

## RISK FACTORS

*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 China; (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 December 2022, we had 4,491 Tuhu workshops operated by franchisees, representing over 96% of our Tuhu workshops, and 20,870 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 and RMB8.8 billion for the years ended 31 December 2019, 2020, 2021 and 2022, representing 55.9%, 62.7%, 69.3% and 75.8% of our total revenue for the corresponding period, respectively. Revenue from partner stores amounted to RMB1.3 billion, RMB1.2 billion, RMB1.2 billion and RMB673.7 million for the years ended 31 December 2019, 2020, 2021 and 2022, representing 18.0%, 13.5%, 10.6% and 5.8% 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 and RMB2.1 billion in 2019, 2020, 2021 and 2022, 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 4,653 as of 31 December 2022. 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.***

We recorded net liabilities of RMB6.5 billion, RMB9.9 billion, RMB15.4 billion and RMB19.0 billion, as of 31 December 2019, 2020, 2021 and 2022, 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, we recognised net fair value losses in preferred shares of RMB1.9 billion, RMB3.0 billion, RMB4.4 billion and RMB1.3 billion, respectively. We expect continued fluctuation of the fair value of our preferred shares after 31 December 2022 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 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.



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***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, our contract liabilities were RMB287.0 million, RMB491.9 million, RMB674.1 million and RMB713.3 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, we recorded current financial assets at fair value through profit or loss of RMB1.7 billion, RMB692.4 million, RMB320.4 million and RMB25.9 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 and RMB227.1 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 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 and RMB6.7 million, 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, 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 and RMB2.1 million, 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.

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***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 and RMB289.3 million as of 31 December 2019, 2020, 2021 and 2022, 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 impairment, write off the relevant receivables and/or incur legal costs to enforce our rights. As of 31 December 2019, 2020, 2021 and 2022, our gross trade receivables amounted to RMB174.2 million, RMB292.0 million, RMB215.6 million and RMB189.0 million, respectively. We also recorded impairment of RMB18.5 million, RMB11.5 million, RMB12.6 million and RMB15.2 million, respectively. See note 26 to the Accountants’ Report for an ageing analysis of our

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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, our prepayments, other receivables and other assets were RMB256.6 million, RMB555.6 million, RMB539.5 million and RMB456.3 million, respectively. As of 31 December 2019, 2020, 2021 and 2022, the impairment allowance for such balances was assessed to be RMB329 thousand, RMB525 thousand, RMB344 thousand and RMB2.9 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 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.

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*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.

*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

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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, 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

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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.

### ***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



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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.

***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

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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 Latest Practicable Date, four Tuhu workshops operated by us as of 31 December 2022 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 materially among various regions and are still evolving, and the application of such measures is subject to significant uncertainties in various cities. As of the Latest Practicable Date, 13.2% of the Tuhu workshops operated by us as of 31 December 2022 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

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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 December 2022 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 and nil as of 31 December 2019, 2020, 2021 and 2022, 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 and nil franchised Tuhu workshops in 2019, 2020, 2021 and 2022, 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, the outstanding balance of the interest bearing loans we extended to the franchisee amounted to RMB8.0 million, 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 and nil in 2019, 2020, 2021 and 2022, respectively, representing approximately 0.01%, 3.0%, 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. There are substantial uncertainties regarding the interpretation of the legality of such loan agreements. 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.

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 and RMB77.2 million as of 31 December 2019, 2020, 2021 and 2022, respectively. Such outstanding loans generally had an interest rate ranging from 3.7% to 6% per annum with terms ranging from half a year to three years. The corresponding outstanding guarantees amounted to approximately RMB11.0

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million, RMB80.5 million, RMB66.7 million and RMB77.2 million as of 31 December 2019, 2020, 2021 and 2022, respectively. 22, 260, 182 and 416 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 and RMB438.4 million in 2019, 2020, 2021 and 2022, respectively, representing approximately 0.3%, 3.0%, 2.0% and 3.8% of our total revenues during the same period. As of 31 December 2022, the provision estimated for the outstanding guarantees was RMB5.4 million. As of 28 February 2023, the outstanding guarantees amounted to RMB66.9 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 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 as compared to 2019 was primarily due to the COVID-19 pandemic in 2020 and its resurgence since the second

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half of 2021, which resulted in worsened financial conditions of certain franchised Tuhu workshops. In 2021 and 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.

Given the uncertainties of interpretation and implementation of relevant laws and regulations and the enforcement practises by relevant governmental authorities, 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 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

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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 RMB3.0 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 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



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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 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

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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 interpretation and implementation uncertainties related to the evolving labour laws and regulations, 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 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.

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***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 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

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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 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.

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***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 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

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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 in China and worldwide is rapidly evolving and is likely to remain uncertain for the foreseeable future. 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, 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 and evolving, it is uncertain how they will be interpreted or enforced. For more information, see “Regulatory Overview — Regulations Relating to Internet Information Security and Privacy Protection.”



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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 substantial uncertainties exist with respect to the enactment date, final content, interpretation and implementation of the Draft Regulations on Cyber Data Security Management. 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,” 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.

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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.

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

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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. It is often difficult to register, maintain and enforce intellectual property rights in China. Statutory laws and regulations are also subject to judicial interpretation and enforcement and may not be applied consistently due to the lack of clear guidance on statutory interpretation. Confidentiality, invention assignment and non-compete agreements may be breached by counterparties, and there may not be adequate remedies available to us for any such breach. Accordingly, we may not be able to effectively protect our intellectual property rights or to enforce our contractual rights in China. 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 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.

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***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 and RMB85.8 million as of 31 December 2019, 2020, 2021 and 2022, 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 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.

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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.

***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 our business. As of 31 December 2019, 2020, 2021 and 2022, our investments in associates accounted for using the equity method were RMB48.1 million, RMB207.6 million, RMB194.2 million and RMB163.7 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. 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.

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***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.

***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.



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*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 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 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.

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*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 market price of our Shares in Hong Kong.

*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

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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 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. Whether this will lead to a prolonged downturn in the economy is still unknown. 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.

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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 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 China**

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

Substantially all of our assets and operations are located in China. Accordingly, our business, financial condition, results of operations and prospects may be influenced to a large degree by

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economic, political and social conditions in China generally. The Chinese economy differs from the economies of most developed countries in many respects, including the level of development, growth rate, level of government involvement and control of foreign exchange and allocation of resources. The PRC government exercises significant control 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.

While the Chinese economy has experienced significant growth over the past decades, growth has been uneven, both geographically and among various sectors, and the rate of growth has been slowing since 2012. 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 benefit the overall Chinese economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations.

*The approval and/or other requirements of the CSRC or other PRC governmental authorities may be required in connection with the [REDACTED] under PRC rules, regulations or policies.*

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 remain unclear. If CSRC approval is required, it is uncertain how long it will take for us to obtain such approval, and, even if we obtain such CSRC approval, the approval could be rescinded. 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

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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 there remains some uncertainty as to how the M&A Rules will be interpreted or implemented in the context of an overseas offering, 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. 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 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.



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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. 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 trading price 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 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.

### *Uncertainties with respect to the PRC legal system could adversely affect us.*

The PRC legal system is a civil law system based on written statutes, where prior court decisions have limited precedential value. The PRC legal system is evolving rapidly, and the interpretations of many laws, regulations and rules may contain inconsistencies and enforcement of these laws, regulations and rules involves uncertainties.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. However, since the PRC judicial and administrative authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be difficult to predict the outcome of a judicial or administrative proceeding. These uncertainties 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, the PRC legal system is based, in part, on government policies and internal rules, some of which are not published in a timely manner or at all, but which may have retroactive effect. As a result, we may not always be aware of any potential violation of these policies and rules. 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.

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*We may be adversely affected by the complexity, uncertainties and 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 involve uncertainties, and may be interpreted and administered inconsistently among 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 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 PRC government extensively regulates the internet industry, including foreign ownership of, and the licencing and permit requirements pertaining to, companies operating in the internet industry. Moreover, the evolving PRC regulatory system for the internet industry 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 involve significant uncertainties. 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 interpretation and application of existing PRC laws, regulations and policies and possible new laws, regulations or policies relating to the internet industry have created substantial uncertainties regarding the legality of existing and future foreign investments in, and the businesses and activities of, internet businesses in China, including our business. We cannot assure you that we

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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 who reside in China or to enforce against them in China 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. Therefore, it may be difficult for [REDACTED] 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 or impossible.

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 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

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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 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 uncertainties remain with respect to the interpretation of the term “de facto management body.” 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

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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 unclear 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 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 our preferential tax treatments and government subsidies are revoked or become unavailable or if the calculation of our tax liability is successfully challenged by the PRC tax authorities, we may be required to pay tax, interest and penalties in excess of our tax provisions.***

The Chinese government has provided tax incentives to our PRC subsidiaries in China, including reduced enterprise income tax rates. For example, under the Enterprise Income Tax Law

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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, we recognised government grants of RMB4.7 million, RMB6.6 million, RMB71.4 million and RMB111.7 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 provisions, our financial condition and results of operations would be materially and adversely affected.

***The M&A Rules and certain other PRC regulations may make it more difficult for us to pursue growth through acquisitions, and regulatory uncertainties relating 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 complex 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



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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.

*Any failure to comply with PRC 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. We also face regulatory uncertainties that could restrict our ability to 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

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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.”

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

In July 2014, 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 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 and may be applicable to any offshore acquisitions that we make in the future.

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.

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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 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

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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 not freely convertible into other currencies. As a result, any restriction on currency exchange may limit the ability of our PRC subsidiaries to use their Renminbi revenues to pay dividends to us.

The PRC government may continue to strengthen its capital controls, and 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.

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.

***PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of 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 limitation 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-

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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 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. SAFE Circular 19 and SAFE Circular 16 may significantly limit our ability to transfer any foreign currency we hold, 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.

In light of the various requirements imposed by PRC regulations on loans to and direct investment in PRC entities by offshore holding companies, 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

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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. The value of RMB against the Hong Kong dollars, U.S. dollar and other currencies is affected by changes in China’s political and economic conditions and by China’s foreign exchange policies, among other things. 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 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.

Very limited hedging options are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions 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 PRC exchange control regulations that restrict our ability to convert RMB into foreign currency. 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



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

### Risks Relating 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.

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*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.

### **Risks Relating 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 trading price of our Shares may be volatile, which could result in substantial losses to you.*

The trading price 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]

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[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 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.

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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.

***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.

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*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 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.

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*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 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 trading 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 trading 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.