	21,196
Increase in time deposits . . . . .		(16,002)	(147,085)
Decrease in time deposits . . . . .		167,646	1,157,365
Net cash flows (used in)/from investing activities . . . . .		(267,164)	1,038,802

**APPENDIX IIA** **UNAUDITED INTERIM FINANCIAL INFORMATION**

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)**

**For the six months ended 30 June 2023**

	<u>Six months ended 30 June</u>	
	<u>2023</u>	<u>2022</u>
	<i>RMB '000</i>	<i>RMB '000</i>
	(Unaudited)	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal portion of lease payments .....	(87,592)	(75,871)
Interest portion of lease payments .....	(9,453)	(13,825)
Decrease/(increase) in deposits of leases .....	952	(4,395)
Interest paid .....	(81)	(964)
Proceeds from interest-bearing borrowings .....	—	50,000
Repayments of interest-bearing borrowings .....	—	(264,000)
Increase in restricted cash .....	(289,588)	(275,666)
Decrease in restricted cash .....	<u>377,945</u>	<u>1,702,965</u>
Net cash flows (used in)/from financing activities .....	<u>(7,817)</u>	<u>1,118,244</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS .....</b>	<b>439,850</b>	<b>1,588,190</b>
Cash and cash equivalents at beginning of period .....	2,686,353	1,472,293
Effect of foreign exchange rate changes, net .....	<u>67,641</u>	<u>73,269</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD .....</b>	<b><u>3,193,844</u></b>	<b><u>3,133,752</u></b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances .....	4,829,099	4,905,292
Restricted cash and time deposits .....	<u>(1,635,255)</u>	<u>(1,771,540)</u>
<b>CASH AND CASH EQUIVALENTS AS STATED IN THE INTERIM</b>		
<b>CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS ....</b>	<b><u>3,193,844</u></b>	<b><u>3,133,752</u></b>

## APPENDIX IIA

## UNAUDITED INTERIM FINANCIAL INFORMATION

### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

#### 1. CORPORATE INFORMATION

TUHU Car Inc. (the “Company”) was incorporated in the Cayman Islands on 8 July 2019. The registered office of the Company is located at Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company and its subsidiaries (collectively referred to as the “Group”) primarily provide automotive products and services to consumers through its online interfaces, including “Tuhu Automotive Service” APP, its website and Weixin mini programme in the People’s Republic of China (hereafter, the “PRC”).

#### 2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with International Accounting Standards 34 *Interim Financial Reporting* (“IAS 34”). The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s Historical Financial Information as set out in the accountants’ report (the “Accountants’ Report”) included in Appendix I to the [REDACTED] of the Group in connection with the [REDACTED] of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

As of 30 June 2023, the Group had net liabilities of RMB19,451,403,000 and accumulated losses of RMB18,736,524,000, respectively, primarily due to the significant fair value changes of convertible redeemable preferred shares. According to the Memorandum and Articles of Association, the preferred shares (other than Series Seed) are redeemable at the option of the holders at any time if the Company fails to complete a Qualified [REDACTED] before 29 June 2025 or the occurrence of certain other events. However, pursuant to the shareholders’ resolution approved on 29 June 2023, the redemption rights ceased to be exercisable immediately before the first filing of the [REDACTED] by the Company with the Stock Exchange of Hong Kong Limited, and shall resume to be exercisable in accordance with below terms upon the earliest of (i) the [REDACTED] being withdrawn, rejected or returned; (ii) the [REDACTED] being lapsed but not renewed by the Company within three months; or (iii) 31 December 2023 if no Qualified [REDACTED] has been consummated by then (with the original redemption event and date unchanged). The preferred shares can be converted in Class A ordinary shares at the option of the holders, or automatically converted into Class A ordinary shares immediately upon the closing of a Qualified [REDACTED]. Further details are set out in note 14. The directors of the Company are of the opinion that the preferred shares will not have cash flow impact to the Group in the next twelve months from the date of this report as they consider the redemption events are unlikely to occur in the next twelve months.

## APPENDIX IIA

## UNAUDITED INTERIM FINANCIAL INFORMATION

As of 30 June 2023, the Group had net current assets of RMB1,441,764,000. In addition, the Group has performed a cash flow projection for the next twelve months. Accordingly, the directors of the Company believe that the Group will have sufficient working capital to meet its financial liabilities and obligations as and when they fall due and to sustain its operations for the next twelve months from the date of the report. Accordingly, the directors of the Company consider that it is appropriate that the interim condensed consolidated financial information for the six months ended 30 June 2023 are prepared on a going concern basis.

### 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with the Group’s Historical Financial Information as set out in the accountants’ report (the “Accountants’ Report”) included in Appendix I to the [REDACTED] of the Group in connection with the [REDACTED] of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Except for the adoption of new standards effective as of 1 January 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2023, but do not have an impact on the interim condensed consolidated financial statements of the Group.

### 4. OPERATING SEGMENT INFORMATION

No operating segment information is presented as the Group’s revenue and reported results during the six months ended 30 June 2023 and 2022, and the Group’s total assets as at 30 June 2023 were derived from one single operating segment.

#### Geographical information

As the Group generates almost all of its revenues and the non-current assets in the PRC during the six months ended 30 June 2023 and 2022, no further geographical segments are presented.

#### Information about major customers

The Group has a large number of customers, and no single customer accounted for more than 10% of the Group’s total revenue during the six months ended 30 June 2023 and 2022.

### 5. REVENUE

Revenue represents income from automotive products and services, franchise services, advertising services and others during the six months ended 30 June 2023 and 2022.



**APPENDIX IIA** **UNAUDITED INTERIM FINANCIAL INFORMATION**

(i) Disaggregated revenue information

	<u>Six months ended 30 June</u>	
	<u>2023</u>	<u>2022</u>
	<i>RMB '000</i>	<i>RMB '000</i>
	(Unaudited)	
<i>Revenue from contracts with customers:</i>		
Automotive products and services	6,058,798	5,093,293
Advertising, franchise and other services		
Franchise services	356,528	254,056
Advertising services	39,418	26,321
Others	66,885	94,358
Total	<u>6,521,629</u>	<u>5,468,028</u>
<i>Timing of revenue recognition</i>		
Services transferred over time:		
Advertising, franchise and other services		
Franchise services	356,528	254,056
Advertising services	39,418	26,321
Others	3,840	5,879
At a point in time:		
Automotive products and services	6,058,798	5,093,293
Advertising, franchise and other services		
Others	63,045	88,479
Total revenue from contracts with customers	<u>6,521,629</u>	<u>5,468,028</u>

Revenue recognised that was included in contract liabilities at the beginning of the reporting period:

	<u>Six months ended 30 June</u>	
	<u>2023</u>	<u>2022</u>
	<i>RMB '000</i>	<i>RMB '000</i>
	(Unaudited)	
Automotive products and services	288,368	213,554
Advertising, franchise and other services	176,084	106,541
Total	<u>464,452</u>	<u>320,095</u>

## APPENDIX IIA

## UNAUDITED INTERIM FINANCIAL INFORMATION

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### (ii) Performance obligations

Information about the Group’s performance obligations is summarised below:

#### *Automotive products and services*

The performance obligation is satisfied when customers take possession of and accept the automotive products and services. For majority of the sales transactions, customers make advance payment before the products and services are delivered to them, and for certain sales transactions, payment is due within 30 days.

#### *Franchise services*

The performance obligation is satisfied over time as services are rendered. Generally, franchise services contracts are for periods of more than one year. Advances are required for upfront licence fees. Monthly fixed management fees and profit-based royalty fees are billed on a monthly basis.

#### *Advertising services*

The performance obligation is satisfied over time as services are rendered. Generally, advertising services contracts are for periods of less than one year, and are billed based on the time incurred.

#### *Others*

The performance obligation of SaaS solutions on fixed-period basis is satisfied over time as services are rendered. Generally, SaaS solutions contracts are for period of less than one year. The performance obligation of SaaS solutions on project basis and the performance obligation of other categories are satisfied when customers take possession of and accept the products and services.

As the practical expedient, the Group does not disclose the transaction price allocated to unsatisfied performance obligations for contracts with an original expected length of one year or less. As at 31 December 2022 and 30 June 2023, the aggregate amount of transaction prices allocated to performance obligations (unsatisfied or partially unsatisfied) for long-term contracts is related to deferred upfront franchise fees from franchisees, does not include any variable consideration, and amounted to RMB240,704,000 and RMB218,404,000 respectively, which are expected to be recognised as revenues over one to six years.

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6. OTHER INCOME AND GAINS, NET

An analysis of other income and gains, net is as follows:

	Six months ended 30 June	
	2023	2022
	<i>RMB '000</i>	<i>RMB '000</i>
	(Unaudited)	
Government grants* .....	53,648	25,870
Net foreign exchange gains .....	21,533	27,164
Others .....	<u>8,042</u>	<u>5,113</u>
	<u>83,223</u>	<u>58,147</u>

\* Government grants mainly represent various supports awarded by the local governments to support the Group’s operation. There are no contingencies relating to these grants.

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7. PROFIT/(LOSS) BEFORE TAX

The Group’s profit/(loss) before tax is arrived at after charging/(crediting):

	<u>Six months ended 30 June</u>	
	<u>2023</u>	<u>2022</u>
	<i>RMB '000</i>	<i>RMB '000</i>
	(Unaudited)	
Cost of revenue* . . . . .	4,733,594	4,247,485
Depreciation of property, plant and equipment . . . . .	79,001	71,247
Depreciation of right-of-use assets . . . . .	97,951	103,737
Amortisation of other intangible assets . . . . .	2,337	1,760
Fair value changes of convertible redeemable preferred shares . . . . .	47,161	406,245
Lease payments not included in the measurement of lease liabilities . . . . .	26,086	34,859
Employee benefit expenses (including directors’ remuneration):		
Wages, salaries and allowances . . . . .	704,012	752,355
Pension scheme contributions . . . . .	62,547	66,288
Share-based payment expenses . . . . .	72,150	111,726
Share-based payment expenses of consultants . . . . .	23,263	6,277
Foreign exchange differences, net . . . . .	(21,533)	(27,164)
Impairment/(reversal of impairment) losses on trade receivables and other receivables . . . . .	10,356	(50)
Impairment of inventories . . . . .	23,993	35,347
Impairment of property, plant and equipment . . . . .	—	369
Impairment of right-of-use assets . . . . .	—	1,053
Advertising and promotion related expenses . . . . .	372,833	286,437
Shipping expenses . . . . .	196,945	185,981
[REDACTED] expenses . . . . .	[REDACTED]	[REDACTED]
Finance income . . . . .	(61,640)	(17,563)
Interest on bank loans, overdrafts and other loans . . . . .	26	2,512
Interest on lease liabilities . . . . .	9,453	13,825

\* The amount of cost of revenue as stated herein excludes those included in the depreciation of property, plant and equipment, depreciation of right-of-use assets, amortisation of other intangible assets, impairment of inventories, employee benefit expenses, short-term lease expenses and shipping expenses.

8. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Company and the Group’s subsidiary incorporated in the Cayman Islands and the BVI are not subject to any income tax.

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Under the Hong Kong tax laws, the Company’s subsidiaries in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% for taxable income earned in Hong Kong before 1 April 2018. Starting from the financial year commencing on 1 April 2018, the two-tiered profits tax regime took effect, under which the tax rate is 8.25% for assessable profits on the first HK\$2 million and 16.5% for any assessable profits in excess of HK\$2 million. No provision for Hong Kong profits tax was made during the six months ended 30 June 2023 and 2022 on the basis that the subsidiaries did not have any assessable profits arising in or derived from Hong Kong during such periods.

PRC corporate income tax has been provided at the rate of 25% on the taxable profits of the Group’s PRC subsidiaries for the six months ended 30 June 2023 and 2022.

	<u>Six months ended 30 June</u>	
	<u>2023</u>	<u>2022</u>
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	
Current income tax .....	<u>10,649</u>	<u>15,847</u>
Tax charge for the period .....	<u>10,649</u>	<u>15,847</u>

**9. DIVIDEND**

No dividend has been paid or declared by the Company and its subsidiaries during the six months ended 30 June 2023 and 2022.

**10. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT**

The calculation of the basic profit/loss per share amounts is based on the profit/(loss) attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the six months ended 30 June 2023 and 2022. In addition, following the subsequent share subdivision by 1:5 occurred on 8 March 2022 as described in note 15 (the “Share Subdivision”), the weighted average number of ordinary shares in issue was calculated taken into account of the effect of the Share Subdivision and then was retrospectively adjusted as if the Share Subdivision had been in issue for the six months ended 30 June 2023 and 2022.

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The calculation of basic and diluted earnings/(loss) per share is based on:

	<u>Six months ended 30 June</u>	
	<u>2023</u>	<u>2022</u>
	(Unaudited)	
<b><u>Earnings/(loss)</u></b>		
Profit/(loss) attributable to ordinary equity holders of the parent (RMB'000) . . . . .	60,264	(950,632)
Fair value changes on convertible redeemable preferred shares (RMB'000) . . . . .	<u>47,161</u>	<u>—</u>
Adjusted profit/(loss) attributable to ordinary equity holders of the parent (RMB'000) . . . . .	<u>107,425</u>	<u>(950,632)</u>
<b><u>Shares</u></b>		
Weighted average number of ordinary shares in issue (thousand) during the period used in the basic earnings/(loss) per share calculation taking into account the effect of the Share Subdivision . . . . .	144,151	144,151
Effect of dilution — weighted average number of ordinary shares:		
Number of ordinary shares resulting from conversion of convertible redeemable preferred shares (thousand) . . . . .	<u>615,501</u>	<u>—</u>
Number of ordinary shares used to calculate diluted earnings per share (thousand) . . . . .	<u>759,652</u>	<u>144,151</u>
Basic earnings/(loss) per share (RMB) . . . . .	<u>0.4</u>	<u>(7)</u>
Diluted earnings/(loss) per share (RMB) . . . . .	<u>0.1</u>	<u>(7)</u>

The Group has two categories of dilutive potential ordinary shares, which are convertible redeemable preferred shares and share options. As the Group incurred losses during the six months ended 30 June 2022, the potential ordinary shares were not included in the calculation of diluted loss per share as the potential ordinary shares had an anti-dilutive effect. For the six months ended 30 June 2023, diluted earnings per share was calculated by considering that the share options were excluded from the diluted weighted average number of ordinary shares calculation as they could not be exercised until the Company completes its [REDACTED] and such contingent events had not taken place.

**11. PROPERTY, PLANT AND EQUIPMENT**

During the six months ended 30 June 2023, the Group acquired assets at a cost of RMB191,730,000 (30 June 2022: RMB148,525,000), excluding property and equipment acquired through a business combination disclosed in note 16 to the interim condensed consolidated financial information.

Items of property, plant and equipment with a net book value of RMB4,355,000 were disposed of by the Group during the six months ended 30 June 2023 (30 June 2022: RMB4,971,000).

During the six months ended 30 June 2023, impairment loss recognised for certain property, plant and equipment was nil (30 June 2022: RMB369,000).

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### 12. TRADE RECEIVABLES

The credit terms granted by the Group are generally within 30 days. An ageing analysis of the Group’s trade receivables, based on the transaction date and net of loss allowance, as at the end of the reporting period is as follows:

	<b>30 June 2023</b>	<b>31 December 2022</b>
	<i>RMB '000</i>	<i>RMB '000</i>
	(Unaudited)	
Within 1 months .....	127,272	97,911
2 to 3 months .....	38,503	44,354
4 to 6 months .....	25,541	22,988
7 to 12 months .....	<u>15,602</u>	<u>8,478</u>
	<u>206,918</u>	<u>173,731</u>

### 13. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	<b>30 June 2023</b>	<b>31 December 2022</b>
	<i>RMB '000</i>	<i>RMB '000</i>
	(Unaudited)	
Within 3 months .....	2,285,614	2,392,343
3 to 6 months .....	861,020	705,200
6 to 12 months .....	9,067	13,890
Over 1 year .....	<u>5,861</u>	<u>7,891</u>
	<u>3,161,562</u>	<u>3,119,324</u>

The trade and bills payables are non-interest-bearing. Trade payables are normally settled on 30-days to 90-days terms. Bills payables generally have a longer payment term of 6 to 12 months.

### 14. CONVERTIBLE REDEEMABLE PREFERRED SHARES

The Group’s operations are primarily conducted through its PRC subsidiary, Shanghai Lantu Information Technology Co., Ltd. (“Shanghai Lantu”). In preparation for its [REDACTED], the Company was restructured (the “Reorganisation”) on 31 October 2019 (the “Reorganisation Date”) in order to establish the Company as the parent company. In conjunction with the Reorganisation, the Company issued the Series Seed, Series A, Series B, Series C-1, Series C-2, Series C-3, Series D-1, Series D-2, Series E-1, Series E-2, Series E-3 and Series E-4 preferred shares

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(collectively, the “Reorganisation Preferred Shares”) to existing preferred shareholders of Shanghai Lantu to replace their preferred share interests in Shanghai Lantu. The consolidated financial statements of the Company were prepared as if the corporate structure of the Company after the Reorganisation had been in existence since the beginning of the earliest period presented. The following table provides key information of each series of the Reorganisation Preferred Shares outstanding on the Reorganisation Date.

<b>Reorganisation Preferred Shares</b>	<b>Number of shares</b>
Series Seed convertible preferred shares (“Series Seed Preferred Shares”) . . . . .	2,242,396
Series A convertible redeemable preferred shares (“Series A Preferred Shares”) . . . . .	3,324,228
Series B convertible redeemable preferred shares (“Series B Preferred Shares”) . . . . .	6,873,513
Series C-1 convertible redeemable preferred shares (“Series C-1 Preferred Shares”) . . . . .	2,579,568
Series C-2 convertible redeemable preferred shares (“Series C-2 Preferred Shares”) . . . . .	6,684,368
Series C-3 convertible redeemable preferred shares (“Series C-3 Preferred Shares”) . . . . .	8,928,374
Series D-1 convertible redeemable preferred shares (“Series D-1 Preferred Shares”) . . . . .	5,707,296
Series D-2 convertible redeemable preferred shares (“Series D-2 Preferred Shares”) . . . . .	7,146,360
Series E-1 convertible redeemable preferred shares (“Series E-1 Preferred Shares”) . . . . .	12,288,896
Series E-2 convertible redeemable preferred shares (“Series E-2 Preferred Shares”) . . . . .	6,125,137
Series E-3 convertible redeemable preferred shares (“Series E-3 Preferred Shares”) . . . . .	18,173,211
Series E-4 convertible redeemable preferred shares (“Series E-4 Preferred Shares”) . . . . .	994,030
<b>Total</b> . . . . .	<b><u>81,067,377</u></b>





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### Dividend rights

The holders of the Preferred Shares are entitled to receive dividends at the same rate as for the holders of the ordinary shares on an as converted basis when, as, and if declared by the board of directors. No dividends were declared during the six months ended 30 June 2023 and the year ended 31 December 2022.

### Redemption rights

All of the Preferred Shares other than Series Seed Preferred Shares are redeemable at the holders' option at any time upon the occurrence of: (i) the Company fails to complete a Qualified [REDACTED] before 29 June 2025; or any of the following events (the “Redemption Events”) (ii) the Company and management materially breach the agreements entered into with the preferred shareholders or the articles of association; (iii) any fraud, negligence, intentional misconduct, violation of laws and regulations or breach of the shareholder agreements by the Company and management; (iv) the CEO resigns as management for more than three consecutive months; (v) Preferred Shareholders other than Series Seed Preferred Shareholders have requested the Company to redeem its shares or (vi) the Reorganisation has not been completed upon expiry of six months after the reorganisation agreements becoming invalid due to any governmental order or court decision.

The redemption price of each of the Preferred Shares other than Series Seed Preferred Shares is calculated at an amount equal to (a) the original issue price or deemed issue price as applicable, plus (b) an interest of 15% per annum calculated from the original issue date through the date on which the preferred shares are required to be redeemed, plus (c) all declared but unpaid dividend on such share. Series Seed Preferred Shares are not redeemable but have a liquidation preference as indicated below.

Pursuant to the shareholders' resolution approved on 29 June 2023, the redemption rights shall cease to be exercisable immediately before the first filing of the [REDACTED] by the Company with the Stock Exchange of Hong Kong Limited, and shall resume to be exercisable in accordance with above terms upon the earliest of (i) the [REDACTED] being withdrawn, rejected or returned; (ii) the [REDACTED] being lapsed but not renewed by the Company within three months; or (iii) 31 December 2023 if no Qualified [REDACTED] has been consummated by then (with the original redemption event and date unchanged).

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**Registration rights**

All the Preferred Shareholders have the following registration rights:

**(a) Demand registration rights**

*Registration other than on Form F-3*

At any time after the earlier of (i) 29 June 2026 and (ii) expiry of 180 days following an [REDACTED], holders holding 10% or more of the outstanding registrable securities held by all holders may make a written request to the Company to register, and the Company shall use its best efforts to cause the registrable securities to be registered and/or qualified for sale and distribution, under the Securities Act the number of registrable securities specified in the requests, provided, however, that the Company shall not be obligated to effect more than two registrations.

*Registration on Form F-3*

The Company shall use its best efforts to qualify for registration on Form F-3. If the Company qualifies for registration on Form F-3, any holder is entitled to request the Company to register, so long as such registration offerings are in excess of US\$5,000,000, and the Company shall cause the registrable securities to be registered and/or qualified for sale and distribution, under the Securities Act on Form F-3 the number of registrable securities specified in the requests. However, the Company shall not be required to effect more than three registrations.

**(b) Piggyback registration rights**

If the Company proposes to register for its own account any equity securities, or for the account of any holder of equity securities, other than a holder of the registrable securities, in connection with the public offering of such securities, the Company shall register the registrable securities requested by the holders to be registered.

The Company is required to use its best efforts to affect the registration if requested by the Preferred Shareholders, but the provisions of the registration rights do not stipulate the consequences of non-performance if the Company made its best efforts to effect registration nor any requirement to pay any monetary or non-monetary consideration for non-performance. The registration rights shall terminate on the earlier of (i) the fifth anniversary of the closing of a Qualified [REDACTED], and (ii) with respect to any security holder, the date on which such holder may sell all of its registrable securities under Rule 144 of the Securities Act in any 90-day period.

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**Liquidation preference**

Upon the voluntary or involuntary liquidation, winding up or dissolution of the Company, or any deemed liquidation event (the “Liquidation Events”), the assets of the Company legally available for distribution will be distributed as follows:

Each holder of the Series F-3 Preferred Shares is entitled to receive, on a pari passu basis, an amount equal to 120% of the original issue price, plus all declared but unpaid dividends in preference to any distribution to the holders of the Series F-2, Series F, Series E-4, Series E-3, Series E-2, Series E-1, Series D-2, Series D-1, Series C-3, Series C-2, Series C-1, Series B, Series A and Series Seed Preferred Shares and the ordinary shareholders of the Company.

After the payment to the holders of Series F-3 Preferred Shares, the remaining assets of the Company available for distribution shall be distributed the holders of the Series F-2 Preferred Shares, on a pari passu basis, with an amount equal to 120% of the deemed issue price plus all declared but unpaid dividends in preference to any distribution to the holders of the Series F, Series E-3, Series E-2, Series E-1, Series D-2, Series D-1, Series C-3, Series C-2, Series C-1, Series B, Series A and Series Seed Preferred Shares and the ordinary shareholders of the Company.

After the payment to the holders of Series F-2 Preferred Shares, the remaining assets of the Company available for distribution shall be distributed the holders of the Series F Preferred Shares, on a pari passu basis, with an amount equal to 120% of the deemed issue price plus all declared but unpaid dividends in preference to any distribution to the holders of the Series E-3, Series E-2, Series E-1, Series D-2, Series D-1, Series C-3, Series C-2, Series C-1, Series B, Series A and Series Seed Preferred Shares and the ordinary shareholders of the Company.

After the payment to the holders of Series F Preferred Shares, the remaining assets of the Company available for distribution shall be distributed the holders of the Series E-4 Preferred Shares, on a pari passu basis, with an amount equal to 120% of the deemed issue price plus all declared but unpaid dividends in preference to any distribution to the holders of the Series E-3, Series E-2, Series E-1, Series D-2, Series D-1, Series C-3, Series C-2, Series C-1, Series B, Series A and Series Seed Preferred Shares and the ordinary shareholders of the Company.

After the payment to the holders of Series E-4 Preferred Shares, the remaining assets of the Company available for distribution will be distributed to the holders of the Series E-3 Preferred Shares, on a pari passu basis, with an amount equal to 120% of the deemed issue price plus all declared but unpaid dividends in preference to any distribution to the holders of Series E-2, Series E-1, Series D-2, Series D-1, Series C-3, Series C-2, Series C-1, Series B, Series A and Series Seed Preferred Shares and the ordinary shareholders of the Company.

After the payment to the holders of Series E-3 Preferred Shares, the remaining assets of the Company available for distribution will be distributed to the holders of the Series E-2 and/or Series E-1 Preferred Shares, on a pari passu basis, with an amount equal to 120% of deemed issue price

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plus all declared but unpaid dividends in preference to any distribution to the holders of the Series D-2, Series D-1, Series C-3, Series C-2, Series C-1, Series B, Series A and Series Seed Preferred Shares and the ordinary shareholders of the Company.

After the payment to the holders of Series E-2 and E-1 Preferred Shares, the remaining assets of the Company available for distribution will be distributed to the holders of the Series D-2 and/or Series D-1 Preferred Shares, on a pari passu basis, with an amount equal to 120% of deemed issue price plus all declared but unpaid dividends in preference to any distribution to the holders of the Series C-3, Series C-2, Series C-1, Series B, Series A and Series Seed Preferred Shares and the ordinary shareholders of the Company.

After the payment to the holders of Series D-2 and Series D-1 Preferred Shares, the remaining assets of the Company available for distribution will be distributed to the holders of the Series C-3, Series C-2 and Series C-1 Preferred Shares, on a pari passu basis, with an amount equal to 130% of deemed issue price plus all declared but unpaid dividends in preference to any distribution to the holder of the Series B, Series A and Series Seed Preferred Shares and the ordinary shareholders of the Company.

After the payment to the holders of Series C-3, Series C-2 and Series C-1 Preferred Shares, the remaining assets of Company available for distribution will be distributed to the holders of the Series B Preferred Shares, on a pari passu basis, with an amount equal to 130% of deemed issue price plus all declared but unpaid dividends in preference to any distribution to the holders of the Series A and Series Seed Preferred Shares and the ordinary shareholders of the Company.

After the payment to the holders of Series B Preferred Shares, the remaining assets of Company available for distribution will be distributed to the holders of the Series A Preferred Shares, on a pari passu basis, with an amount equal to 150% of deemed issue price plus all declared but unpaid dividends in preference to any distribution to the holders of Series Seed Preferred Shares and the ordinary shareholders of the Company.

After the payment to the holders of Series A Preferred Shares, the remaining assets of the Company available for distribution will be distributed to the holders of the Series Seed Preferred Shares, on a pari passu basis, with an amount equal to the deemed issue price in preference to any distribution to the ordinary shareholders of the Company.

After payment has been made to the holders of the Preferred Shares in accordance with the above, the remaining assets of the Company available for distribution to shareholders shall be distributed ratably among the holders of ordinary shares and the Preferred Shares based on the number of ordinary shares into which such Preferred Shares are convertible.

Each of the following events shall also be treated as a liquidation event: (a) the voluntary or involuntary liquidation under any applicable bankruptcy, insolvency or reorganisation legislation or the dissolution or winding up of the Group operating all or substantially all the business taken as a

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whole, (b) any appointment of an administrator or a receiver over all or substantially all assets of the Group taken as a whole, (c) a trade sale (including any approved sale, proposed sale or qualified sale), (d) cessation of operating all or substantially all of the business by the Group taken as a whole due to the Group’s incurrence of serious or substantial losses, and (e) cessation of operating all or substantially all of the business by the Group taken as a whole due to reasons other than the Group’s incurrence of serious or substantial losses, and it shall be determined by all investors in writing that the situation set forth in (e) shall be deemed as a liquidation event.

### **Modification**

Upon the issuance of the Series F Preferred Shares, the redemption term of any previously issued series of preferred shares was modified to be the same as the Series F Preferred Shares’ redemption term.

### **Repurchase of Preferred Shares**

From June 2019 to August 2019, the Company repurchased a total of 8,339,340 preferred shares consisting of Series A, Series C-2, Series C-3, Series D-1, Series D-2 and Series E-2 Preferred Shares from the preferred shareholders (the “Repurchased Preferred Shares”) for a total cash consideration of RMB879,097,000. The Company accounted for the difference between the fair value of the consideration paid for the Repurchased Preferred Shares and their respective carrying value as fair value changes of convertible redeemable preferred shares which was recorded in the statements of profit or loss.

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The movements of the convertible redeemable preferred shares are set out below:

For the six months ended 30 June 2023

	Series Seed	Series A	Series B	Series C-1	Series C-2	Series C-3	Series D-1	Series D-2	Series E-1	Series E-2	Series E-3	Series E-4	Series F	Series F-2	Series F-3	Total
At 1 January																
2023	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Change in fair value	347,263	1,299,965	1,093,218	417,658	1,138,942	1,650,396	1,090,234	1,319,097	2,153,006	1,218,650	3,209,938	176,843	3,414,074	2,226,249	970,955	21,726,488
Exchange realignment	(528)	(1,443)	(51)	339	1,065	2,555	3,775	4,564	6,736	4,012	6,526	286	7,567	8,011	3,747	47,161
At 30 June 2023 (unaudited)	13,014	48,727	40,999	15,670	42,734	61,943	40,958	49,555	80,870	45,778	120,505	6,638	128,181	83,641	36,484	815,697
	359,749	1,347,249	1,134,166	433,667	1,182,741	1,714,894	1,134,967	1,373,216	2,240,612	1,268,440	3,336,969	183,767	3,549,822	2,317,901	1,011,186	22,589,346

For the six months ended 30 June 2022

	Series Seed	Series A	Series B	Series C-1	Series C-2	Series C-3	Series D-1	Series D-2	Series E-1	Series E-2	Series E-3	Series E-4	Series F	Series F-2	Series F-3	Total
At 1 January																
2022	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Change in fair value	290,637	1,087,959	915,026	349,859	954,109	1,382,952	917,594	1,110,207	1,824,379	1,033,036	2,743,691	151,990	2,979,604	1,994,602	873,582	18,609,227
Exchange realignment	10,149	37,465	30,335	11,125	30,181	42,631	24,635	29,797	44,013	24,517	59,739	3,079	43,288	11,395	3,896	406,245
At 30 June 2022	15,564	58,245	48,957	18,707	51,011	73,910	48,946	59,220	97,188	55,021	145,996	8,082	157,996	105,314	46,097	990,254
	316,350	1,183,669	994,318	379,691	1,035,301	1,499,493	991,175	1,199,224	1,965,580	1,112,574	2,949,426	163,151	3,180,888	2,111,311	923,575	20,005,726



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**15. SHARE CAPITAL**

As at 8 March 2022, pursuant to the shareholders’ resolution, each existing issued and unissued authorised share of the Company with a par value of US\$0.0001 each, including both ordinary shares and preferred shares, was subdivided into five shares of the corresponding class or series with a par value of US\$0.00002 each.

As at 30 June 2023, the authorised share capital of the Company is US\$50,000 divided into 2,500,000,000 shares, comprising of: (i) 1,815,549,650 Class A Ordinary Shares of a nominal or par value of US\$0.00002 each, (ii) 68,949,580 Class B Ordinary Shares of a nominal or par value of US\$0.00002 each, (iii) 11,211,980 Series Seed Preferred Shares of a nominal or par value of US\$0.00002 each, (iv) 41,666,390 Series A Preferred Shares of a nominal or par value of US\$0.00002 each, (v) 34,367,565 Series B Preferred Shares of a nominal or par value of US\$0.00002 each, (vi) 12,897,840 Series C-1 Preferred Shares of a nominal or par value of US\$0.00002 each, (vii) 35,088,345 Series C-2 Preferred Shares of a nominal or par value of US\$0.00002 each, (viii) 50,248,035 Series C-3 Preferred Shares of a nominal or par value of US\$0.00002 each, (ix) 31,685,500 Series D-1 Preferred Shares of a nominal or par value of US\$0.00002 each, (x) 38,329,815 Series D-2 Preferred Shares of a nominal or par value of US\$0.00002 each, (xi) 61,444,480 Series E-1 Preferred Shares of a nominal or par value of US\$0.00002 each, (xii) 34,592,430 Series E-2 Preferred Shares of a nominal or par value of US\$0.00002 each, (xiii) 90,866,055 Series E-3 Preferred Shares of a nominal or par value of US\$0.00002 each, (xiv) 4,970,150 Series E-4 Preferred Shares of a nominal or par value of US\$0.00002 each, (xv) 91,030,500 Series F Preferred Shares of a nominal or par value of US\$0.00002 each, (xvi) 53,964,305 Series F-2 Preferred Shares of a nominal or par value of US\$0.00002 each, and (xvii) 23,137,380 Series F-3 Preferred Shares of a nominal or par value of US\$0.00002 each, with power for the Company insofar as is permitted by law, to redeem or purchase any of its shares and to increase or reduce the said capital subject to the provisions of the Companies Act (as amended) and the Articles of Association.

	<b>30 June 2023</b>	<b>31 December 2022</b>
	<i>RMB '000</i>	<i>RMB '000</i>
	(Unaudited)	
Issued and fully paid:		
Class A ordinary shares .....	11	11
Class B ordinary shares .....	<u>10</u>	<u>10</u>
	<u>21</u>	<u>21</u>





APPENDIX IIA

UNAUDITED INTERIM FINANCIAL INFORMATION

The fair values of the identifiable assets and liabilities of Guangzhou Changtu as at the date of acquisition were as follows:

	Fair value recognised on acquisition
	<i>RMB'000</i>
Property, plant and equipment .....	6,259
Right-of-use assets .....	25,158
Other intangible assets .....	380
Inventories .....	780
Trade receivables .....	947
Prepayments, other receivables and other assets .....	4,197
Financial assets at fair value through profit or loss .....	730
Cash and cash equivalents .....	31,239
Trade payables .....	(1,162)
Other payables and accruals .....	(4,583)
Contract liabilities .....	(4,859)
Lease liabilities .....	(25,158)
Interest-bearing borrowings .....	<u>(9,064)</u>
Total identifiable net assets at fair value .....	24,864
Non-controlling interests .....	<u>(7,779)</u>
Goodwill on acquisition .....	<u>4,503</u>
Satisfied by:	
Cash .....	<u>21,588</u>
An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:	
Cash consideration paid during the six months ended 30 June 2023 .....	(128)
Cash and cash equivalents acquired .....	<u>31,239</u>
Net inflow of cash and cash equivalents included in cash flows from investing activities .....	<u>31,111</u>

Since the acquisition, Guangzhou Changtu contributed RMB4,735,000 to the Group’s revenue and contributed a loss of RMB481,000, which had been net off by the consolidated profit for the six months ended 30 June 2023.

Had the combination taken place at the beginning of the period, the revenue and the profit of the Group for the six months ended 30 June 2023 would have been RMB6,546,713,000 and RMB56,328,000 respectively.

**APPENDIX IIA** **UNAUDITED INTERIM FINANCIAL INFORMATION**

**17. COMMITMENTS**

The Group had the following capital commitments at the end the reporting period:

	<u>30 June</u> <u>2023</u>	<u>31 December</u> <u>2022</u>
	<i>RMB '000</i>	<i>RMB '000</i>
	(Unaudited)	
Contracted, but not provided for:		
Property, plant and equipment .....	<u>340,394</u>	<u>478,280</u>

The Group’s purchase commitments are primarily relevant to the construction of new automated warehouses and are all scheduled to be paid within one to two years.

**18. RELATED PARTY TRANSACTIONS**

**(1) Significant related party transactions**

The Group had the following material transactions carried out with related parties during the six months periods ended 30 June 2023 and 2022:

	Notes	<u>Six months ended 30 June</u>	
		<u>2023</u>	<u>2022</u>
		<i>RMB '000</i>	<i>RMB '000</i>
		(Unaudited)	
<b>Sales of products and services to related parties</b>			
Associates of the Group .....	(i)	78,808	57,746
A joint venture of the Group .....	(i)	1,250	—
<b>Purchases of products and services from related parties</b>			
Associates of the Group .....	(ii)	16,225	10,224
A joint venture of the Group .....	(ii)	2,020	—
One of the Company’s shareholders .....	(iii)	62,198	39,567
<b>Loan to related parties</b>			
Associates of the Group .....	(iv)	—	2,370
<b>Repayment from related parties</b>			
Associates of the Group .....	(iv)	736	8,016

Notes:

- (i) The sales to related parties were made according to the terms and prices agreed in the contracts.



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Amounts due to related parties:

	<u>30 June</u> <u>2023</u>	<u>31 December</u> <u>2022</u>
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	
Trade related:		
Associates of the Group . . . . .	17,213	11,735
A joint venture of the Group . . . . .	2,000	—
One of the Company’s shareholders . . . . .	<u>265</u>	<u>3,422</u>
	<u>19,478</u>	<u>15,157</u>

(3) Compensation of key management personnel of the Group

Compensation of key management personnel of the Group, which comprises the directors’ and chief executive’s remuneration, are as follows:

	<u>Six months ended 30 June</u>	
	<u>2023</u>	<u>2022</u>
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	
Salaries, allowances and benefits in kind . . . . .	3,840	7,414
Share-based payment expenses . . . . .	33,720	44,807
Pension scheme contributions . . . . .	<u>260</u>	<u>385</u>
	<u>37,820</u>	<u>52,606</u>

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**UNAUDITED INTERIM FINANCIAL INFORMATION**

**19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS**

The carrying amounts and fair values of the Group’s financial instruments, other than those with carrying amounts that reasonably approximate to their fair values, are as follows:

	Carrying amounts		Fair values	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)		(Unaudited)	
<b>Financial assets</b>				
Equity investments designated at fair value through other comprehensive income . . . . .	387,319	289,312	387,319	289,312
Financial investments at fair value through profit or loss . . . . .	200,140	227,120	200,140	227,120
Financial assets at fair value through profit or loss . . .	<u>304,327</u>	<u>25,921</u>	<u>304,327</u>	<u>25,921</u>
<b>Financial liabilities</b>				
Convertible redeemable preferred shares . . . . .	<u>22,589,346</u>	<u>21,726,488</u>	<u>22,589,346</u>	<u>21,726,488</u>

Management has assessed that the fair values of cash and bank balances, trade receivables, financial assets included in other receivables and other assets, financial assets included in other non-current assets, trade and bills payables, financial liabilities included in other payables and accruals, interest-bearing borrowings and other non-current liabilities approximate to their carrying amounts.

The Group’s finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. As at 30 June 2023 and 31 December 2022, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair value of other non-current liabilities has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group’s own non-performance risk for the long-term interest-bearing borrowings as at 30 June 2023 and 31 December 2022 was assessed to be insignificant.

The Group, with the assistance of an external appraiser, measures financial instruments such as financial investments and convertible redeemable preferred shares at 30 June 2023 and 31 December 2022.

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Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group’s financial instruments:

As at 30 June 2023 (unaudited):

	<u>Fair value measurement categorised into</u>			<u>Total</u>
	<u>Quoted prices</u>	<u>Significant</u>	<u>Significant</u>	
	<u>in active</u>	<u>observable</u>	<u>unobservable</u>	
	<u>markets</u>	<u>inputs</u>	<u>inputs</u>	
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial investments at fair value through profit or loss .....	—	—	200,140	200,140
Equity investments designated at fair value through other comprehensive income .....	387,319	—	—	387,319
Financial assets at fair value through profit or loss ...	—	304,327	—	304,327
Convertible redeemable preferred shares .....	—	—	22,589,346	22,589,346

As at 31 December 2022:

	<u>Fair value measurement categorised into</u>			<u>Total</u>
	<u>Quoted prices</u>	<u>Significant</u>	<u>Significant</u>	
	<u>in active</u>	<u>observable</u>	<u>unobservable</u>	
	<u>markets</u>	<u>inputs</u>	<u>inputs</u>	
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial investments at fair value through profit or loss .....	—	—	227,120	227,120
Equity investments designated at fair value through other comprehensive income .....	289,312	—	—	289,312
Financial assets at fair value through profit or loss ...	—	25,921	—	25,921
Convertible redeemable preferred shares .....	—	—	21,726,488	21,726,488





## APPENDIX IIB UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following information does not form part of the Accountants’ Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company’s reporting accountants, as set out in Appendix I to this document, and is included for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed “Financial Information” in this document and the Accountants’ Report set out in Appendix I to this document.

### A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with reference to *Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants to illustrate the effect of the [REDACTED] on the consolidated net tangible assets of the Group attributable to owners of the Company as of 31 March 2023 as if the [REDACTED] had taken place on that date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of the consolidated net tangible assets attributable to owners of the Company had the [REDACTED] been completed as of 31 March 2023 or at any future date.

	Consolidated net tangible liabilities of the Group attributable to owners of the Company as at 31 March 2023	Estimated [REDACTED] from the [REDACTED]	Estimated impact to the consolidated net tangible liabilities upon conversion of redeemable preferred shares	Unaudited pro forma adjusted consolidated net tangible assets of the Company as at 31 March 2023	Unaudited pro forma adjusted consolidated net tangible assets per Share as at 31 March 2023
	RMB’000 (Note 1)	RMB’000 (Note 2)	RMB’000 (Note 3)	RMB’000 (Note 4)	RMB (Note 5)
Based on an [REDACTED] of HK\$[REDACTED] per [REDACTED] ..	(18,957,156) [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of HK\$[REDACTED] per [REDACTED] ..	(18,957,156) [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of HK\$[REDACTED] per [REDACTED] ..	(18,957,156) [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

- (1) The consolidated net tangible liabilities attributable to the owners of the Company as at 31 March 2023 was equal to the consolidated net liabilities attributable to the owners of the Company as at 31 March 2023 of RMB18,871,247,000 after deducting goodwill of RMB15,820,000 and other intangible assets of RMB70,089,000 as at 31 March 2023 set out in the Accountants’ Report in Appendix I to this [REDACTED].

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- (2) The estimated net [REDACTED] from the [REDACTED] are based on estimated [REDACTED] of HK\$[REDACTED], HK\$[REDACTED], and HK\$[REDACTED] per Share after deduction of the [REDACTED] and other related [REDACTED] expenses, which are not recorded in the consolidated statements of profit or loss for the Track Record Period, and do not take into account any share which may be sold and [REDACTED] upon exercise of the [REDACTED].
- (3) Upon the [REDACTED] and the completion of the [REDACTED], all the preferred shares will be automatically converted into Class A Ordinary Shares. The convertible redeemable preferred shares will then be transferred from liabilities to equity. Accordingly, for the purpose of the unaudited pro forma financial information, the unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company will be increased by RMB[REDACTED], being the carrying amounts of the preferred shares as of 31 March 2023.
- (4) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share is arrived at after adjustments referred to notes 2 and 3 above and on the basis that [REDACTED] shares are in issue, assuming that the conversion of preferred shares into Class A Ordinary Shares and the [REDACTED] had been completed on 31 March 2023. However, this does not take into account of any shares which may be allotted and issued upon the exercise of the [REDACTED].
- (5) For the purpose of this unaudited pro forma adjusted consolidated net tangible assets, the balances stated in Renminbi are converted into Hong Kong dollars at the rate of HK\$1.00 to RMB[0.87541].
- (6) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any of our trading results or other transactions entered into subsequent to 31 March 2023.

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**APPENDIX IIB                      UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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**B. INDEPENDENT REPORTING ACCOUNTANTS’ ASSURANCE REPORT ON THE  
COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

[REDACTED]

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**APPENDIX IIB                      UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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[REDACTED]

**APPENDIX III                      SUMMARY OF THE CONSTITUTION OF OUR COMPANY  
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**SUMMARY OF THE CONSTITUTION OF THE COMPANY**

**1      Memorandum of Association**

The Memorandum of Association of the Company was conditionally adopted on [●] and states, *inter alia*, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Act or any other law of the Cayman Islands.

The Memorandum of Association is on display on the websites of the Stock Exchange and the Company as specified in Appendix V in the section headed “Documents delivered to the Registrar of Companies and available on display”.

**2      Articles of Association**

The Articles of Association of the Company were conditionally adopted on [●] and include provisions to the following effect:

**2.1    Classes of Shares**

*(a)    Share capital*

The share capital of the Company consists of Class A Shares and Class B Shares. The capital of the Company at the date of adoption of the Articles is US\$50,000.00 divided into 2,431,050,420 Class A Shares of US\$0.00002 each and 68,949,580 Class B Shares of US\$0.00002 each.

*(b)    Weighted voting rights*

Subject to the provisions of the Articles of Association, the holders of Class A Shares and Class B Shares shall at all times vote together as one class on all resolutions submitted to a vote by the members. On a poll, each Class A Share shall entitle its holder to one vote and each Class B Share shall entitle its holder to ten votes, provided that each Class A Share and each Class B Share shall entitle its holder to one vote on a poll at a general meeting in respect of a resolution on the following matters:

- (i) any amendment to the Memorandum of Association or the Articles of Association, including the variation of the rights attached to any class of shares;
- (ii) the appointment, election or removal of any independent non-executive Director;
- (iii) the appointment or removal of the auditors; or
- (iv) the voluntary liquidation or winding-up of the Company.

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Notwithstanding the foregoing, where a holder of Class B Shares is permitted by the Stock Exchange from time to time to exercise more than one vote per share when voting on a resolution to amend the Memorandum of Association or the Articles of Association, any holder of Class B Shares may elect to exercise such number of votes per share as is permitted by the Stock Exchange, up to the maximum number of votes attached to each Class B Share as set out in the Articles of Association.

The Company shall not take any action (including the issue or repurchase of shares of any class) that would result in (i) the aggregate number of votes entitled to be cast by all holders of Class A Shares (for the avoidance of doubt, excluding those who are also holders of Class B Shares) present at a general meeting to be less than 10% of the votes entitled to be cast by all members at a general meeting; or (ii) an increase in the proportion of Class B Shares to the total number of shares in issue.

*(c) Restrictions on issue of shares with weighted voting rights*

No further Class B Shares shall be allotted, issued or granted by the Company, except with the approval of the Stock Exchange and pursuant to (i) an offer to subscribe for shares in the Company made to all the members of the Company *pro rata* (apart from fractional entitlements) to their existing holdings; (ii) a *pro rata* issue of shares to all the members of the Company by way of scrip dividends; or (iii) a share subdivision or other similar capital reorganisation, provided that each member of the Company shall be entitled to subscribe for or be issued shares in the same class as the shares then held by him, and further provided that the proposed allotment or issuance will not result in an increase in the proportion of Class B Shares in issue, so that:

- (A) if, under a *pro rata* offer, any holder of Class B Shares does not take up any part of the Class B Shares or the rights thereto offered to him, such untaken shares or rights shall only be transferred to another person on the basis that such transferred rights will only entitle the transferee to an equivalent number of Class A Shares; and
- (B) to the extent that rights to Class A Shares in a *pro rata* offer are not taken up in their entirety (including, but not limited to, where the *pro rata* offering is not fully underwritten), the number of Class B Shares that shall be allotted, issued or granted in such *pro rata* offer shall be reduced proportionately,

and where necessary, the holders of Class B Ordinary Shares shall use their best endeavours to enable the Company to comply with this requirement.

*(d) Reduction of shares with weighted voting rights on repurchase of shares*

In the event the Company reduces the number of Class A Shares in issue (including but not limited to, through a purchase of its own shares), the holders of Class B Shares shall reduce their

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weighted voting rights in the Company proportionately (including but not limited to through a conversion of a portion of their shares with those rights into shares without those rights), if the reduction in the number of Class A Shares in issue would otherwise result in an increase in the proportion of Class B Shares.

*(e) Prohibition on variation of terms of shares with weighted voting rights*

The Company shall not change the terms of the Class B Shares to increase the weighted voting rights attached to that class, unless, in addition to complying with any requirement under law, prior approval of the Stock Exchange is obtained and, if such approval is granted, the change is announced.

*(f) Conversion of Class B Shares*

Each Class B Share is convertible into one Class A Share at any time by the holder thereof, such right to be exercisable by the holder of the Class B Share delivering a written notice to the Company that such holder elects to convert a specified number of Class B Shares into Class A Shares.

*(g) Qualification of holders of shares with weighted voting rights*

Class B Shares shall only be held by a Director or a limited partnership, trust, private company or other vehicle wholly owned and wholly controlled by a Director. Subject to the Listing Rules or other applicable laws and regulations, each Class B Share shall be automatically converted into one Class A Share upon the occurrence of any of the following events:

- (i) the death of the holder of such Class B Share (or, where the holder is a limited partnership, trust, private company or other vehicle wholly owned and wholly controlled by a Director, the death of that Director);
- (ii) the holder of such Class B Share ceasing to be a Director or a limited partnership, trust, private company or other vehicle wholly owned and wholly controlled by a Director for any reason;
- (iii) the holder of such Class B Share (or, where the holder is a limited partnership, trust, private company or other vehicle wholly owned and wholly controlled by a Director, the Director owning and controlling such vehicle) being deemed by the Stock Exchange to be incapacitated for the purpose of performing his duties as a Director;
- (iv) the holder of such Class B Share (or, where the holder is a limited partnership, trust, private company or other vehicle wholly owned and wholly controlled by a Director, the Director owning and controlling such vehicle) being deemed by the Stock Exchange to no longer meet the requirements of a director set out in the Listing Rules; or



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- (v) the transfer to another person of the beneficial ownership of, or economic interest in, such Class B Share or the control over the voting rights attached to such Class B Share (through voting proxies or otherwise), including where the vehicle holding such Class B Share no longer complies with Rule 8A.18(2) of the Listing Rules (in which event the Company and such vehicle or the Director owning and controlling such vehicle shall notify the Stock Exchange of the details of the non-compliance as soon as practicable), other than (A) the grant of any encumbrance, lien or mortgage over such share which does not result in the transfer of the legal title or beneficial ownership of, or the voting rights attached to, such share, until the same is transferred upon the enforcement of such encumbrance, lien or mortgage, and (B) a transfer of the legal title to such share by a Director to a limited partnership, trust, private company or other vehicle wholly owned and wholly controlled by him, or by a limited partnership, trust, private company or other vehicle wholly owned and wholly controlled by a Director to such Director or another limited partnership, trust, private company or other vehicle wholly owned and wholly controlled by him.

*(h) Cessation of weighted voting rights*

All of the Class B Shares in the authorised share capital shall be automatically re-designated into Class A Shares in the event none of the holders of Class B Shares at the time of initial listing of the Company’s shares on the Stock Exchange have beneficial ownership of Class B Shares, and no further Class B Shares shall be issued by the Company.

*(i) Shares to rank pari passu*

Save and except for the rights, preferences, privileges and restrictions set out in this paragraph 2.1, the Class A Shares and the Class B Shares shall rank pari passu in all other respects and shall have the same rights, preferences, privileges and restrictions.

**2.2 Directors**

*(a) Number of Directors*

The number of Directors shall not be less than two, and the board of Directors shall consist of not less than one-third and less than one-half of independent non-executive Directors.

*(b) Power to allot and issue shares*

Subject to the provisions of the Memorandum of Association, the Articles of Association, compliance with the Listing Rules and the Code on Takeovers and Mergers and Share Buy-back issued by the Securities and Futures Commission of Hong Kong and any direction that may be given by the Company in general meeting, and without prejudice to any rights attached to any existing

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shares, the Directors may allot, issue, grant options over or otherwise dispose of shares with or without preferred, deferred or other rights or restrictions, whether in regard to dividend or other distribution, voting, return of capital or otherwise and to such persons, at such times and on such other terms as the Directors think proper, provided however that (a) no new class of shares with voting rights superior to those of Class A Shares shall be created, and (b) any variation in the relative rights as between different classes of shares shall not result in the creation of a new class of shares with voting rights superior to those of Class A Shares.

*(c) Power to dispose of the assets of the Company or any subsidiary*

Subject to the provisions of the Companies Act, the Memorandum and Articles of Association and to any directions given by special resolution, the business of the Company shall be managed by the Directors who may exercise all the powers of the Company. No alteration of the Memorandum and Articles of Association and no such direction shall invalidate any prior act of the Directors which would have been valid if that alteration had not been made or that direction had not been given.

*(d) Compensation or payment for loss of office*

There are no provisions in the Articles of Association relating to compensation or payment for loss of office of a Director.

*(e) Loans to Directors*

There are no provisions in the Articles of Association relating to making of loans to Directors.

*(f) Financial assistance to purchase shares*

There are no provisions in the Articles of Association relating to the giving of financial assistance by the Company to purchase shares in the Company or its subsidiaries.

*(g) Disclosure of interest in contracts with the Company or any of its subsidiaries*

No person shall be disqualified from the office of Director or alternate Director or prevented by such office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any contract or transaction entered into by or on behalf of the Company in which any Director or alternate Director shall be in any way interested be or be liable to be avoided, nor shall any Director or alternate Director so contracting or being so interested be liable to account to the Company for any profit realised by or arising in connection with any such contract or transaction by reason of such Director or alternate Director holding office or of the fiduciary relationship thereby established, provided that the nature of the interest of any Director or any

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alternate Director in any such contract or transaction shall be disclosed by them at or prior to its consideration and any vote thereon.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
  - (A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or
  - (B) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates to the Director, his close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of their interest in shares or debentures or other securities of the Company.

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*(h) Remuneration*

The remuneration to be paid to the Directors, if any, shall be such remuneration as the Directors shall determine. The Directors shall also be entitled to be paid all travelling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of Directors or committees of Directors, or general meetings of the Company, or separate meetings of the holders of any class of shares or debentures of the Company, or otherwise in connection with the business of the Company or the discharge of their duties as a Director, or to receive a fixed allowance in respect thereof as may be determined by the Directors, or a combination partly of one such method and partly the other.

The Directors may approve additional remuneration to any Director for any services which in the opinion of the Directors go beyond that Director's ordinary routine work as a Director. Any fees paid to a Director who is also counsel, attorney or solicitor to the Company, or otherwise serves it in a professional capacity shall be in addition to their remuneration as a Director.

*(i) Retirement, appointment and removal*

The Company may by ordinary resolution appoint any person to be a Director, either to fill a vacancy or as an additional Director.

The Company may by ordinary resolution remove any Director (including a managing or other executive Director) before the expiration of such Director's term of office, notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director, and may by ordinary resolution elect another person in their stead. Nothing shall be taken as depriving a Director so removed of compensation or damages payable to such Director in respect of the termination of his appointment as Director or of any other appointment or office as a result of the termination of his appointment as Director.

The Directors may appoint any person to be a Director, either to fill a vacancy or as an additional Director provided that the appointment does not cause the number of Directors to exceed any number fixed by or in accordance with the Articles of Association as the maximum number of Directors. Any Director so appointed shall hold office only until the first annual general meeting of the Company after such Director's appointment and shall then be eligible for re-election at that meeting.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated if:

- (i) the Director gives notice in writing to the Company that he resigns the office of Director;

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- (ii) the Director is absent (for the avoidance of doubt, without being represented by proxy or an alternate Director appointed by him) for a continuous period of 12 months without special leave of absence from the Directors, and the Directors pass a resolution that he has by reason of such absence vacated office;
- (iii) the Director dies, becomes bankrupt or makes any arrangement or composition with his creditors generally; or
- (iv) the Director is found to be or becomes of unsound mind.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election at such meeting. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

*(j) Borrowing powers*

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof and to issue debentures, debenture stock, mortgages, bonds and other such securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

**2.3 Alteration to constitutional documents**

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

**2.4 Variation of rights of existing shares or classes of shares**

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class for the time being issued (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied only with (in addition to a special resolution to amend the Memorandum or the Articles) the consent in writing of the holders of not less than three-fourths of the voting rights of the issued shares of that class, or with the approval of a resolution passed by a majority of not less than three-fourths of the votes cast at a separate meeting of the holders of the shares of that class. For so long as any Class B Share is in issue and unless such change is otherwise required by law or the Listing Rules, (a) any change to the composition of the board of Directors set out in paragraph 2.2(a) above;

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(b) any change in the proportion of votes required to pass a resolution of the members, whether as an ordinary resolution or a special resolution or in respect of particular matters or generally; (c) any variation to the number of votes attached to a share of any class, except any such variation arising from a conversion of a Class B Share into a Class A Share pursuant to paragraph 2.1(f) or paragraph 2.1(g) above; and (d) any change to the matters in respect of which each Class A Share and each Class B Share shall entitle its holder to one vote on a poll at a general meeting as described in paragraph 2.1(b), to the quorum requirements for meetings of Directors or to this provision, shall require the consent in writing of the holders of not less than three-fourths in nominal value of the issue Class B Shares. To any such separate meeting all the provisions of the Articles of Association relating to general meetings shall apply *mutatis mutandis*, except that the necessary quorum shall be one or more persons holding or representing by proxy or duly authorised representative at least one-third of the voting rights of the issued shares of that class.

The rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

### **2.5 Alteration of capital**

The Company may by ordinary resolution:

- (a) increase its share capital by such sum as the ordinary resolution shall prescribe and with such rights, priorities and privileges annexed thereto, as the Company in general meeting may determine;
- (b) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchasers thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- (c) by subdivision of its existing shares or any of them divide the whole or any part of its share capital into shares of smaller amount than is fixed by the Memorandum of Association or into shares without par value; and

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- (d) cancel any shares that at the date of the passing of the ordinary resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

The Company may by special resolution reduce its share capital or any capital redemption reserve fund, subject to the provisions of the Companies Act.

### ***2.6 Special resolution — majority required***

A “special resolution” is defined in the Articles of Association to have the same meaning as in the Companies Act, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an “ordinary resolution” is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

### ***2.7 Voting rights***

Subject to paragraph 2.1(b) above and any rights or restrictions attached to any shares, at any general meeting (a) every member of the Company present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have the right to speak; (b) on a show of hands every member present in any such manner shall have one vote; and (c) on a poll every member present in such manner shall have one vote for every share of which he is the holder.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint holders the vote of the senior holder who tenders a vote, whether in person or by proxy (or in the case of a corporation or other non-natural person, by its duly authorised



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representative or proxy) shall be accepted to the exclusion of the votes of the other joint holders, and seniority shall be determined by the order in which the names of the holders stand in the register of members of the Company.

A member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by their committee, receiver, curator bonis, or other person on such member's behalf appointed by that court, and any such committee, receiver, curator bonis or other person may vote by proxy.

No person shall be counted in a quorum or be entitled to vote at any general meeting unless he is registered as a member on the record date for such meeting, nor unless all calls or other monies then payable by him in respect of shares have been paid.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairperson of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

Any corporation or other non-natural person which is a member of the Company may in accordance with its constitutional documents, or in the absence of such provision by resolution of its directors or other governing body, authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members, and the person so authorised shall be entitled to exercise the same powers as the corporation could exercise if it were an individual member.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company, provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which that person represents as that recognised clearing house (or its nominee(s)) could exercise as if such person were an individual member of the Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

### ***2.8 Annual general meetings and extraordinary general meetings***

The Company shall hold a general meeting as its annual general meeting for each financial year, to be held within six months (or such other period as may be permitted by the Listing Rules or the Stock Exchange) after the end of such financial year. The annual general meeting shall be specified as such in the notices calling it.



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The Directors may call general meetings, and they shall on a members' requisition forthwith proceed to convene an extraordinary general meeting of the Company. A members' requisition is a requisition of one or more members holding at the date of deposit of the requisition not less than 10% of the voting rights, on a one vote per share basis, of the issued shares which as at that date carry the right to vote at general meetings of the Company. The members' requisition must state the objects and the resolutions to be added to the agenda of the meeting and must be signed by the requisitionists and deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, and may consist of several documents in like form each signed by one or more requisitionists. If there are no Directors as at the date of the deposit of the members' requisition or if the Directors do not within 21 days from the date of the deposit of the members' requisition duly proceed to convene a general meeting to be held within a further 21 days, the requisitionists, or any of them representing more than one-half of the total voting rights of all the requisitionists, may themselves convene a general meeting, but any meeting so convened shall be held no later than the day which falls three months after the expiration of the said 21 day period. A general meeting convened by requisitionists shall be convened in the same manner as nearly as possible as that in which general meetings are to be convened by Directors.

**2.9 *Accounts and audit***

The Directors shall cause proper books of account to be kept with respect to all sums of money received and expended by the Company and the matters in respect of which the receipt or expenditure takes place, all sales and purchases of goods by the Company and the assets and liabilities of the Company. Such books of account must be retained for a minimum period of five years from the date on which they are prepared. Proper books shall not be deemed to be kept if there are not kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions.

The Directors shall determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of members of the Company not being Directors, and no member (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by the Companies Act or authorised by the Directors or by the Company in general meeting.

The Directors shall cause to be prepared and to be laid before the Company at every annual general meeting a profit and loss account for the period since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up, a Directors' report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditors' report on such accounts and such other reports and accounts as may be required by law.

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***2.10 Auditors***

The Company shall at every annual general meeting by ordinary resolution appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The Company may by ordinary resolution remove an auditor before the expiration of his period of office. No person may be appointed as an auditor of the Company unless such person is independent of the Company. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed by ordinary resolution, or in the manner specified in such resolution.

***2.11 Notice of meetings and business to be conducted thereat***

An annual general meeting shall be called by not less than 21 days' notice and any extraordinary general meeting shall be called by not less than 14 days' notice, which shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Every notice shall specify the place, the day and the hour of the meeting, particulars of the resolutions and the general nature of the business to be conducted at the meeting. Notwithstanding the foregoing, a general meeting of the Company shall, whether or not the notice specified has been given and whether or not the provisions of the Articles of Association regarding general meetings have been complied with, be deemed to have been duly convened if it is so agreed:

- (a) in the case of an annual general meeting, by all members of the Company entitled to attend and vote at the meeting; and
- (b) in the case of an extraordinary general meeting, by a majority in number of the members having a right to attend and vote at the meeting, together holding not less than 95% in par value of the shares giving that right.

If, after the notice of a general meeting has been sent but before the meeting is held, or after the adjournment of a general meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), the Directors, in their absolute discretion, consider that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time and place specified in the notice calling such meeting, they may change or postpone the meeting to another date, time and place.

The Directors also have the power to provide in every notice calling a general meeting that in the event of a gale warning or a black rainstorm warning is in force at any time on the day of the general meeting (unless such warning is cancelled at least a minimum period of time prior to the general meeting as the Directors may specify in the relevant notice), the meeting shall be postponed without further notice to be reconvened on a later date.

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Where a general meeting is postponed:

- (a) the Company shall endeavour to cause a notice of such postponement, which shall set out the reason for the postponement in accordance with the Listing Rules, to be placed on the Company's website and published on the Stock Exchange's website as soon as practicable, provided that failure to place or publish such notice shall not affect the automatic postponement of a general meeting due to a gale warning or black rainstorm warning being in force on the day of the general meeting;
- (b) the Directors shall fix the date, time and place for the reconvened meeting and at least seven clear days' notice shall be given for the reconvened meeting; and such notice shall specify the date, time and place at which the postponed meeting will be reconvened and the date and time by which proxies shall be submitted in order to be valid at such reconvened meeting (provided that any proxy submitted for the original meeting shall continue to be valid for the reconvened meeting unless revoked or replaced by a new proxy); and
- (c) only the business set out in the notice of the original meeting shall be transacted at the reconvened meeting, and notice given for the reconvened meeting does not need to specify the business to be transacted at the reconvened meeting, nor shall any accompanying documents be required to be recirculated. Where any new business is to be transacted at such reconvened meeting, the Company shall give a fresh notice for such reconvened meeting in accordance with the Articles of Association.

***2.12 Transfer of shares***

Transfers of shares may be effected by an instrument of transfer, which shall be in writing and in any standard form of transfer as prescribed by the Stock Exchange or such other form as the Directors may approve. The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company.

The Directors may decline to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

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- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favour of the Company; and
- (f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall notify the transferor and the transferee within two months of such refusal.

The registration of transfers shall be suspended during such periods as the register of members of the Company is closed. The Directors may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, close the register of members at such times and for such periods as the Directors may from time to time determine, provided that the register of members shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

***2.13 Power of the Company to purchase its own shares***

Subject to the provisions of the Companies Act, the Company may purchase its own shares provided that (a) the manner of purchase has first been authorised by the members of the Company by ordinary resolution, and (b) any such purchase shall only be made in accordance with any relevant code, rules or regulations issued by the Exchange or the Securities and Futures Commission of Hong Kong from time to time in force.

***2.14 Power of any subsidiary of the Company to own shares***

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

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***2.15 Dividends and other methods of distribution***

Subject to the Companies Act and the Articles of Association, the Company may by ordinary resolution resolve to pay dividends and other distributions on shares in issue and authorise payment of the dividends or other distributions out of the funds of the Company lawfully available therefor, provided no dividends shall exceed the amount recommended by the Directors. No dividend or other distribution shall be paid except out of the realised or unreleased profits of the Company, out of the share premium account or as otherwise permitted by law.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may in addition from time to time declare and pay special dividends on shares of such amounts and on such dates as they think fit.

Except as otherwise provided by the rights attached to any shares, all dividends and other distributions shall be paid according to the amounts paid up on the shares that a member holds during any portion or portions of the period in respect of which the dividend is paid. For this purpose no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may deduct from any dividends or other distribution payable to any member of the Company all sums of money (if any) then payable by the member to the Company on account of calls or otherwise. The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

No dividend shall carry interest against the Company. Except as otherwise provided by the rights attached to any shares, dividends and other distributions may be paid in any currency.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

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Any dividend, interest or other monies payable in cash in respect of shares may be paid by wire transfer to the holder or by cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of the holder who is first named on the register of members of the Company or to such person and to such address as the holder or joint holders may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. Any one of two or more joint holders may give effectual receipts for any dividends, other distributions, bonuses, or other monies payable in respect of the shares held by them as joint holders.

Any dividend or other distribution which remains unclaimed after a period of six years from the date on which such dividend or distribution becomes payable shall be forfeited and shall revert to the Company.

The Directors, with the sanction of the members of the Company by ordinary resolution, may resolve that any dividend or other distribution be paid wholly or partly by the distribution of specific assets, and in particular (but without limitation) by the distribution of shares, debentures, or securities of any other company or in any one or more of such ways, and where any difficulty arises in regard to such distribution, the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any members of the Company upon the basis of the value so fixed in order to adjust the rights of all members, and may vest any such specific assets in trustees as may seem expedient to the Directors.

### ***2.16 Proxies***

A member of the Company entitled to attend and vote at a general meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. Votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint any number of proxies to attend in his stead at any one general meeting or at any one class meeting.

The instrument appointing a proxy shall be in writing and shall be executed under the hand of the appointor or of his attorney duly authorised in writing, or, if the appointor is a corporation or other non-natural person, under the hand of its duly authorised representative.

The Directors shall, in the notice convening any meeting or adjourned meeting, or in an instrument of proxy sent out by the Company, specify the manner by which the instrument appointing a proxy shall be deposited and the place and the time (being not later than the time appointed for the commencement of the meeting or adjourned meeting to which the proxy relates) at which the instrument appointing a proxy shall be deposited.

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The instrument appointing a proxy may be in any usual or common form (or such other form as the Directors may approve) and may be expressed to be for a particular meeting or any adjournment thereof or generally until revoked.

### *2.17 Calls on shares and forfeiture of shares*

Subject to the terms of the allotment and issue of any shares, the Directors may make calls upon the members of the Company in respect of any monies unpaid on their shares (whether in respect of par value or premium), and each member of the Company shall (subject to receiving at least 14 clear days' notice specifying the times or times of payment) pay to the Company at the time or times so specified the amount called on his shares. A call may be revoked or postponed, in whole or in part, as the Directors may determine. A call may be required to be paid by instalments. A person upon whom a call is made shall remain liable for calls made upon him, notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share.

If a call remains unpaid after it has become due and payable, the person from whom it is due shall pay interest on the amount unpaid from the day it became due and payable until it is paid at such rate as the Directors may determine (and in addition all expenses that have been incurred by the Company by reason of such non-payment), but the Directors may waive payment of the interest or expenses wholly or in part.

If any call or instalment of a call remains unpaid after it has become due and payable, the Directors may give to the person from whom it is due not less than 14 clear days' notice requiring payment of the amount unpaid together with any interest which may have accrued and any expenses incurred by the Company by reason of such non-payment. The notice shall specify where payment is to be made and shall state if the notice is not complied with the shares in respect of which the call was made will be liable to be forfeited.

If such notice is not complied with, any share in respect of which it was given may, before the payment required by the notice has been made, be forfeited by a resolution of the Directors. Such forfeiture shall include all dividends, other distributions or other monies payable in respect of the forfeited shares and not paid before the forfeiture.

A forfeited share may be sold, re-allotted or otherwise disposed of on such terms and in such manner as the Directors think fit.

A person any of whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares and shall surrender to the Company for cancellation the certificate



## **APPENDIX III                      SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW**

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for the shares forfeited and shall remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with interest at such rate as the Directors may determine, but that person's liability shall cease if and when the Company shall have received payment in full of all monies due and payable by them in respect of those shares.

### ***2.18 Inspection of register of members***

The Company shall maintain or cause to be maintained the register of members of the Company in accordance with the Companies Act. The Directors may, on giving 10 business days' notice (or 6 business days' notice in the case of a rights issue) by advertisement published on the Stock Exchange's website or, subject to the Listing Rules, in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, close the register of members at such times and for such periods as the Directors may determine, either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

Except when the register is closed, the register of members shall during business hours be kept open for inspection by any member of the Company without charge.

### ***2.19 Quorum for meetings and separate class meetings***

No business shall be transacted at any general meeting unless a quorum is present. Two members of the Company holding not less than one-third of the total voting power of the Company present in person or by proxy, or if a corporation or other non-natural person by its duly authorised representative or proxy, shall be a quorum unless the Company has only one member entitled to vote at such general meeting in which case the quorum shall be that one member present in person or by proxy, or in the case of a corporation or other non-natural person by its duly authorised representative or proxy.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.3 above.

### ***2.20 Rights of minorities in relation to fraud or oppression***

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

### ***2.21 Procedure on liquidation***

Subject to the Companies Act, the Company may by special resolution resolve that the Company be wound up voluntarily.



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Subject to the rights attaching to any shares, in a winding up:

- (a) if the assets available for distribution amongst the members of the Company shall be insufficient to repay the whole of the Company's paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, on the shares held by them at the commencement of the winding up;
- (b) if the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the Company's paid up capital at the commencement of the winding up, the surplus shall be distributed amongst the members of the Company in proportion to the capital paid up on the shares held by them at the commencement of the winding up.

If the Company shall be wound up, the liquidator may with the approval of a special resolution of the Company and any other approval required by the Companies Act, divide amongst the members of the Company in kind the whole or any part of the assets of the Company (whether such assets shall consist of property of the same kind or not) and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like approval, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like approval, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

### ***2.22 Untraceable members***

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of twelve years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the twelve-year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the twelve-year period, the Company has caused an advertisement to be published in the newspapers or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, given notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

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### **SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION**

#### **1     Introduction**

The Companies Act is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Act and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Act, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

#### **2     Incorporation**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 8 July 2019 under the Companies Act. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

#### **3     Share Capital**

The Companies Act permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the “share premium account”. At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Act provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act);
- (d) writing-off the preliminary expenses of the company;

## APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

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- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Act, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

#### **4 Dividends and Distributions**

With the exception of section 34 of the Companies Act, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Act permits, subject to a solvency test and the provisions, if any, of the company's

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memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

### **5 Shareholders' Suits**

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

### **6 Protection of Minorities**

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

### **7 Disposal of Assets**

The Companies Act contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

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### **8      Accounting and Auditing Requirements**

The Companies Act requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

### **9      Register of Members**

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

### **10    Inspection of Books and Records**

Members of a company will have no general right under the Companies Act to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

### **11    Special Resolutions**

The Companies Act provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

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### **12    Subsidiary Owning Shares in Parent**

The Companies Act does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

### **13    Mergers and Consolidations**

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) “consolidation” means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company’s articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

### **14    Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing (a) 75% in value of the shareholders, or (b) 75% in value of creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

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### **15 Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

### **16 Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

### **17 Restructuring**

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

- (a) is or is likely to become unable to pay its debts; and
- (b) intends to present a compromise or arrangement to its creditors (or classes thereof) either pursuant to the Companies Act, the law of a foreign country or by way of a consensual restructuring.

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



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### **18    Liquidation**

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

### **19    Stamp Duty on Transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

### **20    Taxation**

Pursuant to section 6 of the Tax Concessions Act (As Revised) of the Cayman Islands, the Company may obtain an undertaking from the Financial Secretary of the Cayman Islands:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- (b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
  - (i) on or in respect of the shares, debentures or other obligations of the Company; or
  - (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Act (As Revised).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

### **21    Exchange Control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.



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**22    General**

Maples and Calder (Hong Kong) LLP, the Company’s legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is on display on the websites as referred to in the section headed “Documents delivered to the Registrar of Companies and available on display” in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

## APPENDIX IV

## STATUTORY AND GENERAL INFORMATION

### A. FURTHER INFORMATION ABOUT OUR GROUP

#### 1. Incorporation

Our Company was incorporated under the laws of the Cayman Islands on 8 July 2019 as an exempted company with limited liability. Upon our incorporation, our authorised share capital was US\$50,000.00 divided into 500,000,000 Ordinary Shares, with par value of US\$0.0001 each.

Our registered office address is at PO Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands. Accordingly, our Company’s corporate structure and Memorandum and Articles are subject to the relevant laws of the Cayman Islands. A summary of our Memorandum and Articles is set out in Appendix III.

Our registered place of business in Hong Kong is at 46/F, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong. We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 3 January 2022 with the Registrar of Companies in Hong Kong. Mr. Lee Chung Shing has been appointed as the authorised representative of our Company for the acceptance of service of process in Hong Kong. The address for service of process is 46/F, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong.

#### 2. Changes in the share capital of our Company

The following sets out the changes in our Company’s issued share capital within the two years immediately preceding the date of this document:

- (a) We issued the following fully paid-up shares with a par value of US\$0.0001 each to the following shareholders:

<b>Shareholder</b>	<b>Number of share</b>	<b>Class of share</b>	<b>Issuance Date</b>
APEX SAIL LIMITED 晉帆有限公司 . . . . .	93,717	Series E-2 convertible redeemable preferred shares	8 February 2021
Artisan China Post-Venture Holdings Limited . . . . .	73,042	Series F-3 convertible redeemable preferred shares	29 June 2021
Autotiger Investment Limited . . . . .	195,562	Series F-2 convertible redeemable preferred shares	8 February 2021
B Capital China I — LLC . . . . .	782,249	Series F-2 convertible redeemable preferred shares	8 February 2021
CICC Qizhi (Shanghai) Equity Investment Centre (Limited Partnership) 中金祺智（上海）股權投資中心（有限合夥） . . . . .	391,124	Series F-2 convertible redeemable preferred shares	16 September 2021
D1 SPV TU Master (Hong Kong) Limited . . . . .	727,889	Series A convertible redeemable preferred shares	8 February 2021

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Shareholder	Number of share	Class of share	Issuance Date
	1,173,373	Series F-2 convertible redeemable preferred shares	8 February 2021
	314,902	Series D-1 convertible redeemable preferred shares	1 February 2021
Dai Ying Limited 岱贏有限公司	41,755	Series E-1 convertible redeemable preferred shares	1 February 2021
Duckling Fund, L.P.	586,687	Series F-2 convertible redeemable preferred shares	8 February 2021
FAW Equity Investment (Tianjin) Company Limited 一汽股權投資(天津)有限公司	586,687	Series F-2 convertible redeemable preferred shares	16 September 2021
Fidelity Asian Values PLC	53,277	Series F-3 convertible redeemable preferred shares	29 June 2021
Fidelity China Special Situations PLC	666,736	Series F-3 convertible redeemable preferred shares	29 June 2021
Fidelity Funds	689,422	Series F-3 convertible redeemable preferred shares	29 June 2021
Fidelity Investment Funds	51,396	Series F-3 convertible redeemable preferred shares	29 June 2021
Forward Investment Corporation III	511,291	Series F-3 convertible redeemable preferred shares	29 June 2021
Hillhouse TH (HK) Holdings Limited	232,501	Series F-2 convertible redeemable preferred shares	8 February 2021
	99,685	Series F-3 convertible redeemable preferred shares	29 June 2021
Image Frame Investment (HK) Limited 意像架構投資(香港)有限公司	2,346,747	Series F-2 convertible redeemable preferred shares	8 February 2021
	365,208	Series F-3 convertible redeemable preferred shares	29 June 2021
Mass Ave Global Basket Holdings II, LP	1,460,831	Series F-3 convertible redeemable preferred shares	29 June 2021
SCC Growth VI Holdco E, Ltd.	869,165	Series A convertible redeemable preferred shares	8 February 2021
	3,128,996	Series F-2 convertible redeemable preferred shares	8 February 2021
Tianjin Yuanyi Kaiyuan Asset Management Centre (LP) 天津遠翼開元資產管理中心(有限合夥)	1,259,608	Series D-1 convertible redeemable preferred shares	1 February 2021
	278,368	Series E-1 convertible redeemable preferred shares	1 February 2021
	363,701	Series F convertible redeemable preferred shares	1 February 2021

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Shareholder	Number of share	Class of share	Issuance Date
Ubiquity Holdings Ltd. ....	977,811	Series F-2 convertible redeemable preferred shares	8 February 2021
	260,153	Series F-3 convertible redeemable preferred shares	29 June 2021
YINUO Evergreen Investment Limited Partnership .....	365,208	Series F-3 convertible redeemable preferred shares	29 June 2021
Yizhi Ventures Limited .....	83,095	Series E-2 convertible redeemable preferred shares	1 February 2021
ZWC Tuhu Investments Limited .....	391,124	Series F-2 convertible redeemable preferred shares	8 February 2021

Save as disclosed above, there has been no alteration in the share capital of our Company within the two years immediately preceding the date of this document.

**3. Changes in the share capital of our major subsidiaries**

A summary of the corporate information and the particulars of our subsidiaries are set out in note 1 to the Accountants’ Report as set out in Appendix I.

The following sets out the changes in the share or registered capital of our major subsidiaries and operating entities our Group within the two years immediately preceding the date of this document:

***Shanghai Lantu***

On 10 December 2020, the registered capital of Shanghai Lantu was increased from RMB17,963,756.26 to RMB4,000,000,000.

On 20 April 2021, the registered capital of Shanghai Lantu was increased from RMB4,000,000,000 to RMB5,000,000,000.

On 9 August 2021, the registered capital of Shanghai Lantu was increased from RMB5,000,000,000 to RMB6,000,000,000.

***Shanghai Xirang***

On 8 December 2020, the registered capital of Shanghai Xirang was increased from RMB100,000,000 to RMB4,020,000,000.

On 16 April 2021, the registered capital of Shanghai Xirang was increased from RMB4,020,000,000 to RMB5,020,000,000.

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On 13 August 2021, the registered capital of Shanghai Xirang was increased from RMB5,020,000,000 to RMB6,020,000,000.

### *Shanghai Zitu*

On 11 August 2021, the registered capital of Shanghai Zitu was increased from RMB100,000,000 to RMB2,100,000,000.

### *Shanghai Jida*

On 28 August 2020, the registered capital of Shanghai Jida was increased from RMB50,000,000 to RMB100,000,000.

Save as disclosed above, there has been no alteration in the share capital of our major subsidiaries of our Group within the two years immediately preceding the date of this document.

#### 4. Resolutions of our Shareholders dated [●] 2023

Resolutions of our Shareholders were passed on [●] 2023, pursuant to which, among others, conditional upon the conditions of the [REDACTED] (as set out in this document) being fulfilled:

- (a) the Memorandum and the Articles were approved and adopted effective conditional on and immediately prior to the [REDACTED] on the [REDACTED];
- (b) the [REDACTED], [REDACTED] and [REDACTED] were approved, and our Directors were authorised to negotiate and agree the [REDACTED] and to allot and issue the [REDACTED] (including pursuant to the [REDACTED]);
- (c) a general mandate (the “**Sale Mandate**”) was granted to our Directors to allot, issue and deal with any Class A Shares or securities convertible into Class A Shares and to make or grant offers, agreements or options which would or might require Class A Shares to be allotted, issued or dealt with, provided that the number of Class A Shares so allotted, issued or dealt with or agreed to be allotted, issued or dealt with by our Directors, shall not exceed 20% of the total number of Shares in issue immediately following the completion of [REDACTED];
- (d) a general mandate (the “**Repurchase Mandate**”) was granted to our Directors to repurchase our own Class A Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Class A Shares as will represent up to 10% of the total number of Shares in issue immediately following completion of the [REDACTED];

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- (e) the Sale Mandate was extended by the addition to the total number of Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the total number of the Shares purchased by our Company pursuant to the Repurchase Mandate, provided that such extended amount shall not exceed 10% of the total number of the Shares in issue immediately following completion of the [REDACTED]; and
- (f) [REDACTED] Class B ordinary shares (including those held by Mr. Chen Min through Ilnewgnay Investment Limited and Nholresi Investment Limited) be reclassified and redesignated as Class B Shares of par value US\$0.00002 each, (2) all remaining issued and unissued ordinary shares be reclassified and redesignated as Class A Shares of par value US\$0.00002 each, and (3) each issued Preferred Share be converted into one Class A Share of par value US\$0.00002 each, in each case immediately before the [REDACTED] on the [REDACTED];

Each of the general mandates referred to above will remain in effect until the earliest of:

- the conclusion of the next annual general meeting of our Company unless, by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to condition;
- the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws of the Cayman Islands or the Memorandum and the Articles of our Company; and
- the passing of an ordinary resolution by our Shareholders in a general meeting revoking or varying the authority.

### 5. Explanatory statement on repurchase of our own securities

The following summarises restrictions imposed by the Listing Rules on share repurchases by a company listed on the Stock Exchange and provides further information about the repurchase of our own securities.

#### *Shareholders' approval*

A listed company whose primary listing is on the Stock Exchange may only purchase its shares on the Stock Exchange, either directly or indirectly, if: (i) the shares proposed to be purchased are fully-paid up, and (ii) its shareholders have given a specific approval or general mandate by way of an ordinary resolution of shareholders.

#### *Size of mandate*

The exercise in full of the Repurchase Mandate, on the basis of [REDACTED] Class A Shares in issue immediately following completion of the [REDACTED] (assuming the [REDACTED])

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[REDACTED] is not exercised and no Shares are issued under the Equity Incentive Schemes), could accordingly result in up to approximately [REDACTED] Class A Shares being repurchased by our Company.

The total number of shares which a listed company may repurchase on the Stock Exchange may not exceed 10% of the number of issued shares as of the date of the shareholder approval.

### *Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have general authority from the Shareholders to enable our Company to repurchase Class A Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders.

### *Source of funds*

Purchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles and the applicable Laws of the Cayman Islands.

Our Company shall not purchase its own Class A Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Any purchases by our Company may be made out of profits or out of an issue of new shares made for the purpose of the purchase or, if authorised by its Memorandum and Articles and subject to the Companies Ordinance, out of capital, and, in the case of any premium payable on the purchase out of profits or from sums standing to the credit of our share premium account or, if authorised by its Memorandum and Articles and subject to the Companies Ordinance, out of capital.

### *Suspension of repurchase*

A listed company shall not repurchase its shares on the Stock Exchange at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of: (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for the issuer to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), until the date of the results announcement, the company may not repurchase its shares on the Stock Exchange unless there are exceptional circumstances.

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### *Trading restrictions*

A listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

A listed company may not repurchase its shares if that repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange.

### *Status of repurchased shares*

The listing of all repurchased shares (whether through the Stock Exchange or otherwise) shall be automatically cancelled and the relevant documents of title must be cancelled and destroyed as soon as reasonably practicable.

### *Close associates and core connected persons*

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates have a present intention, in the event the Repurchase Mandate is approved, to sell any Class A Shares to our Company.

No core connected person of our Company has notified our Company that they have a present intention to sell Class A Shares to our Company, or have undertaken to do so, if the Repurchase Mandate is approved.

A listed company shall not knowingly purchase its shares on the Stock Exchange from a core connected person (namely a director, chief executive or substantial shareholder of the company or any of its subsidiaries, or a close associate of any of them), and a core connected person shall not knowingly sell their interest in shares of the company to it.

### *Takeover implications*

If, as a result of any repurchase of Class A Shares, a Shareholder’s proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

### *General*

If the Repurchase Mandate were to be carried out in full at any time, there may be a material adverse impact on our working capital or gearing position (as compared with the position disclosed in our most recent published audited accounts). However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would have a material adverse effect on our working capital or gearing position.



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Our Directors have undertaken to the Stock Exchange to exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

We have not made any repurchases of our Class A Shares in the previous six months.

### B. FURTHER INFORMATION ABOUT OUR BUSINESS

#### 1. Summary of material contracts

The following is a contract (not being contracts entered into in the ordinary course of business) entered into by any member of our Group within the two years immediately preceding the date of this document that is or may be material:

(1) [REDACTED]

(2) [REDACTED].

#### 2. Intellectual property rights

Save as disclosed below, as of the Latest Practicable Date, there were no other trademarks, service marks, patents, intellectual property rights, or industrial property rights which are or may be material in relation to our business.

##### *Trademarks registered in China*

As of the Latest Practicable Date, we had registered the following trademarks in China which we consider to be or may be material to our business:

No.	Trademark	Registered Owner
1.	途虎 tuhu	Shanghai Lantu
2.	途虎	Shanghai Lantu
3.	tuhu	Shanghai Lantu
4.	TUHU	Shanghai Lantu
5.	汽配龙	Shanghai Mengfan Trade Co., Ltd.

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### *Trademark applications pending in Hong Kong*

As of the Latest Practicable Date, we had applied for the registration of the following trademarks in Hong Kong which we consider to be or may be material to our business:

No.	Trademark	Applicant								
1.	<table border="1" style="width: 100%; text-align: center;"> <tr> <td style="width: 50%; font-size: small;">A</td> <td style="width: 50%; font-size: small;">B</td> </tr> <tr> <td style="color: red;">途虎养车</td> <td>途虎养车</td> </tr> <tr> <td style="font-size: small;">C</td> <td style="font-size: small;">D</td> </tr> <tr> <td>途虎養車</td> <td>途虎养车</td> </tr> </table>	A	B	途虎养车	途虎养车	C	D	途虎養車	途虎养车	TUHU Car (Hong Kong) Limited
A	B									
途虎养车	途虎养车									
C	D									
途虎養車	途虎养车									

### *Copyrights*

As at the Latest Practicable Date, we had registered the following copyrights which we consider to be or may be material to our business:

No.	Copyright	Registered Owner	Certificate Certificate
1.	TIGER(3) (虎標(3))	Shanghai Lantu	Art Work 美術
2.	TUHU Automotive Service Advertising Slogan (途虎養車廣告語)	Shanghai Lantu	Art Work 美術
3.	TUHU Automotive Service Brand Logo (途虎養車品牌logo)	Shanghai Lantu	Art Work 美術

As of the Latest Practicable Date, we had registered the following software copyrights in China which we consider to be or may be material to our business:

No.	Software Copyright Name	Registration No.	Registration Date
1	TUHU WAP System Software V1.0 (途虎WAP站系統軟件V1.0)	2014SR216608	2014/12/30
2	TUHU Official Website System Software V1.0 (途虎官方網站系統軟件V1.0)	2014SR216949	2014/12/30
3	TUHU Customer Relationship System Software V1.0 (途虎客戶關係系統軟件V1.0)	2014SR216599	2014/12/30

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No.	Software Copyright Name	Registration No.	Registration Date
4	TUHU Merchant Management System Software V1.0 (途虎商戶管理系統軟件V1.0)	2014SR216606	2014/12/30
5	TUHU Mobile Application Software V1.0 (途虎手機端APP軟件V1.0)	2014SR216691	2014/12/30
6	TUHU Business System Software V1.0 (途虎業務系統軟件V1.0)	2014SR216603	2014/12/30
7	TUHU Application System Software IOS version V1.0 (途虎IOS版APP系統軟件V1.0)	2015SR137086	2015/7/17
8	TUHU Business System Aftersales Complaint Software Module V1.1 (途虎業務系統售後投訴模塊軟件V1.1)	2018SR103008	2018/2/9
9	TUHU Logistics System V1.1 (途虎物流系統V1.1)	2018SR102972	2018/2/8
10	TUHU Automotive Service Financial Management System V1.1 (途虎養車財務管理系統V1.1)	2018SR102973	2018/2/8
11	TUHU Automotive Service Warehouse Management System V1.1 (途虎養車倉庫管理系統V1.1)	2018SR103357	2018/2/9
12	TUHU Business System Procurement Software Module V1.1 (途虎業務系統採購模塊軟件V1.1)	2018SR104933	2018/2/9
13	TUHU Order Grabbing Software V1.0 (途虎搶單寶軟件V1.0)	2016SR192307	2016/7/25
14	TUHU Store Management System V1.0 (途虎門店管理系統V1.0)	2016SR195476	2016/7/27
15	TUHU WMS System Software V1.0 (途虎WMS系統軟件V1.0)	2016SR195471	2016/7/27
16	TUHU PC Network Platform V3.0 (途虎PC端網絡平臺 V3.0)	2018SR1015180	2018/12/14
17	SAAS Service Platform V1.0 (SAAS服務平臺 V1.0)	2018SR1015185	2018/12/14

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No.	Software Copyright Name	Registration No.	Registration Date
18	TUHU Technician Service Platform V1.0 (途虎技師服務平臺 V1.0)	2018SR1015622	2018/12/14
19	TUHU Quick Repair Cloud System V1.0 (途虎快修雲系統 V1.0)	2018SR1015785	2018/12/14
20	Qipeilong Chain Applet Software V1.0 (汽配龍連鎖小程序軟件 V1.0)	2018SR1015097	2018/12/14
21	TUHU Store Management System V2.0 (途虎門店管理系統V2.0)	2018SR1015176	2018/12/14
22	TUHU Automotive Service Application (iOS version) Software [TUHU Automotive Service] V5.3.7 (途虎養車APP (ios版) 軟件[簡稱：途虎養車]V5.3.7)	2018SR1052963	2018/12/21
23	TUHU Reconciliation System V1.0 (途虎對賬系統V1.0)	2018SR1054342	2018/12/21
24	TUHU Automotive Service Application (Android version) Software [TUHU Automotive Service] V5.3.7 (途虎養車APP (Android版)軟件[簡稱：途虎養車]V5.3.7)	2018SR1054008	2018/12/21
25	TUHU Mobile Website Platform V1.0 (途虎手機端網站平臺V1.0)	2018SR1055342	2018/12/21
26	TUHU Work Order System[TUHU Work Order] V1.0 (途虎工單系統[簡稱：途虎工單]V1.0)	2018SR1054005	2018/12/21
27	TUHU Financial Management System V1.0 (途虎財務管理系統V1.0)	2018SR1085815	2018/12/28
28	TUHU Fund Management System V1.0 (途虎資金管理系統V1.0)	2018SR1085823	2018/12/28
29	TUHU Credit Management System V1.0 (途虎信貸管理系統V1.0)	2018SR1085816	2018/12/28

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No.	Software Copyright Name	Registration No.	Registration Date
30	Qipeilong Application Software (IOS version) [Qipeilong] V2.90 (汽配龍App軟件 (IOS版)[簡稱： 汽配龍]V2.90)	2019SR0565156	2019/6/4
31	Qipeilong Application Software (Android version) [Qipeilong] V2.90 (汽配龍App軟件 (Android版)[簡 稱：汽配龍]V2.90)	2019SR0565308	2019/6/4
32	Huapei Franchise System [Huapei Cloud] V1.0 (華配 加盟商系統[簡稱：華配雲]V1.0)	2020SR0118086	2020/2/3
33	TUHU Used Car Retail System Software [TUHU Used Car Retail System] V1.0.0 (途虎二手車零售系 統軟件[簡稱：途虎二手車零售系統]V1.0.0)	2020SR0246630	2020/3/12
34	TUHU Enterprise Operation Management System V2.0 (途虎企業運營管理系統 V2.0)	2020SR0520717	2020/5/27
35	Yunque Cloud Store Management Software [Yunque Cloud] V1.1.0 (雲雀智修門店管理軟件[簡稱：雲雀智 修]V1.1.0)	2020SR0520661	2020/5/27
36	Yunque Cloud Store Management Applet Software [Yunque Cloud Store Management Applet] V1.1.0 (雲雀智修門店管理小程序軟件[簡稱：雲雀智修門店小 程序]V1.1.0)	2020SR0520557	2020/5/27
37	TUHU Express Mobile Terminal Software [TUHU Express] V3.1.7 (途虎快送移動終端軟件[簡稱：途虎 快送]V3.1.7)	2020SR0520549	2020/5/27
38	TUHU Warehouse Delivery Management Software V1.0 (途虎小倉配送管理軟件V1.0)	2020SR0520973	2020/5/27
39	Qipeilong Merchant Applet Software [Qipeilong Merchant Applet] V1.2.1.5 (汽配龍商戶小程序軟 件[簡稱：汽配龍商戶小程序]V1.2.1.5)	2020SR0518935	2020/5/27
40	TUHU “One Product, One QR Code” Software [TUHU “One Product, One QR Code”] V0.1 (途虎一 物一碼軟件[簡稱：途虎一物一碼]V0.1)	2020SR0518925	2020/5/27

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No.	Software Copyright Name	Registration No.	Registration Date
41	TUHU Car Insurance Sales System V1.0.0 (途虎車險銷售系統 V1.0.0)	2020SR0520709	2020/5/27
42	Automotive Parts Wholesale Applet Software [Automotive Parts Wholesale Applet] V1.1.9.4 (汽配批發小程序軟件[簡稱：汽配批發小程序]V1.1.9.4)	2020SR0520701	2020/5/27
43	TUHU Automated Execution Management Program Software [TUHU Execution Management] V1.2.12 (途虎自動化執行管理程序軟件[簡稱：途虎執行管理]V1.2.12)	2020SR0705741	2020/7/1
44	TUHU Automated Information Platform [TUHU Information Platform] V1.5 (途虎自動化信息平臺[簡稱：途虎信息平臺]V1.5)	2020SR0712543	2020/7/2
45	TUHU Automotive Service Front Distribution Center Management Software [TUHU Automotive Service Front Distribution Center] V1.0 (途虎養車前置倉管理軟件[簡稱：途虎養車前置倉]V1.0)	2020SR0700899	2020/6/30
46	TUHU Car Owner Service System Application Software [Car Owner Service System] V1.0.0 (途虎車主服務系統應用軟件[簡稱：車主服務系統] V1.0.0)	2020SR0700885	2020/6/30
47	TUHU Automotive Service Franchise Operation System Management Platform Software [Franchisee] V1.0 (途虎養車加盟商運營體系管理平臺軟件[簡稱：加盟商] V1.0)	2020SR0700878	2020/6/30
48	TUHU Easy Application Software [TUHU Easy] V1.0 (途虎易行APP軟件[簡稱：途虎易行] V1.0)	2021SR0707834	2021/5/18

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### *Patents*

As of the Latest Practicable Date, we had applied for or registered the following invention related patents in China which we consider to be or may be material to our business:

No.	Patent Name	Type of Patent
1.	A Stock Picking Truck for Transporting Tires (一種運送輪胎的揀貨車)	Utility Model Patent
2.	A Stock Picking Truck for Transporting Tires (一種運送輪胎的揀貨車)	Invention Patent
3.	A Tire Packaging Machine and Assembly Line (一種輪胎打包機及流水線)	Utility Model Patent
4.	A Migration Method and Computer System of RabbitMQ Cluster (一種RabbitMQ集群的遷移方法及計算機系統)	Invention Patent
5.	A LightGBM Model-based Method for Selection of Store Location of Automotive Service Franchise (一種基於LightGBM模型的汽車服務連鎖企業開店選址方法)	Invention Patent

### *Domain names*

As of the Latest Practicable Date, we owned the following domain names which we consider to be or may be material to our business:

No.	Domain Name	Registered Owner	Date of Registration	Date of Expiry
1.	tuhu.cn	Shanghai Mengfan Trade Co., Ltd.	2006/3/14	2025/3/14
2.	qipeilong.cn	Shanghai Mengfan Trade Co., Ltd.	2014/9/11	2025/9/11
3.	tuhu.com	Shanghai Mengfan Trade Co., Ltd.	2000/3/4	2029/3/4

## C. FURTHER INFORMATION ABOUT OUR DIRECTORS

### 1. Particulars of Directors' service contracts and appointment letters

#### *Executive Directors*

Each of our executive Directors entered into a service contract with our Company on [●]. The term of appointment shall be for an initial term of three years from the [REDACTED] or until the third

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annual general meeting of our Company after the [REDACTED], whichever is sooner (subject to retirement as and when required under the Articles of Association). Either party may terminate the agreement by giving not less than three months’ written notice.

The executive Directors are [not] entitled to receive any remuneration in their capacities as executive Directors under their respective service contracts.

***Non-executive Director***

Our non-executive Director entered into an appointment letter with our Company on [●]. The term of appointment shall be for an initial term of three years from the [REDACTED] or until the third annual general meeting of our Company after the [REDACTED], whichever is sooner (subject to retirement as and when required under the Articles of Association). Either party may terminate the agreement by giving not less than one months’ written notice.

The non-executive Director is [not] entitled to receive any remuneration and benefits in his capacity as non-executive Director under his appointment letter.

***Independent non-executive Directors***

Each of our independent non-executive Directors entered into an appointment letter with our Company on [●]. The term of appointment shall be for an initial term of three years from the [REDACTED] or until the third annual general meeting of our Company after the [REDACTED], whichever is sooner (subject to retirement as and when required under the Articles of Association). Either party may terminate the agreement by giving not less than three months’ written notice.

The annual director’s fees of our independent non-executive Directors payable by us under their respective appointment letters is HK\$[●].

**2. Remuneration of Directors**

- (a) Save as disclosed above, none of our Directors has or is proposed to have a service contract with any member of our Group other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

The aggregate amount of remuneration paid and benefits in kind granted to our Directors by our Group for the year ended 31 December 2022 was approximately RMB10.3 million.

Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind (excluding share-based compensation) receivable by, our Directors by any member of our Group in respect of the year ending 31 December 2023 is approximately RMB5 million.



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3. Disclosure of interests

*Interests and short positions of our Directors in the share capital of our Company or our associated corporations following completion of the [REDACTED]*

Immediately following completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no Shares are issued under the Equity Incentive Schemes), the interests or short positions of our Directors and chief executives in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the ‘Model Code for Securities Transactions by Directors of Listed Issuers’ contained in the Listing Rules, to be notified to our Company and the Stock Exchange are set out below:

Interest in our Company

<u>Name of Director</u>	<u>Nature of interest</u>	<u>Number and class of Shares</u>	<u>Approximate % of interest in each class of Shares of our Company immediately after the [REDACTED]<sup>(1)</sup></u>
Mr. Chen Min	Interest in controlled corporations	[REDACTED] Class A Shares <sup>(2)</sup>	[REDACTED]
	Beneficial owner	[REDACTED] Class A Shares <sup>(3)</sup>	[REDACTED]
Mr. Hu Xiaodong <sup>(5)</sup>	Interest in controlled corporations	[REDACTED] Class B Shares <sup>(4)</sup>	[REDACTED]
	Interest in controlled corporations	[REDACTED] Class A Shares	[REDACTED]
	Beneficial owner	[REDACTED] Class A Shares	[REDACTED]

*Notes:*

- (1) The calculations are made assuming the [REDACTED] is not exercised and no Shares are issued under the Equity Incentive Schemes.
- (2) [REDACTED] of the Class A Shares will be issued to Mr. Chen Min as restricted shares pursuant to the 2019 Share Incentive Plan before [REDACTED] (the “Award Shares”) and will be released from the below repurchase and transfer restrictions if the consolidated gross profit of the Company for any period of twelve months reaches RMB[REDACTED] (the “Financial Condition”). If (i) Mr. Chen Min no longer holds the position of chief executive officer, (ii) Mr. Chen Min no longer is

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employed by our Company, (iii) Mr. Chen Min commits gross misconduct as specified under the employees manual of the Company, or (iv) upon the occurrence of any of the events as set out under Rule 8A.17 of the Listing Rules, our Company shall repurchase the Award Shares from Mr. Chen Min at a time that may be determined by us at our discretion. In addition, before the Financial Condition is met, Mr. Chen Min (a) will be entitled to exercise the voting rights and to receive dividends with respect to the Award Shares, but (b) shall not transfer, sell, pledge or in any way dispose of the interest in the Award Shares.

- (3) Represents Mr. Chen Min’s entitlement to receive up to [REDACTED] Class A Shares pursuant to the exercise of options granted to him under the 2019 Share Incentive Plan, subject to the conditions (including vesting conditions) of those options.
- (4) This includes [REDACTED] Class B Shares held by Nholresi Investment Limited. Nholresi Investment Limited is wholly-owned by Ilnewgnay Investment Limited. The entire interest in Ilnewgnay Investment Limited is held by a trust that was established by Mr. Chen Min (as the settlor) with him as the sole beneficiary. Mr. Chen Min is deemed to be interested in the shares held by Nholresi Investment Limited.
- (5) TroisUnis.HU Investment Limited is wholly owned by ToUs.HU Investment Limited. The entire interest in ToUs.HU Investment Limited is held by a trust that was established by Mr. Hu Xiaodong (as the settlor) with him as the beneficiary. As such, Mr. Hu Xiaodong is deemed to be interested in [REDACTED] Class A Shares and [REDACTED] Class A Shares pursuant to the exercise of options granted to him under the 2019 Share Incentive Plan, subject to the conditions (including vesting conditions) of those options.

### *Interests and short positions disclosable under Divisions 2 and 3 of Part XV of the SFO*

For information, so far as is known to our Directors or chief executive, of each person, other than our Director or chief executive, who immediately following completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no Shares are issued under the Equity Incentive Schemes) will have an interest or short position in the Shares or underlying shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, is, directly or indirectly, interested in 10% or more of the issued voting shares of any class of shares of our Company or any other member of our Group, see the section headed “Substantial Shareholders”.

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### *Interest of the substantial shareholder of any member of our Group (except other members of our Group)*

Save as set out above and in the table below, as of the Latest Practicable Date, our Directors are not aware of any persons (not being Directors or chief executive of our Company) who would, immediately following the completion of the [REDACTED], be directly or indirectly interested in 10% or more of the issued voting shares of the member of our Group (except other members of our Group).

<u>Name of associated corporation</u>	<u>Name of substantial shareholder</u>	<u>Nature of interest</u>	<u>Approximate% held by the substantial shareholder</u>
Shanghai Zhiding Automotive Technology Co., Ltd. (上海至巔汽車科技有限公司)	Prinx Chengshan (Shandong) Tire Co., Ltd. (浦林成山(山東)輪胎有限公司)	Beneficial interest	35.0%
Xi'an Jusuohua Automobile Technology Co., Ltd. (西安鉅朔華汽車科技有限公司)	Mr. Liu Wei (劉偉)	Beneficial interest	18.03%
Yulin Shengtai Qiye Automobile Maintenance Co., Ltd. (榆林盛泰啓業汽車維修有限責任公司)	Shaanxi Huichuangxing Automobile Service Co., Ltd. (陝西匯創行汽車服務有限公司)	Beneficial interest	30.0%
Guangzhou Changtu Automobile Technology Development Co., Ltd. (廣州暢途汽車技術開發有限公司)	Mr. Wen Haiting (溫海庭)	Beneficial interest	15.12%
Guangzhou Changtu Automobile Technology Development Co., Ltd. (廣州暢途汽車技術開發有限公司)	Guangzhou Changyong Investment (Limited Partnership) (廣州市暢永投資(有限合夥))	Beneficial interest	11.99%

## D. EQUITY INCENTIVE SCHEMES

### 1. 2019 Share Incentive Plan

The following is a summary of the principal terms of the 2019 Share Incentive Plan, adopted on 31 October 2019. The 2019 Share Incentive Plan will not involve the grant of any share options or share awards after [REDACTED] and will not be subject to Chapter 17 of the Listing Rules.

#### *Purpose*

The purpose of the 2019 Share Incentive Plan is to promote the success and enhance the value of the company by linking the personal interests of the directors, employees, and consultants to those of our shareholders and by providing such individuals with an incentive for outstanding performance to generate superior returns to our shareholders.

#### *Eligible participants*

Any person, including an employee, a director or a consultant (“**Service Provider**”) employed by the Company or trusts or companies established in connection with any employee benefit plan of the Company for the benefits of the Service Providers.

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### *Types of awards*

The 2019 Share Incentive Plan permits the awards of options, restricted shares, RSUs or any other types of awards approved by the plan administrator or the Board. No further options will be granted under such plan.

### *Maximum number of Shares*

The maximum aggregate number of Class A Shares which may be issued pursuant to all options and RSUs under the 2019 Share Incentive Plan shall be 93,737,185 Class A Shares (as adjusted pursuant to the Share Subdivision).

### *Plan administration*

The 2019 Share Incentive Plan shall be administered by the Board or chief executive officer. Subject to applicable laws, the plan administrator will determine the participants to receive awards, the type and number of awards to be granted to each participant, and the terms and conditions of each award.

### *Terms and conditions of options*

Option agreement. Each grant of an option under the 2019 Share Incentive Plan shall be evidenced by an option agreement between the participant and the Company. Each option shall be subject to all applicable terms and conditions of the 2019 Share Incentive Plan and may be subject to any other terms and conditions that are not inconsistent with the 2019 Share Incentive Plan and that the administrator deems appropriate for inclusion in an option agreement. The provisions of the various option agreements entered into under the 2019 Share Incentive Plan need not be identical.

Number of shares. Each option agreement shall specify the number of Class A Shares that are subject to the option and shall provide for the adjustment of such number in accordance with the terms of the 2019 Share Incentive Plan.

Exercise price. The exercise price of an option shall be equal to the fair market value on the date of grant. However, the exercise price of any option granted to any individual who, at the date of grant, owns shares possessing more than 10% of the total combined voting power of all classes of shares of the Company or the company of the Group may not be less than 110% of fair market value on the date of grant and such option may not be exercisable for more than five years from the date of grant. Notwithstanding anything in the foregoing, the exercise price per share shall in no circumstances be less than the par value of such share.

Term of option. Subject to the sole discretion of the administration, the term shall not exceed ten (10) years from the date of grant.

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Exercisability. The exercisability provisions of any option agreement shall be determined by the administrator in its sole discretion, provided that the exercise of the option shall be fully compliant with applicable laws and regulations.

Dismissal for cause. Unless otherwise provided in the option agreement, if a Service Provider's employment by or service to the Company is terminated by the Company for one of the reasons below, the Service Provider's options will terminate upon such termination, whether or not the option is then vested and/or exercisable:

- (a) the Service Provider has been negligent in the discharge of his or her duties to the Service Recipient, has refused to perform stated or assigned duties or is incompetent in or (other than by reason of a disability or analogous condition) incapable of performing those duties;
- (b) the Service Provider has been dishonest or committed or engaged in an act of theft, embezzlement or fraud, a breach of confidentiality, an unauthorised disclosure or use of inside information, customer lists, trade secrets or other confidential information;
- (c) the Service Provider has breached a fiduciary duty, or willfully and materially violated any other duty, law, rule, regulation or policy of the Company; or has been convicted of, or plead guilty to, a felony or misdemeanour (other than minor traffic violations or similar minor offences);
- (d) has materially breached any of the provisions of any agreement with the Company;
- (e) the Service Provider has engaged in unfair competition with, or otherwise acted intentionally in a manner injurious to the reputation, business or assets of, the Company;  
or
- (f) has improperly induced a vendor or customer to break or terminate any contract with the Company or induced a principal for whom the Company acts as agent to terminate such agency relationship.

Termination of service (other than dismissal for cause or death or disability). Unless otherwise provided in the option agreement, if a Service Provider's employment by or service to the Company terminates for any reason other than a termination by the Company for cause or because of the Service Provider's death or disability:

- (a) the Service Provider will have until the date that is 90 days after his or her termination of employment or service to exercise his or her options (or portion thereof) to the extent that such options were vested and exercisable on the date of the Service Provider's termination of employment or service;

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- (b) the options, to the extent not vested and exercisable on the date of the Service Provider's termination of employment or service, shall terminate upon the Service Provider's termination of employment or service; and
- (c) the options, to the extent exercisable for the 90-day period following the Service Provider's termination of employment or service and not exercised during such period, shall terminate at the close of business on the last day of the 90-day period.

Death or disability. Unless otherwise provided in the option agreement, if a Service Provider's employment by or service to the Company terminates as a result of the Service Provider's death or disability:

- (a) the Service Provider (or his or her legal representative or beneficiary, in the case of the Service Provider's disability or death, respectively), will have until the date that is twelve months after the Service Provider's termination of Employment to exercise the options (or portion thereof) to the extent that such options were vested and exercisable on the date of the termination on account of death or disability;
- (b) the options, to the extent not vested and exercisable on the date of the Service Provider's termination of employment or service, shall terminate upon the Service Provider's termination of employment or service on account of death or disability; and
- (c) the options, to the extent exercisable for the 12-month period following the Service Provider's termination of employment or service and not exercised during such period, shall terminate at the close of business on the last day of the 12-month period.

***Terms and conditions of restricted shares***

Grant of restricted shares. The administrator, at any time and from time to time, may grant restricted shares to Service Provider as the administrator, in its sole discretion, shall determine. The administrator, in its sole discretion, shall determine the number of restricted shares to be granted to each Service Provider.

Restricted shares agreement. Each award of restricted shares shall be evidenced by an award agreement that shall specify the period of restriction, the number of restricted shares granted, and such other terms and conditions as the administrator, in its sole discretion, shall determine. Unless the administrator determines otherwise, restricted shares shall be held by the Company as escrow agent until the restrictions on such restricted shares have lapsed.

Issuance and restrictions. Restricted shares shall be subject to such restrictions on transferability and other restrictions as the administrator may impose (including, without limitation, limitations on the right to vote restricted shares or the right to receive dividends on the restricted

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shares). These restrictions may lapse separately or in combination at such times, pursuant to such circumstances, in such instalments, or otherwise, as the administrator determines at the time of the grant or thereafter.

Repurchase. Except as otherwise determined by the administrator at the time of the grant or thereafter, upon termination of employment or service during the applicable restriction period, restricted shares that are at that time subject to restrictions shall, subject to applicable laws, be repurchased in accordance with the restricted share agreement; provided, however, the administrator may (a) provide in any restricted share agreement that restrictions or repurchase conditions relating to restricted shares will be waived in whole or in part in the event of terminations resulting from specified causes, and (b) in other cases waive in whole or in part restrictions or repurchase conditions relating to restricted shares.

Certificates for restricted shares. Restricted shares granted pursuant to the 2019 Share Incentive Plan may be evidenced in such manner as the administrator shall determine. If certificates representing restricted shares are registered in the name of the Service Provider, certificates must bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such restricted shares, and the Company may, at its discretion, retain physical possession of the certificate until such time as all applicable restrictions lapse.

Removal of restrictions. Except as otherwise provided herein, restricted shares granted under the 2019 Share Incentive Plan shall be released from escrow as soon as practicable after the last day of the period of restriction. The administrator, in its discretion, may accelerate the time at which any restrictions shall lapse or be removed. After the restrictions have lapsed, the Service Provider shall be entitled to have any legend or legends removed from his or her share certificate, and the shares shall be freely transferable by the Service Provider, subject to applicable legal restrictions. The administrator (in its discretion) may establish procedures regarding the release of shares from escrow and the removal of legends, as necessary or appropriate to minimise administrative burdens on the Company.

### *Terms and conditions of RSUs*

RSU agreement. Each RSU agreement shall be evidenced by an RSU agreement that shall specify any vesting conditions, the number of RSUs granted, and such other terms and conditions as the administrator, in its sole discretion, shall determine.

Grant of RSU. The administrator, at any time and from time to time, may grant RSUs to Service Providers as the administrator, in its sole discretion, shall determine. The administrator, in its sole discretion, shall determine the number of RSUs to be granted to each Service Provider.

Form and Timing of Payment of Restricted Share Units. At the time of grant, the administrator shall specify the date or dates on which the RSUs shall become fully vested and nonforfeitable. Upon vesting, the administrator, in its sole discretion, may pay RSUs in the form of cash, shares or a combination thereof.

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Forfeiture or repurchase. Except as otherwise determined by the administrator at the time of the grant of the award or thereafter, upon termination of employment or service during the applicable restriction period, RSUs that are at that time unvested shall be forfeited or repurchased in accordance with the RSU agreement; provided, however, the administrator may (a) provide in any RSU agreement that restrictions or forfeiture and repurchase conditions relating to RSUs will be waived in whole or in part in the event of terminations resulting from specified causes, and (b) in other cases waive in whole or in part restrictions or forfeiture and repurchase conditions relating to RSUs.

### *Vesting schedule*

In general, the administrator determines the vesting schedule, which is specified in the relevant award agreement.

### *Adjustment*

In the event of any dividend, share split, combination or exchange of shares, amalgamation, arrangement or consolidation, spin-off, recapitalisation or other distribution of Company assets to its shareholders (other than normal cash dividends), or any other change affecting the shares or the share price, or the administrator shall make such proportionate adjustments, if any, as the administrator in its discretion may deem to appropriate to reflect such change with respect to the aggregate number and type of shares that may be issued under the plan, terms and conditions of any outstanding awards and the grant or exercise price subject to an award.

### *Duration*

The 2019 Share Incentive Plan shall continue in effect for a term of ten years from its date of effectiveness.

### *Amendment, modification or termination*

Our board of directors may terminate, amend or modify the plan. However, no such action may adversely affect in any material way any awards previously granted without the written consent of the participant.

### *Outstanding options granted*

The overall limit on the number of underlying Class A Shares pursuant to the 2019 Share Incentive Plan is 93,737,185 Class A Shares (as adjusted pursuant to the Share Subdivision). The number of underlying Class A Shares pursuant to the outstanding options granted under the 2019 Share Incentive Plan (net of [12,614,702] forfeited options) amounts to [43,246,892] Class A Shares, representing approximately [REDACTED] of the issued Shares immediately following completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no Shares are issued



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under the Equity Incentive Schemes). As of the Latest Practicable Date, none of the granted options have been exercised or lapsed. As of the Latest Practicable Date, we had conditionally granted options to [919] participants under the 2019 Share Incentive Plan. The exercise price of all the options granted under the 2019 Share Incentive Plan is US\$0.00002 per Share (as adjusted pursuant to the Share Subdivision). The grantees were not required to pay any consideration for the grant of the outstanding options granted under the 2019 Share Incentive Plan.

Assuming full vesting and exercise of all options granted under the 2019 Share Incentive Plan, the shareholding of our Shareholders immediately following completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no Shares are issued under the Equity Incentive Schemes) will be diluted by approximately [REDACTED]. As the Group incurred losses for the years ended 31 December 2019, 2020, 2021 and 2022, and for the three months ended 31 March 2023, the dilutive potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilution.

Below is a list of our Directors, senior management, connected persons of the Company who are grantees of options, and grantees who have been granted options to subscribe for 300,000 Class A Shares or more (who are not Directors, senior management or connected person), under the 2019 Share Incentive Plan:

<u>Name</u>	<u>Role</u>	<u>Date of grant</u>	<u>Vesting period</u>	<u>Exercise price</u>	<u>Number of Class A Shares underlying the options granted</u>	<u>Approximate % of issued shares immediately after completion of the [REDACTED]<sup>(1)</sup></u>	<u>Approximate % of voting rights immediately after completion of the [REDACTED]<sup>(2)</sup></u>
Mr. Chen Min . . . . .	Co-founder, chairman of the Board, chief executive officer and executive Director	1 May 2021	4 years	US\$0.00002 per Share	[850,000]	[REDACTED]	[REDACTED]
Mr. Hu Xiaodong . . . . .	Co-founder, president and executive Director	1 May 2021	4 years	US\$0.00002 per Share	[300,000]	[REDACTED]	[REDACTED]
Mr. Zhang Zhisong . . . . .	Chief financial officer	1 December 2021	5 years	US\$0.00002 per Share	[5,478,450]	[REDACTED]	[REDACTED]

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Name	Role	Date of grant	Vesting period	Exercise price	Number of Class A Shares underlying the options granted	Approximate % of issued shares immediately after completion of the	Approximate % of voting rights immediately after completion of the
						[REDACTED] <sup>(1)</sup>	[REDACTED] <sup>(2)</sup>
Mr. Zhu Yan	Co-founder	1 May 2021, 1 December 2021 & 15 October 2022	4 years - 4.125 years per Share	US\$0.00002	[447,847]	[REDACTED]	[REDACTED]
Ms. Wang Lingjie	Senior vice president	1 December 2020, 1 December 2021 & 15 October 2022	4 years - 4.125 years per Share	US\$0.00002	[2,142,633]	[REDACTED]	[REDACTED]
Mr. Zhu Hequn <sup>(3)</sup>	Director of Shanghai Jida	1 December 2021	4 years	US\$0.00002 per Share	[28,225]	[REDACTED]	[REDACTED]
Mr. Xu Jian <sup>(4)</sup>	Director of Shanghai Zitu	1 December 2021 & 15 October 2022	4 years - 4.125 years per Share	US\$0.00002	[147,621]	[REDACTED]	[REDACTED]
Mr. Mao Ruizhe	Finance senior manager	1 July 2020, 1 December 2021 & 1 December 2022	4 years - 4.125 years	US\$0.00002 per Share	[302,442]	[REDACTED]	[REDACTED]
Mr. Zhang Wendong	Research manager	1 October 2019, 1 December 2020, 1 December 2021 & 15 October 2022	4 years - 4.125 years	US\$0.00002 per Share	[375,201]	[REDACTED]	[REDACTED]

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Name	Role	Date of grant	Vesting period	Exercise price	Number of Class A Shares underlying the options granted	Approximate % of issued shares immediately after completion of the [REDACTED] <sup>(1)</sup>	Approximate % of voting rights immediately after completion of the [REDACTED] <sup>(2)</sup>
Mr. Wang Minyou	Senior research manager	1 January 2017, 1 October 2019, 1 December 2020, 1 May 2021, 1 December 2021 & 15 October 2022	4 years - 4.125 years	US\$0.00002 per Share	[376,078]	[REDACTED]	[REDACTED]
Mr. Chen Hua	Research manager	1 October 2019, 1 December 2020, 1 December 2021 & 15 October 2022	4 years - 4.125 years	US\$0.00002 per Share	[378,026]	[REDACTED]	[REDACTED]
Mrs. Huang Xiaolei	Vice president	1 December 2021	4 years	US\$0.00002 per Share	[395,145]	[REDACTED]	[REDACTED]
Max Platinum Limited	Senior consultant	1 November 2022	1 year	US\$0.00002 per Share	[453,132]	[REDACTED]	[REDACTED]
Mr. Qu Guirong	Senior consultant	1 November 2022	1 year	US\$0.00002 per Share	[458,084]	[REDACTED]	[REDACTED]
Mr. Ma Yao	Senior research manager	15 October 2022	4 years	US\$0.00002 per Share	[562,600]	[REDACTED]	[REDACTED]
Mr. Xie Zhiyuan	Senior research manager	1 October 2020, 1 December 2021 & 15 October 2022	4 years - 4.125 years	US\$0.00002 per Share	[574,428]	[REDACTED]	[REDACTED]
Mr. Hei Lijun	Former employee	1 November 2020 & 1 December 2021	4 years	US\$0.00002 per Share	[826,139]	[REDACTED]	[REDACTED]

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Name	Role	Date of grant	Vesting period	Exercise price	Approximate %		
					Number of Class A Shares underlying the options granted	of issued shares immediately after completion of the	Approximate % of voting rights immediately after completion of the
Mr. Zhang Yue	Vice president	1 October 2019, 1 December 2021 & 15 October 2022	4 years - 4.125 years	US\$0.00002 per Share	[929,149]	[REDACTED] <sup>(1)</sup>	[REDACTED] <sup>(2)</sup>
Mr. Xu Bo	Senior director of commercial intelligence	1 July 2023	4 years	US\$0.00002 per Share	[505,433]	[REDACTED]	[REDACTED]
Mr. Hong Guangyan	Vice president of research	1 July 2023	4 years	US\$0.00002 per Share	[505,433]	[REDACTED]	[REDACTED]

Notes:

- (1) The calculation is made assuming the [REDACTED] is not exercised and no Shares are issued under the Equity Incentive Schemes.
- (2) The calculation is made assuming the [REDACTED] is not exercised and no Shares are issued under the Equity Incentive Schemes. The percentage takes into account the weighted voting rights of the Class B Shares, which carry 10 votes per share in relation to resolutions at the general meetings of the Company save in respect of the Reserved Matters.
- (3) Mr. Zhu Hequn is a current director of Shanghai Jida Trade Co., Ltd. (“**Shanghai Jida**”), who is a connected person of our Company.
- (4) Mr. Xu Jian is a current director of Shanghai Zitu E-Commerce Co., Ltd. (“**Shanghai Zitu**”), who is a connected person of our Company.

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Below is a table of options granted to the remaining grantees under the 2019 Share Incentive Plan:

Range of underlying Class A Shares	Number of Grantees	Date of grant	Vesting period	Exercise price	Number of Class A Shares underlying the options granted	Approximate % of issued shares immediately after completion of the [REDACTED] <sup>(1)</sup>	Approximate % of voting rights immediately after completion of the [REDACTED] <sup>(2)</sup>
1 - 49,999 shares	748	1 January 2017 - 1 November 2022	1 year - 4.125 years	US\$0.00002 per Share	[9,963,759]	[REDACTED]	[REDACTED]
50,000 - 99,999 shares	78	1 January 2017 - 1 November 2022	1 year - 4.125 years	US\$0.00002 per Share	[5,415,284]	[REDACTED]	[REDACTED]
100,000 - 149,999 shares	40	1 January 2017 - 1 November 2022	1 year - 4.125 years	US\$0.00002 per Share	[4,987,899]	[REDACTED]	[REDACTED]
150,000 shares or more	33	1 January 2017 - 1 November 2022	1 year - 4.125 years	US\$0.00002 per Share	[6,843,884]	[REDACTED]	[REDACTED]

*Notes:*

- (1) The calculation is made assuming the [REDACTED] is not exercised and no Shares are issued under the Equity Incentive Schemes.
- (2) The calculation is made assuming the [REDACTED] is not exercised and no Shares are issued under the Equity Incentive Schemes. The percentage takes into account the weighted voting rights of the Class B Shares, which carry 10 votes per share in relation to resolutions at the general meetings of the Company save in respect of the Reserved Matters.

### 2. Post-[REDACTED] Share Scheme

The following is a summary of the principal terms of the Post-[REDACTED] Share Scheme conditionally adopted by our Shareholders’ resolutions dated [●] with effect from [REDACTED]. The terms of the Post-[REDACTED] Share Scheme will be governed by Chapter 17 of the Listing Rules.

***Purpose***

The purpose of the Post-[REDACTED] Share Scheme is to provide selected participants with the opportunity to acquire proprietary interests in the Company so as to align the interests of the selected participants with those of our Company and to encourage selected participants to work towards enhancing the value of our Company and its Shares for the benefit of our Company and Shareholders

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as a whole. The Post-[REDACTED] Share Scheme will provide our Company with a flexible means of retaining, incentivizing, rewarding, remunerating, compensating and/or providing benefits to selected participants.

### *Selected participants*

Any individual, who is:

- (a) an employee (whether full-time or part-time), director or officer of any member of our Group, including persons who are granted awards under the Post-[REDACTED] Share Scheme as an inducement to enter into employment contracts with any member of our Group;
- (b) an employee (whether full-time or part-time), director or officer of: (i) a holding company; (ii) subsidiaries of the holding company other than members of our Group; or (iii) any company which is an associate of our Company; or
- (c) who is a consultant or an advisor who in the opinion of our Directors has contributed or will contribute to the growth and development of our Group, a franchisee of our Group and a partner store operator of our Group (whether it is an individual or a corporate entity), or an advertising service provider, a software service provider, a warehousing and logistics services provider or a labour service provider who in the opinion of the Board or the its delegate(s) has contributed or will contribute to the growth and development of our Group (“**Service Provider Participants**”),

as determined by the Board or the its delegate(s) from time to time to be entitled to participate in the Post-[REDACTED] Share Scheme. However, no individual who is resident in a place where the grant, acceptance or vesting of options pursuant to the Post-[REDACTED] Share Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board or its delegate(s), compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, is eligible to be offered or granted options. For the avoidance of doubt, placing agents or financial advisors providing advisory services for fundraising, mergers or acquisitions, or professional service providers such as auditors or valuers who provide assurance or are required to perform their services with impartiality and objectivity may not participate in the Post-[REDACTED] Share Scheme.

### *Maximum number of shares*

The total number of Shares which may be issued upon exercise of all awards to be granted under the Post-[REDACTED] Share Scheme and options to be granted under any other share schemes of the Company is [REDACTED], being no more than 10% of the Shares in issue on the date the Shares commence trading on the Stock Exchange (the “**Scheme Mandate Limit**”) (excluding any Shares which may be issued pursuant to the exercise of the [REDACTED] and any grants under

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other Equity Incentive Schemes). Options which have lapsed in accordance with the terms of the rules of the Post-[REDACTED] Share Scheme (or any other share option schemes of the Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit.

The total number of Shares which may be issued pursuant to awards to be granted to Service Provider Participants under this Scheme is [REDACTED] Shares, being not more than 1% of the Shares in issue on the date the Shares commence trading on the Stock Exchange (the “**Service Provider Sublimit**”).

The Scheme Mandate Limit and the Service Provider Sublimit may be refreshed from the later of three years after the adoption date of the Post-[REDACTED] Share Scheme or three years after the date of the previous shareholder approval for refreshment of the Scheme Mandate Limit or Service Provider Sublimit (as the case may be) by obtaining prior approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time. However, the refreshed Scheme Mandate Limit cannot exceed 10% of the Shares in issue as of the date of such approval. Awards previously granted under the Post-[REDACTED] Share Scheme and any other share option schemes of our Company (and to which provisions of Chapter 17 of the Listing Rules are applicable) (including those outstanding, cancelled or lapsed in accordance with its terms or exercised), shall not be counted for the purpose of calculating the refreshed Scheme Mandate Limit.

Our Company may also grant awards in excess of the Scheme Mandate Limit to specifically identified selected participant provided that such grant is first approved by Shareholders in general meeting.

### *Maximum entitlement of a grantee*

Unless approved by our Shareholders, the total number of Shares issued and to be issued upon exercise of the options granted and to be granted under the Post-[REDACTED] Share Scheme and any other share option scheme(s) of the Company to each selected participant (including both exercised and outstanding options) in any twelve-month period shall not exceed 1% of the total number of Shares in issue (the “**Individual Limit**”). Any further grant of options to a selected participant which would result in the aggregate number of Shares issued and to be issued upon exercise of all options granted and to be granted to such selected participant (including exercised, cancelled and outstanding options) in the twelve months period up to and including the date of such further grant exceeding the Individual Limit shall be subject to separate approval of our Shareholders (with such selected participant and his associates abstaining from voting). For any options to be granted in such circumstances, the date of the Board meeting for proposing such further grant shall be the date of grant of such options for the purpose of calculating the exercise price of the options.

### *Performance target*

The Post-[REDACTED] Share Scheme does not set out any performance targets that must be achieved before the options may be exercised. However, the Board or its delegate(s) may at their sole

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discretion specify, as part of the terms and conditions of any award, such performance conditions that must be satisfied before the award shall be vested.

### *Exercise price*

For awards which take the form of options, the amount payable for each Share to be subscribed for (the “**Exercise Price**”) in the event of the option being exercised shall be determined by the Board or the committee of the Board or person(s) to which the Board has delegated its authority (as applicable) but shall in any event be no less than the higher of:

- (i) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant; and
- (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant.

### *Rights are personal to grantee*

An award is personal to the grantee and shall not be transferable or assignable except in circumstances where the written consent of the Company has been obtained and a waiver has been granted by the Stock Exchange for such transfer in compliance with the requirements of the Listing Rules and provided that any such transferee shall be bound by the Rules of this Scheme as if the transferee were the grantee.

### *Options granted to directors or substantial shareholders of the Company*

Each grant of options to any director, chief executive or substantial shareholder of our Company (or any of their respective associates) must first be approved by the remuneration committee of the Board (excluding any member who is a proposed recipient of the grant of the award) and the independent non-executive Directors (excluding any independent non-executive Director who is a proposed recipient of the grant of options). In addition,

- (a) where any grant of awards (excluding grant of options) to any Director (other than an independent non-executive Director) or chief executive of the Company would result in the Shares issued and to be issued in respect of all awards granted (excluding any awards lapsed in accordance with the terms of the Post-[REDACTED] Share Scheme) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the Shares in issue at the date of such grant; or
- (b) where any grant of awards to an independent non-executive director or substantial shareholder of the Company (or any of their respective associates) would result in the number of Shares issued and to be issued upon exercise of all awards already granted (excluding any awards lapsed in accordance with the terms of the Post-[REDACTED] Share Scheme)



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## STATUTORY AND GENERAL INFORMATION

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to such person in the 12 month period up to and including the date of such grant representing in aggregate over 0.1% (or such other higher percentage as may from time to time be specified by the Stock Exchange) of Shares in issue,

such further grant of Awards must be approved by Shareholders in general meeting in the manner required, and subject to the requirements set out, in the Listing Rules.

### *Award letter and notification of grant of options*

An offer shall be made to selected participants by a letter which specifies the terms on which the award is to be granted. Such terms may include the number of Shares in respect of which the award relates, the issue price or Exercise Price (as applicable), the vesting criteria and conditions, the vesting date, any minimum performance targets that must be achieved, and may include at the discretion of the Board or its delegate(s) such other terms either on a case basis or generally.

Unless otherwise specified in the award letter, a grantee shall have 20 business days from the date of grant to accept the award. A grantee may accept an award by giving written notice of their acceptance to our Company, the Board or the committee of the Board or person(s) to which the Board has delegated its authority (as applicable), together with remittance in favour of the Company of any consideration payable upon grant of the award. Any award may be accepted in whole or in part provided that it must be accepted in respect of a board lot for dealing in Shares or a multiple thereof. To the extent that an award is not accepted within the time and in the manner indicated above, it shall be deemed to have been irrevocably declined and shall automatically lapse.

### *Time of exercise of an option*

An option may, subject to the terms and conditions upon which such option is granted, be exercised in whole or in part by the grantee giving notice in writing to the Company in such form as the Board or the committee of the Board or person(s) to which the Board has delegated its authority (as applicable) may from time to time determine stating that the option is thereby exercised and the number of Shares in respect of which it is exercised.

### *Cancellation of options*

Any awards granted but not exercised may be cancelled by the Board or the committee of the Board or person(s) to which the Board has delegated its authority (as applicable) at any time with the prior consent of the grantee. Issuance of new awards to the same grantee whose awards have been cancelled pursuant to Rule 16.1 may only be made if there are unissued awards available under the scheme mandate (excluding the awards of the relevant grantee cancelled aforementioned) and in compliance with the terms of the Post-[REDACTED] Share Scheme.

### *Lapse of option*

Without prejudice to the authority of the Board or the committee of the Board or person(s) to which the Board has delegated its authority to provide additional situations when an award shall

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## STATUTORY AND GENERAL INFORMATION

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lapse in the terms of any award letter, an award shall lapse automatically (to the extent not already exercised) on the earliest of:

- (i) the expiry of the applicable period within which an option may be exercised, and shall not expire later than ten years from the date of grant (the “**Exercise Period**”);
- (ii) the expiry of any of the periods for exercising the award as referred to “Cessation of employment and other events” and “Change of control” below;
- (iii) the date on which the Board makes a determination under the clawback mechanism of the Post-[REDACTED] Share Scheme, as referred to “Clawback” below; and
- (iv) the date on which the grantee commits a breach of the rules of the Post-[REDACTED] Share Global Option Scheme.

### *Voting and dividend right*

Awards do not carry any right to vote at general meetings of the Company, nor any right to dividends, transfer or other rights.

### *Alterations in the capital structure of the Company*

In the event of any alteration in the capital structure of the Company by way of capitalisation of profits or reserves, rights issue, subdivision or consolidation of Shares or reduction of the share capital of the Company (other than any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in a transaction to which the Company is a party) after the adoption date, the Board or the committee of the Board or person(s) to which the Board has delegated its authority (as applicable) shall make such corresponding adjustments, if any, as it in its discretion may deem appropriate to reflect such change with respect to:

- (a) the number of Shares comprising the Scheme Mandate Limit or Service Provider Sublimit, provided that in the event of any Share subdivision or consolidation the Scheme Mandate Limit and Service Provider Sublimit as a percentage of the total issued Shares of the Company at the date immediately before any consolidation or subdivision shall be the same on the date immediately after such consolidation or subdivision;
- (b) the number of Shares comprised in each award to the extent any award has not been exercised;
- (c) the Exercise Price of any option or issue price of any share award,

or any combination thereof, as the auditors or a financial advisor engaged by the Company for such purpose have certified satisfy the relevant requirements of the Listing Rules and are, in their opinion,

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fair and reasonable either generally or as regards any particular grantee, provided always that (i) any such adjustments should give each grantee the same proportion of the equity capital of the Company, rounded to the nearest whole Share, as that to which that grantee was previously entitled prior to such adjustments, and (ii) no such adjustments shall be made which would result in a Share being issued at less than its nominal value. The capacity of the auditors or financial advisor (as the case may be) is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on the Company and the grantees.

### *Clawback*

In the event that:

- (a) a grantee ceases to be a selected participant by reason of (i) the termination of his/her employment or contractual engagement with the Group for cause or without notice, (ii) termination of his/her employment or contractual engagement with the Group as a result of he/she having been convicted of a criminal offence involving his/her integrity or honesty, (iii) termination of his/her employment or contractual engagement with the Group as a result of he/she having received a regulatory or administrative penalty by a competent authority; or
- (b) in the reasonable opinion of the Board, a Grantee has engaged in serious misconduct or breaches the terms of this Scheme in any material respect,

then the Board may make a determination at its absolute discretion that: (A) any awards issued but not yet exercised shall immediately lapse, regardless of whether such awards have vested or not, and (B) with respect to any Shares issued to the grantee pursuant to any awards granted under the Post-[REDACTED] Share Scheme, the grantee shall be required to transfer back to the Company or its nominee (1) the equivalent number of Shares, (2) an amount in cash equal to the market value of such Shares, or (3) a combination of (1) and (2).

### *Cessation of employment and other events*

If a grantee ceases to be a selected participant by reason of his/her retirement, (i) any outstanding awards not yet vested shall continue to vest in accordance with the vesting dates set out in the award letter, or such other period as the Board or the committee of the Board or person(s) to which the Board has delegated its authority (as applicable) may determine at their sole discretion, and (ii) any vested option may be exercised within the Exercise Period, failing which such option shall lapse.

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If a grantee ceases to be a selected participant by reason of (i) death of the grantee; or (ii) the termination of his/her employment or contractual engagement with any member of the Group by reason of his/her permanent physical or mental disablement:

- (a) in the case of options: any vested option may be exercised within the Exercise Period by the personal representatives of the grantee. In the case where a grantee no longer has any legal capacity to exercise the option, the vested option may be exercised within that period by the persons charged with the duty of representing the grantee under the relevant laws in Hong Kong. If the vested option is not exercised within the time mentioned above, the option shall lapse; and
- (b) in the case of share awards: any outstanding share awards not yet vested shall immediately vest, and the Company shall issue such number of Shares pursuant to the vested share awards or the an amount equal to the actual price at which Shares are sold (net of brokerage, trading fee, transaction levy and any other applicable costs) (hereinafter referred to as “**Benefits**”) to the legal personal representatives of the grantee or the persons charged with the duty of representing the grantee under the relevant laws in Hong Kong, as the case may be, as soon as practicable following the death of the grantee or, if the Benefits would otherwise become *bona vacantia*, the Benefits shall be forfeited and cease to be transferable and such Benefits shall lapse.

If a grantee is declared bankrupt or becomes insolvent or makes any arrangements or composition with his/her creditors generally, they shall cease to be a selected participant under the Post-[REDACTED] Share Scheme and any awards not yet vested and any outstanding options not yet exercised shall be immediately forfeited and shall lapse, unless the Board or the committee of the Board or person(s) to which the Board has delegated its authority (as applicable) determines otherwise at their absolute discretion.

Unless otherwise determined by the Board or the committee of the Board or person(s) to which the Board has delegated its authority, the service of a grantee shall be deemed to continue while the grantee is on a bona fide leave of absence, if such leave was approved by the Company in writing, provided that such leave shall not exceed 90 calendar days.

If a grantee ceases to be selected participant other than in any of the circumstances described above, unless otherwise determined by the Board or the committee of the Board or person(s) to which the Board has delegated its authority, a grantee may exercise any vested Share Options within 3 months of such cessation or within the Exercise Period, whichever is the shorter. If an option is not exercised within the time mentioned above, the option shall lapse. Any outstanding share awards not yet vested shall be immediately forfeited and shall lapse, unless the Board or person(s) to which the Board has delegated its authority, determines otherwise at their absolute discretion.

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## STATUTORY AND GENERAL INFORMATION

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### *Change of control*

If there is an event of change in control of the Company as the result of a merger, scheme of arrangement or general offer, the Board or the committee of the Board or person(s) to which the Board has delegated its authority shall at its sole discretion determine whether the vesting dates of any awards will be accelerated and/or the vesting conditions or criteria of any awards will be amended or waived, and notify grantees accordingly.

### *Ranking of Shares*

The Shares to be allotted and issued upon the exercise of an option shall be identical to the then existing issued Shares of the Company and subject to all the provisions of the memorandum and articles of association of the Company for the time being in force and will rank *pari passu* with the other fully paid Shares in issue on the date the name of the grantee is registered on the register of members of the Company or if that date falls on a day when the register of members of the Company is closed, the first day of the re-opening of the register of members, save that the grantee shall not have any voting rights, or rights to participate in any dividends or distributions (including those arising on a liquidation of the Company) declared or recommended or resolved to be paid to the Shareholders on the register on a date prior to such registration.

### *Duration*

The Post-[REDACTED] Share Scheme shall be valid and effective for the period of ten years commencing on the [REDACTED] and ending on the 10th anniversary of the [REDACTED] (“**Scheme Period**”) (after which, no further options shall be offered or granted under the Post-[REDACTED] Share Scheme), and thereafter for so long as there are any unvested awards granted prior to the expiration of the aforementioned period, in order to give effect to the vesting of such awards or otherwise as may be required in accordance with the provisions of the rules of the Post-[REDACTED] Share Scheme.

### *Alteration of the Post-[REDACTED] Share Scheme*

The Board or the committee of the Board or person(s) to which the Board has delegated its authority (as applicable) may subject to the rules of the Post-[REDACTED] Share Scheme amend any of the provisions of the Post-[REDACTED] Share Scheme or any awards granted under the Post-[REDACTED] Share Scheme at any time and in any respect, provided that the terms of this Scheme or Awards so altered must comply with the relevant requirements of Chapter 17 of the Listing Rules.

Any amendment or alteration to the terms of any award the grant of which was subject to the approval of a particular body (such as the Board or any committee thereof, the independent non-executive Directors, or the Shareholders in general meeting) shall be subject to approval by that same body, provided that such requirement is not applicable where the relevant alteration takes effect automatically under existing terms of the Post-[REDACTED] Share Scheme. Without limiting the

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## APPENDIX IV

## STATUTORY AND GENERAL INFORMATION

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generality of the foregoing, any change in the terms of awards granted to any grantee who is a Director, chief executive or substantial shareholder of the Company, or any of their respective associates, must be approved by the Shareholders in general meeting in the manner required in the Listing Rules if the initial grant of the awards requires such approval (except where the changes take effect automatically under the rules of Post-[REDACTED] Share Scheme).

### *Termination*

The Post-[REDACTED] Share Scheme shall terminate on the earlier of (a) the expiry of the Scheme Period; and (b) such date of early termination as determined by the Board, following which no further awards will be offered or granted thereunder, provided that notwithstanding such termination, the Post-[REDACTED] Share Scheme and rules thereof shall continue to be valid and effective to the extent necessary to give effect to the vesting and exercise of any awards granted prior to the termination of the Post-[REDACTED] Share Scheme and such termination shall not affect any subsisting rights already granted to any grantee thereunder. Awards complying with the provisions of Chapter 17 of the Listing Rules which are granted during the life of the Post-[REDACTED] Share Scheme and remaining unexercised and unexpired immediately prior to the termination of the operation of the Post-[REDACTED] Share Scheme shall continue to be valid and exercisable in accordance with their terms of issue after the termination of the Post-[REDACTED] Share Scheme.

### **E. Other Information**

#### **1. Estate duty**

Our Directors have been advised that no material liability for estate duty is likely to fall upon any member of our Group.

#### **2. Litigation**

Save as disclosed in this document, no member of our Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Company that would have a material adverse effect on our Company’s results of operations or financial condition.

#### **3. Joint Sponsors**

Each of Goldman Sachs (Asia) L.L.C., China International Capital Corporation Hong Kong Securities Limited, Merrill Lynch (Asia Pacific) Limited and UBS Securities Hong Kong Limited satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

Each of the Joint Sponsors will receive US\$350,000 for acting as the Company’s sponsor for the [REDACTED].

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### 4. Consent of Experts

This document contains statements made by the following experts:

<u>Name</u>	<u>Qualification</u>
Goldman Sachs (Asia) L.L.C.	A licenced corporation under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
China International Capital Corporation Hong Kong Securities Limited	A licenced corporation under the SFO for type 1 (dealing in securities), type 2 (dealing in future contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
Merrill Lynch (Asia Pacific) Limited	A licenced corporation under the SFO for type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
UBS Securities Hong Kong Limited	A licenced corporation under the SFO for type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance) and type 7 (providing automated trading services) of the regulated activities as defined under the SFO
CM Law Firm	Qualified PRC lawyers
Maples and Calder (Hong Kong) LLP	Cayman Islands legal counsel
Ernst & Young	Certified Public Accountants  Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
China Insights Industry Consultancy	Industry consultant
Taitong Construction Co., Ltd. (太通建設有限公司)	Fire Safety Consultant

As of the Latest Practicable Date, none of the experts named above has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

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Each of the experts named above have given and have not withdrawn their respective written consent to the issue of this document with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

### 5. Binding Effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

### 6. Bilingual Document

[REDACTED]

### 7. Preliminary Expenses

We have not incurred any material preliminary expenses in relation to the incorporation of our Company.

### 8. Disclaimers

Save as disclosed in this document, within the two years immediately preceding the date of this document:

- (i) there are no commissions (but not including commission to sub-[REDACTED]) for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company; and
- (ii) there are no commissions, discounts, brokerages or other special terms granted in connection with the issue or sale of any capital of any member of our Group, and no Directors, promoters or experts named in the section headed “— E. Other Information — 4. Consent of Experts” received any such payment or benefit.

Save as disclosed in this document:

- (i) there are no founder, management or deferred shares in our Company or any member of our Group;



**APPENDIX IV**

**STATUTORY AND GENERAL INFORMATION**

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- (ii) we do not have any promoter and no cash, securities or other benefit has been paid, allotted or given within the two years immediately preceding the date of this document, or are proposed to be paid, allotted or given to any promoters;
- (iii) none of the Directors or the experts named in the part headed “— E. Other Information — 4. Consent of Experts” above has any interest, direct or indirect, in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group; and
- (iv) there are no bank overdrafts or other similar indebtedness by our Company or any member of our Group;
- (v) there are no hire purchase commitments, guarantees or other material contingent liabilities of our Company or any member of our Group;
- (vi) there are no outstanding debentures of our Company or any member of our Group;
- (vii) there are no other stock exchange on which any part of the equity or debt securities of our Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought;
- (viii) no capital of any member of our Group is under option, or is agreed conditionally or unconditionally to be put under option;
- (ix) there are no contracts or arrangements subsisting at the date of this document in which a Director is materially interested or which is significant in relation to the business of our Group.

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**APPENDIX V**

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE ON DISPLAY**

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**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

- (a) a copy of the [REDACTED];
- (b) the written consents referred to in “Statutory and General Information — Other Information — Consent of Experts” in Appendix IV; and
- (c) copies of the material contracts referred to in “Statutory and General Information — Further Information about Our Business — Summary of Material Contracts” in Appendix IV.

**DOCUMENTS AVAILABLE ON DISPLAY**

Copies of the following documents will be published on the websites of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company at [www.tuhu.cn](http://www.tuhu.cn) for 14 days from the date of this document:

- (a) the Memorandum and the Articles;
- (b) the material contracts referred to in “Statutory and General Information — Further Information about Our Business — Summary of Material Contracts” in Appendix IV;
- (c) the service contracts and the letters of appointment with our Directors referred to in “Statutory and General Information — Further Information about Our Directors — Particulars of Directors’ service contracts and appointment letters” in Appendix IV;
- (d) the report issued by CIC, a summary of which is set forth in “Industry Overview”;
- (e) the PRC legal opinions issued by CM Law Firm, our PRC Legal Advisor on PRC law, in respect of certain general corporate matters and property interests in the PRC of our Group;
- (f) the Accountants’ Report, the report on the unaudited interim financial information, and the report on the unaudited pro forma financial information of our Group prepared by Ernst & Young, the texts of which are set out in Appendix I, Appendix IIA and Appendix IIB, respectively;
- (g) the audited consolidated financial statements of our Company for the three financial years ended 31 December 2019, 2020, 2021 and 2022, and the three months ended 31 March 2023;
- (h) the letter of advice prepared by Maples and Calder (Hong Kong) LLP, our legal advisor on Cayman Islands law, summarising certain aspects of Cayman company law referred to in Appendix III;

**APPENDIX V**

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE ON DISPLAY**

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- (i) the Cayman Companies Act;
- (j) the written consents referred to in “Statutory and General Information — Other Information — Consent of Experts” in Appendix IV; and
- (k) the terms of the Equity Incentive Schemes.

**DOCUMENT AVAILABLE FOR INSPECTION**

A copy of a full list of all the grantees under the 2019 Share Incentive Plan, containing all the particulars as required under the applicable Share Incentive Plan Disclosure Requirements be made available for public inspection at the Company’s legal adviser’s office in Hong Kong at 42/F, Edinburgh Tower, The Landmark, 15 Queen’s Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this [REDACTED].