

OVERVIEW

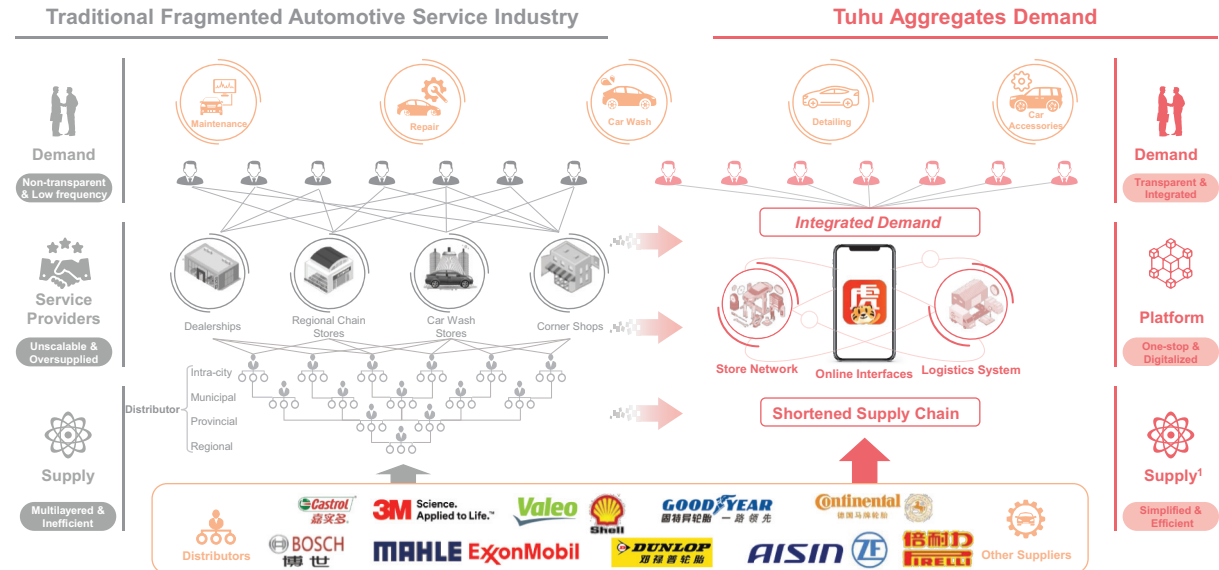
Our Mission

Our mission is to innovate simple and easy automotive service.

Who We Are

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

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



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## BUSINESS

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*Note:*

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

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

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

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

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

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

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## BUSINESS

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Currently, automotive service stores in China are operated by either authorised dealerships or IAM service providers. Traditionally, authorised dealership stores are often well recognised for product authenticity and service standardisation but represent a more costly option to car owners due to their pricing premium and limited geographical reach. Meanwhile, although traditional IAM stores offer a more convenient option for cost-conscious car owners, they often lack the ability to scale, and have difficulty in fostering strong customer loyalty due to certain players' offering of counterfeit products and subpar service that taint the overall market. Authorised dealership stores accounted for approximately 53.6% of the total automotive service market as measured by GMV in 2022, according to the CIC Report. However, along with the ageing car parc and the increased proportion of passenger vehicles that are out of warranty or with expiring warranty, customers are increasingly shifting to IAM stores. As a result, IAM stores are expected to outgrow authorised dealership and account for 58.1% of the automotive service market by 2027.

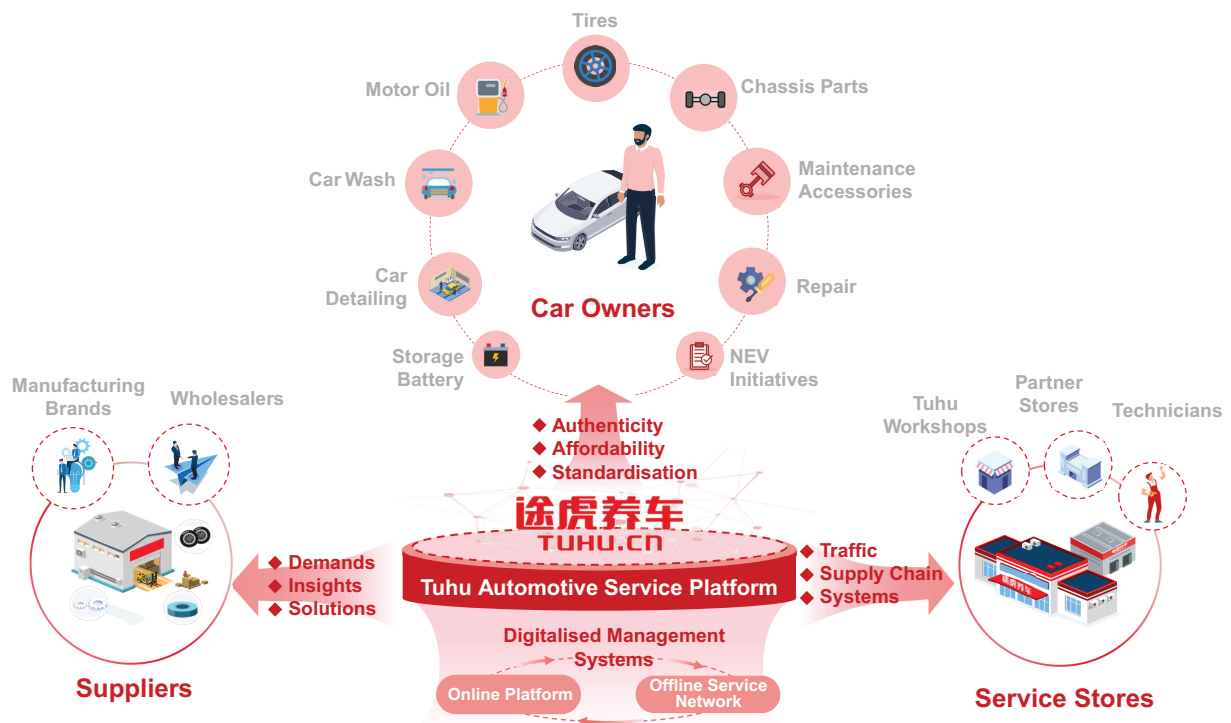
The automotive service market in China is highly fragmented. In 2022, there were approximately 34 thousand authorised dealership stores and 862 thousand IAM stores in China. The automotive service market in China has long been facing the following pain points:

- *Underwhelming customer experience:* Due to the highly fragmented and complex nature of the automotive service market, car owners in China often face a predicament of choice in which they have to sacrifice certain service needs for others. These considerations include convenience, service quality, product quality and authenticity, and affordability.
- *Complex supply chain:* Each car make and model has thousands of different parts that are often incompatible to other models, thus the automotive service market is flooded with a vast number of SKUs. Unauthorised manufacturers produce generic products, adding undesirable complexities to the market. The traditional supply chain of auto parts in China is typically multilayered and inefficient. Manufacturing brands have to rely on different wholesalers and distributors in different regions to maximise sales. This creates additional costs and results in an opaque market inherently difficult for customers to make informed decisions in choosing auto parts and suppliers.
- *Inefficient fulfilment process:* The massive number of SKUs in the automotive service market also imposes pressure on the fulfilment process. Mismatches between supply and demand make forecasts under the traditional centralised fulfilment model extremely difficult. Therefore, inventory stocking for stores and distributors under traditional model is inevitable, hampering the overall efficiency of the industry.

As China's leading integrated online and offline platform for automotive service, we have innovatively brought technological solutions and integrated online and offline model into the equation. With our well-recognised brand, large customer base, broad and authentic products offerings, standardised services and strong digitalisation capabilities, we believe we are well-positioned to capture the massive addressable market and growth opportunities in China's automotive service market.

### Our Automotive Service Platform

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



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

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## BUSINESS

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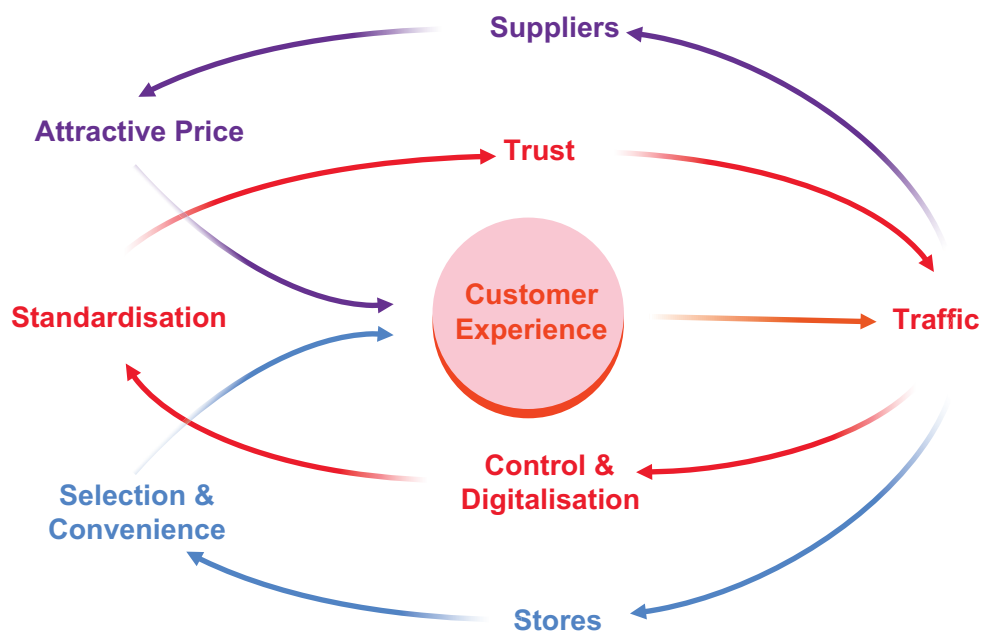
- **Tuhu workshops:** As of 31 March 2023, our Tuhu workshop network consisted of 160 self-operated stores and 4,610 franchised Tuhu workshops operated by 2,298 franchisees. All Tuhu workshops are strategically located and carry our Tuhu brands, serving as the core of our services store network and speaking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

Our platform is highly scalable. We have developed a well-established, standardised store management system that allows us to scale our network through an asset-light franchise model, which in turn will expand our platform to serve more customers. Through our online interfaces, our portfolio of high-quality automotive products and services provided by offline stores are available to online customers. Across our online interfaces, in particular, our flagship mobile app, we had accumulated a large and engaged customer base. The large customer base attracts new platform participants to join our platform, which enables us to offer additional products and implement new services initiatives, creating a positive-feedback loop and flywheel effects.

### **Flywheel Effects Driven by Our Customer-centric Business Model**

Making automotive service an on-demand experience is the reason we started our business online, and is the initiation of our flywheels. We firmly believe that customer experience is the key to success, hence we adopt a customer-centric business model and relentlessly focus on improving customer experience both online and offline, which further accelerates the flywheels:

- Improving customer experience brings more user traffic onto our platform and drives multiple virtuous cycles.
- Our ability to direct increased user traffic enables us to implement strong control and digitalised management system over our offline stores. Such control and digitalised management leads to consistent and standardised service quality, and therefore enhances customers' trust in our platform and drives user traffic.
- Increased user traffic provides us with the leverage in merchandise sourcing, which enables us to provide attractive prices to customers and further improve customer experience.
- Increased user traffic also attracts more stores to join our store network. The store network with higher density and wider geographic coverage provides our customers with more products and services selection and greater convenience for services which creates a further improved customer experience.
- Deep industry know-how and data insights from these flywheels enable us to continuously optimise and standardise product and service offerings on our platform and improve our digitalised store and technician management systems. The data insights also help us better understand the needs of car owners, which have been valuable to us and the manufacturing brands.



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## BUSINESS

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We believe that a customer-centric, integrated online and offline platform will better serve the massive automotive service market in China. Through the flywheel effects, we are able to achieve economies of scale and accelerated growth of our business.

### **Our Technology Capabilities**

We believe our data insights and technology capabilities are our key edges. We are committed to using technological innovation, efficient operation management system and data insights to revolutionise how automotive service is planned, managed and rendered. As of 31 March 2023, we had over 800 R&D personnel in our team, led by experts in their respective fields, including data analytics, industrial digitisation solutions and intelligent store management. Based on our strong in-house R&D capabilities and industry insights, we have developed a full suite of proprietary technologies tailored to China's automotive service industry.

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

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

### **Our Fulfilment Infrastructure**

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

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## BUSINESS

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

The emerging NEV market represents a change in automotive service demands and a massive potential market to us. We have been actively exploring business opportunities related to NEV. In addition to the automotive services we currently provide to ICEVs, we are exploring the products and services that are more tailored for NEVs, including NEV sales and aftersales services, battery and charging pile maintenance and repair services. Leveraging our extensive service network across the country, we are exploring partnership with NEV brands to help them with vehicle sales and aftersales services. For example, we have established business cooperation with leading NEV brands, such as Leapmotor and BAIC Arcfox, to offer automotive services to NEV owners and will continue to explore opportunities for further cooperation in the future. We have also established cooperative relationships with several mainstream NEV battery manufacturers and battery solution providers, who entrust us to provide battery-related service, such as battery capacity testing and servicing, battery recycling and electrical system replacement to their customers. In 2022, we have completed approximately 20,000 battery and charging pile maintenance and repair service orders. For details of our NEV new initiatives, please refer to “— Our Product and Service Offerings — NEV New Initiatives.”

### **OUR COMPETITIVE STRENGTHS**

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

#### ***Largest independent automotive service platform in China with an extensive spectrum of services***

According to the CIC Report, we are the largest independent automotive service platform in China in terms of both revenues in 2022 and number of automotive service stores operated as of 31 March 2023. We are the largest tire and motor oil retailer in China in terms of sales volume in 2022, according to the CIC Report.

- We had 100.2 million registered users as of 31 March 2023 and 17.1 million transacting users in the last twelve months ended 31 March 2023. Our average MAU increased from 5.5 million in 2019 to 10.2 million in the three months ended 31 March 2023.
- We had 4,770 Tuhu workshops and 19,624 partner stores as of 31 March 2023. As of 31 March 2023, our Tuhu workshops are well-equipped to serve car owners’ needs with an average of 6.0 car lifts per store, much higher than the industry average of 4.3 car lifts per store as of 31 December 2022, according to the CIC report. As of 31 March 2023, we operated 39 RDCs and 267 FDCs.

As a result of our integrated online and offline presence, we are able to offer a wide spectrum of services spanning the entire automotive service value chain, be it services facing car owners, or industry solutions and platform services customised to improve the overall efficiency of suppliers and stores.



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## BUSINESS

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### *Trusted brand with great customer loyalty*

After ten years of operation, Tuhu has become a well-trusted brand in the automotive service industry with great customer loyalty, and is widely recognised for trustworthy products and services. According to the CIC Report, we are the most renowned independent automotive service brand in China.

Our brand and customer loyalty is built on high customer satisfaction, broad selection of reliable and authentic products and technology-enabled convenience. Our repeat purchase ratio was 62.3% in March 2022.

Our brand recognition and the satisfying customer experience we offer help us attract and retain customers, franchisees, suppliers and platform partners.

### *Digitalised industry solutions enabling superior operational efficiencies*

We implemented a suite of digitalised end-to-end industry solutions that cover all aspects of the automotive service value chain, which aim at improving not only ours, but also the overall efficiency of the automotive service industry.

We have built our Blue Tiger system, China's largest automotive service store and technician management system in terms of DAU that digitalises and streamlines the process of store management, according to the CIC Report. Blue Tiger system recorded an average DAU of over 46,000 in the three months ended 31 March 2023 and connected over 98,000 technicians in March 2023.

In order to navigate through the vast number of SKUs in the automotive service market, we have built a comprehensive parts-matching big-data platform, which could intelligently identify auto parts and accessories suitable to the customer's car model from approximately 5.4 million SKUs of auto parts as of 31 March 2023, according to the CIC Report. Leveraging our parts-matching big-data platform, we are able to instantaneously recommend products to customers based on our data insights, effectively improving the purchase conversion rate and life-time value of our customers.

We have also introduced automation and other technology-driven toolkits to stores on our platform, such as our in-house designed automated car wash machines and digital diagnosis database. Leveraging our integrated solutions, we have achieved superior operational efficiencies and high utilisation of stores and technicians. For example, our service turnover per car lift per day in the three months ended 31 March 2023 was 2.2, substantially higher than the industry average of approximately 1.1 per car lift per day as of 31 December 2022, according to the CIC Report.

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## BUSINESS

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### *Partner of choice for brands and suppliers*

We have developed trusting relationships and in-depth cooperation with manufacturing brands and suppliers. We procure most products from manufacturers directly, and sell them to customers via our integrated online and offline platform. By flattening and simplifying the distribution chain, we not only ensure the authenticity and quality of our products, but also improve the efficiency of the entire supply chain.

We have been the business partner of choice in China for several major international brands. In particular, we have cooperated with most of the best-selling tire and motor oil brands in China and established strong and long-standing relationships with a diverse base of suppliers.

Our long-term relationship with the brands and suppliers and market insights help us offer standardised branded products to customers with attractive value for money, while leaving sufficient room for us to develop our exclusive products that generally have higher profit margins. As we continue to enhance our strategic cooperation with brands and suppliers, we have started to jointly develop private label products leveraging our deep market know-how.

We have also formed strategic alliances with partners that go beyond the supply of products. Leveraging our strong research and development capabilities, and the unique and in-depth data insights we have accumulated over time, we work with major auto parts brands to provide them with SaaS solutions such as warehouse management system, or WMS, transportation management system, or TMS, order management system, or OMS, and store management system, or SMS. For instance, we offered comprehensive system-wide support to an affiliate of ExxonMobil, which undertakes omni-channels initiatives and improves management of the Mobil 1 Car Care Outlets in China.

### *Effective and scalable store network to ensure standardised service and fast expansion*

We put tremendous focus on maintaining strong control over our Tuhu workshops and the supply chain of stores to ensure consistent service quality and product authenticity. With these established attributes attached to our brand, we and all Tuhu workshops in our store network build customer loyalty and attract more business over time, which allows us and the franchisees in our network to further scale and achieve win-win results.

All Tuhu workshops employ our proprietary system for operational standardisation and financial and transaction management. We have also established standard operational procedures including step-by-step instructions used to guide and monitor store operations and assist stores in training and evaluating technicians. In addition, we have created an online technician support system to facilitate senior technicians in providing real-time training and guidance to junior technicians, and a comprehensive know-how database encompassing operating guideline for a diversified portfolio of automotive service. The support system and the database were frequently used by more than 60% of our technicians in March 2023. We also have a technician experience sharing programme, where a group of experienced senior technicians provide guidance online to resolve issues encountered in our stores. The experience sharing helps improve the quality, efficiency and standardisation of services provided in our stores.

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## BUSINESS

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The franchise model adopted for a majority of Tuhu workshops allows us to scale up rapidly while maintaining service quality and consistency. We engage franchisees to build and operate Tuhu workshops and empower them with comprehensive store management and information system, access to our online traffic, and full supply chain support. As our franchisees generate promising economic returns, they often open more than one Tuhu workshops. As of 31 March 2023, 39.9% of our franchisees had opened two or more Tuhu workshops with us.

### ***Significant flywheel effects and high entry barriers driven by our innovative automotive service platform***

With our relentless effort across the value chain, we create flywheel effects among our platform participants, creating significant entry barriers.

- *Customers and stores.* Our online interfaces continuously attract massive user traffic and distributes such traffic to our stores to expand their customer base. Our control of and support to our stores enhance service consistency and operational efficiency, which in turn improves customer experience, strengthens brand recognition, promotes customer loyalty, and attracts user traffic.
- *Customers, stores and suppliers.* Our customer base and store network generate enormous demand for merchandise and incentivise suppliers to collaborate closely with us. Our direct cooperation with suppliers ensures product authenticity and low procurement costs for our stores. Our unique and in-depth data insights and AI-based data analytics capabilities help us optimise supply chain efficiency, enabling us to build exclusive partnership with suppliers and customer-to-manufacturer operation capability and to provide private label products. These capabilities allow us to swiftly adjust store positioning and product category to best address customer's need while driving profitability for our stores.
- *Customers, stores, suppliers and other stakeholders.* Our broad store network and customer base create cross-selling opportunities for various automotive service providers, attracting more participants to join our platform and creating room for more platform services, including advertising opportunities for merchants. Our customers also benefit from more automotive service options brought by the new joiners.

The flywheel effect enables our platform to grow rapidly. The number of Tuhu workshops increased from 1,423 as of 31 December 2019 to 4,770 as of 31 March 2023 and our average MAU increased from 5.5 million in 2019 to 10.2 million in the three months ended 31 March 2023.

### ***Visionary management team with solid technology background***

We have a visionary, seasoned management team with technology in their DNA. Our co-founders and most of our management team have been with us since our inception. All core members of our management team came from reputable internet or IT companies, which resulted in our continuous commitment to technology advancement. Under the leadership of our management

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## BUSINESS

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team, we have continuously invested in research and development, driving operational efficiency improvement and better decision-making through technology. As of 31 March 2023, we had a team of 830 research and development personnel.

Our management team is also business savvy. Acting on profound industry insights, they have led us to ride the waves of innovation in the automotive service industry.

### **OUR STRATEGIES**

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

#### ***Expand the scale of platform***

We will further expand the scale of our integrated platform both online and offline in order to capture a bigger market share. For the store network, we will further penetrate into tier 2 and below cities and counties and expand the network of franchisees. In cities where we already have a strong presence, we will continue to optimise the location and density of stores to make it more convenient for our customers, ultimately to increase user scale and enhance engagement. On a per store basis, we plan to optimise store layout to expand business coverage, attract more customers, and provide high quality service. For our online interfaces, we will continue to follow our customer-centric approach and improve customer experience in order to enlarge customer base.

#### ***Further improve fulfilment capabilities***

We will also improve our fulfilment capabilities, including the capabilities of warehousing, transportation and last mile delivery. We plan to further expand the geographic coverage of our warehouses to tier 2 and below cities and counties to support the geographic expansion of our Tuhu workshops. Through improving the mission-critical logistics infrastructure and route design, we will try to simplify fulfilment nodes and links. We also plan to reduce logistics costs through deeper and broader cooperation with third-party logistics partners.

#### ***Continue to invest in technology***

We will continue to invest in technology, with a focus on logistics systems, store management systems, automation in stores, and data analytic capabilities. We plan to improve technology capabilities of our logistics system to increase accuracy and efficiency in spare parts allocation and inventory to reduce turnover. We will improve the store management system by further optimising store-end inventory management capabilities and improving the efficiency of technicians to ensure service quality. We will continue to introduce automation upgrades to our stores, such as automated car wash machines and intelligent diagnosis. We will also continue to leverage user data analytics to improve our intelligent product recommendation and inventory prediction to provide targeted services and better customer experience.

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## BUSINESS

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### *Further expand our automotive service spectrum to address diversified customer demand*

To accommodate our customers' diversified needs, we will expand our service spectrum. Riding on our strengths in tire, maintenance and car detailing, we will continue to improve comprehensive capabilities in new services such as quick repair and collision repair. We will expand technician training and conduct store floor expansion or renovation to support those expanding services.

### *Partner with more auto part suppliers and further build proprietary brands*

We plan to continue to enhance partnerships with leading tire and motor oil brands and further expand partnerships with more auto parts brands and suppliers on different levels.

We will further strengthen our private label products and expand cooperation with contract manufacturers by refining our proprietary brands and product offerings based on the tiered needs of our customers.

### *Partner with NEV brands to provide dedicated services to the NEV market*

The emerging NEV market represents an important market to us and we plan to partner with NEV brands or key suppliers of NEV brands to provide dedicated services addressing the NEV market and expand our NEV automotive service network. We will continue to optimise our product and service offerings and upgrade our existing Tuhu workshops to provide automotive services for NEVs. We also plan to build platforms and communities specifically for NEV owners in order to increase NEV customer penetration rate.

## **Our Platform**

We launched our Tuhu platform in 2011. Today, we are one of the leading integrated online and offline platforms for automotive service in China. In 2022 and the three months ended 31 March 2023, we generated revenue of RMB11.5 billion and RMB3.3 billion, respectively, making us China's largest independent automotive service platform in terms of revenue, according to the CIC Report.

Our online interfaces, including "Tuhu Automotive Service (途虎養車)" app and Weixin Mini Programme, make fulfilling automotive-related needs a convenient experience for our customers. Through our online interfaces, we make our portfolio of high-quality automotive products and services provided by our offline stores available for ordering and booking. The seamless user experience we provide, and the direct engagement with our customers, together build a trusting relationship and improve customer stickiness. Across our online interfaces, in particular our flagship mobile app, we had accumulated 39.6 million transacting users since 2016 and 100.2 million registered users as of 31 March 2023. In 2022 and the three months ended 31 March 2023, we had 17.4 million and 4.7 million new registered users, respectively. Our average revenue per transacting

## BUSINESS

users was RMB819, RMB799, RMB794, RMB698 and RMB693 in 2019, 2020, 2021, 2022 and the last twelve months ended 31 March 2023, respectively. We had an average MAU of 10.2 million in the three months ended 31 March 2023.

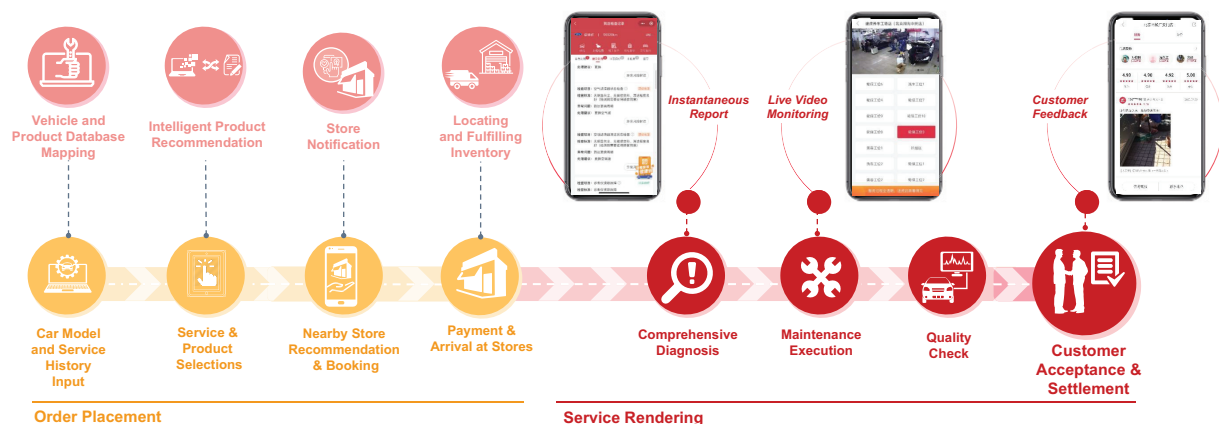
As the leading integrated online and offline platform for automotive service in China, we provide a wide spectrum of automotive products and services to satisfy the evolving customer needs, especially the increasing preference for on-demand experience. For instance, our customers are able to conveniently place orders through any of our online interfaces with easy access to store information, such as product availability, store locations, driving directions and store operating hours. In addition, our mobile app and Weixin Mini Programme also feature “Communities/Moments,” where customers share their experience. We also bring in key opinion leaders, or KOLs, to share and interact with their followers.

In addition to our online interfaces, we have a nationwide offline service network that covers a majority of prefecture-level cities in China. As of 31 March 2023, we had 4,770 Tuhu workshops and 19,624 partner stores. Through our online interfaces and offline service network, and our end-to-end digitalised solutions, we connect key stakeholders along automotive service value chain. We are dedicated to serving car owners in China by providing authentic automotive products and high-quality services with attractive prices.

### The Tuhu Experience

We are transforming China’s automotive service market by offering a digitalised and on-demand experience and empowering our platform participants through our end-to-end supply chain solutions. Since our inception, we strive to address key pain points of customers in China’s automotive service market such as the lack of assurance in product authenticity, opaque pricing and inconsistent service quality.

The following diagram illustrates the typical process of an order placed on our platform:



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## BUSINESS

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### *Order Placement*

We offer automotive products and services through our online interfaces and offline stores. Customers can conveniently place their orders via our mobile app or Weixin Mini Programme, on which we offer a broad selection of products and services at competitive prices. Our online interfaces offer comprehensive product information, informative customer reviews and ratings, and easy-to-use search functions to facilitate the product selection process. After customers enter information about the makes, mileage and additional details of their vehicles, our system intelligently provides our customers with customised and convenient product and service recommendations, taking into account customers' order and browsing history and additional user profile factors such as customers' consumption pattern, product and service reviews, nearby stores and accessibility, as well as store service capabilities.

When placing their orders on our online interfaces, customers are required to make full payment of the orders through the convenient payment options we provide, including credit card, Alipay and Weixin Pay, before receiving ordered products and services. Our customers will also be prompted to make an appointment and select a preferred location to be served by one of our over 24,000 Tuhu workshops and partner stores as of 31 March 2023. Customers can also see the product availability in any specific store and choose stores that have in-stock inventory to perform same-day installation. For less frequently purchased products that are not available in a customer's selected store, after the order is placed through our online interfaces, our warehouse management system and transportation management system automatically process the order and will have the ordered items delivered to the selected service store. Customers will be notified of the estimated delivery time and can track the shipping status of their orders through any of our online interfaces in real-time. When ordered items are delivered to our stores, our staff will follow our service procedures to inspect the products and prepare for service rendering.

In addition to online ordering, walk-in services are also available at our Tuhu workshops, affording our customers more flexibility in scheduling or serving urgent needs for automotive service. We offer the same category of products and services as our online interfaces do to our walk-in customers. In the event that the specific products are not readily available in store, our stores could utilise our Qipeilong instant procurement service or facilitation service to receive instant delivery from one of our FDCs, or schedule appointments with the customer for pickup of such ordered products and/or have their vehicles serviced. See “— Our Product and Service Offerings — Qipeilong.”

### *Service Rendering*

For customers that place their orders for specific products and services, our technicians will conduct a preliminary inspection of their vehicles beforehand. For customers that bring their vehicles to our stores without knowing the specific problems with their vehicles, our experienced technicians will conduct comprehensive diagnosis of the vehicles to identify the problems, and determine what type of auto maintenance or repair service is required. Our onsite technicians will then perform the

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## BUSINESS

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ordered auto part installations or auto maintenance services. Customers can wait in the rest area or come back when the service is completed. We also provide customers with live video monitoring of the entire service process. Before handing the vehicle back to the customer, our technicians will perform a final quality check to ensure that the products have been properly installed, the service has been properly completed, and the vehicle is in safe condition. The customer will sign a receipt to acknowledge the completion of the order and confirm payment settlement. We also encourage our customers to provide feedback to help us improve our service. If our customers have any aftersales issues, they can reach out to our customer service team through our online interfaces or telephone hotline. Our dedicated customer service representatives will help our customers to navigate the possible solutions and aim to resolve any issues in a timely manner.

We believe that our platform is highly effective and scalable because we deliver significant value to our customers seeking reliable automotive products and services and our store network creates opportunities to serve more customers. Leveraging our full suite of proprietary technologies and automotive service technical support system, we have designed our platform to ensure that it improves over time by learning from millions of transactions and interactions with customers, stores, technicians and supply chain partners. For example, our customer experience is constantly optimised by data insights we accumulate through our ever-increasing pool of customers and their feedback.

Our data-driven approach creates a “flywheel effect,” whereby the more competitive our product and service offerings are, the more customers we draw to our platform, which results in a strong desire for our platform participants to join our platform. We have also developed a well-established, standardised store management system that allows us to scale our network through an asset-light franchise model. In effect, this creates a closed loop that has propelled our business forward as a result of the value created on our platform.

### **Our Product and Service Offerings**

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

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

For our customers, we offer a diversified and expanding catalogue of products and services, including tires and chassis parts, auto maintenance, auto repairs, car detailing, and auto accessories. Through our platform, our customers could choose auto products for over 66,000 car models from 286 makes, including our private label products and exclusive products as of 31 March 2023, according to the CIC report. The growing portfolio of products we offer cater to varying demands of our customers, which generally consists of nationally recognised, well-advertised, premium brand products, such as Pirelli, Continental, Dunlop, Goodyear, ExxonMobil, Shell and 3M. We have introduced exclusive products which brand owners customise and exclusively manufacture for us.



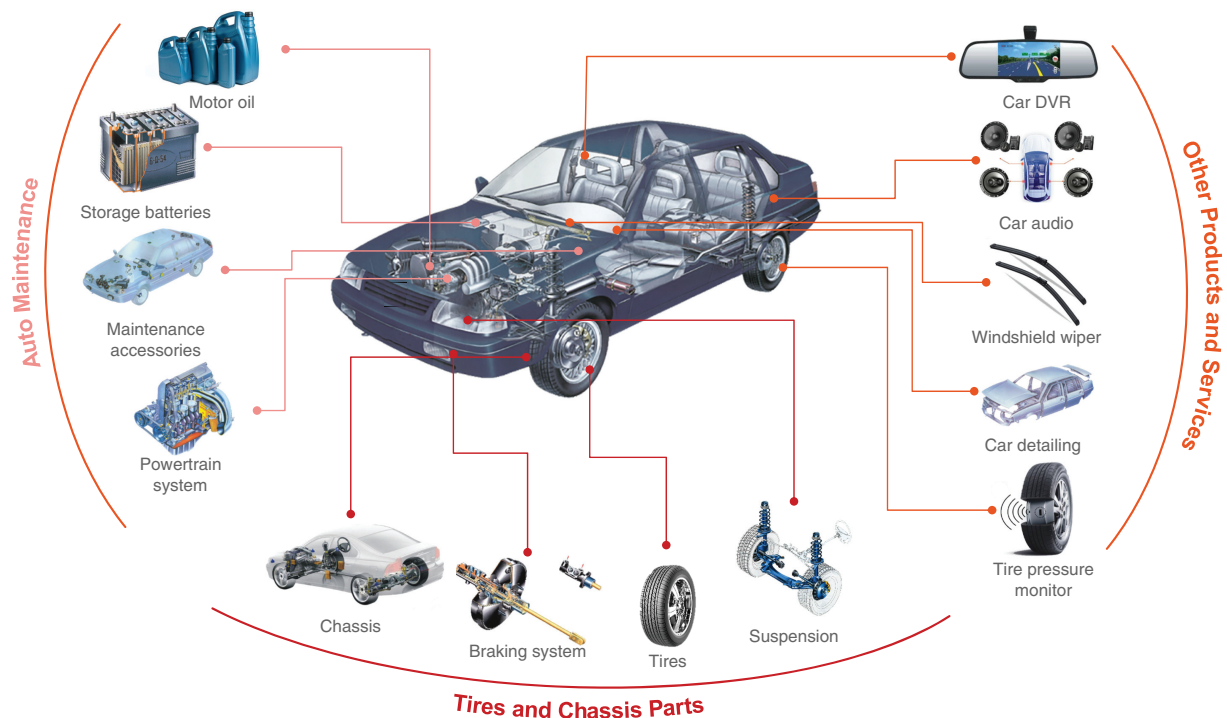
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## BUSINESS

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We are also expanding our product offerings and optimising our product portfolio by introducing our private label products, comprising of products under our proprietary brands and third-party products for which we have exclusive authorisation to manage the manufacturing, distributions and sales in China. As of 31 March 2023, we had launched 51 private label product brands covering 7,429 SKUs transacted through our platform over the last twelve months, and 54 exclusive product brands covering 2,239 SKUs transacted through our platform over the last twelve months, ranging from tires and chassis parts, to auto maintenance products and more.

We adopt a C2M model in developing our private label products and exclusive products. We identify customer needs by analysing the sales data we accumulated, evaluate the feasibility and profitability of developing products that satisfy such needs, and engage manufacturing partners to bring the suitable products to our customers. These private label products and exclusive products generally have higher profit margins and enable us to improve our profitability. We also collaborate with a number of renowned international brands to redesign for local adaptations and distribute their products in China market. We use our advanced parts-matching big-data platform to identify demand trends, price sensitivity and effective selling and marketing strategies, which help us make merchandising decisions, and support the development of our private label products and exclusive products.



### Tires and Chassis Parts

**Tires.** We offer tires with a variety of brand and type choices. We sold approximately 12.5 million and 3.5 million tires in 2022 and the three months ended 31 March 2023, respectively, making us the largest replacement tire seller in China according to CIC. Tire sales have relatively high order value and provide a stable revenue stream for us.

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## BUSINESS

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*Chassis parts.* We also offer a comprehensive suite of chassis parts, such as wheel hubs, brake fluid, brake pads, brake discs, power steering fluid, shock absorbers, shock absorber top glue, brake sensors and control arms.

Along with the offering of our tires and chassis parts, we provide installation services to our customers with a convenient experience. We also provide other related services, such as wheel alignment, dynamic balancing, nitrogen filling, tire pressure adjustment and general tire inspection at our offline stores, which we believe make our customers' automotive service experience more convenient.

The below table sets forth the revenue and gross profit of our tires and chassis parts business line during the Track Record Period.

	For the Year Ended 31 December				For the Three Months Ended 31 March	
	2019	2020	2021	2022	2022	2023
	<i>(in thousands of RMB, except for percentage data)</i>					
	<i>(unaudited)</i>					
Revenue .....	3,839,114	4,202,427	5,064,102	4,592,220	1,214,000	1,356,163
Gross profit .....	148,070	326,718	456,206	646,966	152,947	219,548
Gross margin (%) .....	3.9	7.8	9.0	14.1	12.6	16.2

*Note:*

Gross profit for tires and chassis parts equals revenue from tires and chassis parts less cost of tires and chassis parts. Cost of tires and chassis parts excludes the cost of self-operated Tuhu workshops and others associated with selling of tires and chassis parts. Cost of self-operated Tuhu workshops and others primarily consists of (i) staff costs, and depreciation, including depreciation of right-of-use assets, in relation to the operation of our self-operated Tuhu workshops, and (ii) inventory impairment and the loss from disposal of some defective products. For details of cost of self-operated Tuhu workshops and others, see "Financial Information — Description of Major Components of Our Results of Operations — Cost of Revenue." Staff costs, depreciation and inventory impairment costs are common costs shared by all the business lines. It is difficult to allocate cost of self-operated Tuhu workshops and others to each sub business line under automotive products and services and advertising, franchise and other services in a precise manner.

### *Auto Maintenance*

*Fluid chemicals.* We offer various fluid chemical products, such as motor oil, engine cleansers, water tank cleansers, car washers, differential fluid, antifreeze, air conditioning pipeline disinfectant, refrigerant and fuel additives.

*Storage batteries and maintenance accessories.* We also offer storage batteries and auto maintenance accessories, such as ignition coils, spark plugs, fluid filters, air conditioning filters, wipers and automatic gearbox repair packages on our platforms.

Along with the offering of fluid chemicals, storage batteries and maintenance accessories, we also provide our customers with corresponding maintenance services, including regular maintenance,

## BUSINESS

major maintenance and other ad hoc automotive maintenance services at our offline stores. Regular maintenance includes fluid and filters replacement, wind-shield wiper replacement, air conditioning refrigerant cleaning, antifreeze replacement and other regularly scheduled maintenance services and safety inspections. Major maintenance includes spark plug replacement, timing belt maintenance, accessory belt maintenance, gearbox maintenance, headlight replacement and suspension maintenance and inspections. In addition, we also provide other ad hoc automotive maintenance services, including preventative maintenance, installation and replenishment. For example, we provide throttle body cleaning, fuel system maintenance, water tank rust removal, water tank cleaning, engine interior maintenance, and engine compartment cleaning.

The below table sets forth the revenue and gross profit of our auto maintenance business line during the Track Record Period.

	For the Year Ended 31 December				For the Three Months Ended 31 March	
	2019	2020	2021	2022	2022	2023
	<i>(in thousands of RMB, except for percentage data)</i>				<i>(unaudited)</i>	
Revenue . . . . .	1,870,179	2,619,116	3,841,702	4,025,150	991,829	1,194,334
Gross profit . . . . .	395,846	604,064	1,018,123	1,192,080	282,830	396,199
Gross margin (%) . . . . .	21.2	23.1	26.5	29.6	28.5	33.2

*Note:*

Gross profit for auto maintenance equals revenue from auto maintenance less cost of auto maintenance. Cost of auto maintenance excludes the cost of self-operated Tuhu workshops and others associated with selling of auto maintenance. Cost of self-operated Tuhu workshops and others primarily consists of (i) staff costs, and depreciation, including depreciation of right-of-use assets, in relation to the operation of our self-operated Tuhu workshops, and (ii) inventory impairment and the loss from disposal of some defective products. For details of cost of self-operated Tuhu workshops and others, see “Financial Information — Description of Major Components of Our Results of Operations — Cost of Revenue.” Staff costs, depreciation and inventory impairment costs are common costs shared by all the business lines. It is difficult to allocate cost of self-operated Tuhu workshops and others to each sub business line under automotive products and services and advertising, franchise and other services in a precise manner.

### **Other Products and Services**

*Auto repairs.* In addition to offering the repair or replacement of auto parts including tires, chassis parts, ignition coils, glasses, generators, bumpers, headlights and sensors, our auto repair service provides our customers with dent repair and painting services, which mainly target vehicles with small dents and scratches that result from daily driving. Certain stores in our store network also offer additional repair services to meet customers’ needs. Revenue contributed by auto repairs was immaterial during the Track Record Period.

*Car detailing.* We provide our customers with car detailing services, which are divided into four major service categories including exterior cleaning and detailing, interior cleaning and

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## BUSINESS

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detailing, exterior modification and window tinting. Exterior cleaning and detailing services include car wash, exterior wax, and polishing. To promote environmental sustainability and reduce labour cost, we offer eco-friendly automated car wash machines and products for lease to our Tuhu workshops and partner stores. Interior cleaning and detailing services include cleaning of interior, undercarriage wash and rust inhibitor, interior wax, glazing and air freshener. Exterior modification services include paint protection films, spray paint, exterior colour change and decorative parts installation. We also provide window tinting services to improve in-car air conditioning functions.

*Auto accessories.* We offer various auto accessories upgrade services to address the diverse needs of our customers especially in relation to car interior products that may or may not require installation, including electronic products such as Bluetooth receivers and charging plugs, car ornaments such as cushions and pillows, road trip accessories such as waterproof mats, folding tables and chairs, and other accessories such as interior atmosphere lights, speakers, soundproofing materials, touch-up paints, car alarms, fire extinguishers, safety seats, tire inflators, dashboard cameras and tire pressure sensors.

*Automated car wash.* We are rolling out our flexible, fast and convenient car wash service through fully automated and intelligent car wash machines. Fully automated car wash machines will be strategically deployed in certain areas to provide convenient service to our customers. Customers can choose one-time service or subscribe to our membership service. This business is currently in the trial operation stage.

The below table sets forth the revenue and gross profit of our other products and services business line during the Track Record Period.

	For the Year Ended 31 December				For the Three Months Ended 31 March	
	2019	2020	2021	2022	2022	2023
	<i>(in thousands of RMB, except for percentage data)</i>					
	<i>(unaudited)</i>					
Revenue . . . . .	494,720	559,696	645,531	639,092	149,300	166,321
Gross profit . . . . .	11,879	19,956	33,089	69,947	15,002	23,194
Gross margin (%) . . . . .	2.4	3.6	5.1	10.9	10.0	13.9

*Note:*

Gross profit for other products and services equals revenue from other products and services less cost of other products and services. Cost of other products and services excludes the cost of self-operated Tuhu workshops and others associated with selling of other products and services. For details of cost of self-operated Tuhu workshops and others, see “Financial Information — Description of Major Components of Our Results of Operations — Cost of Revenue.” It is difficult to allocate cost of self-operated Tuhu workshops and others to each sub business line under automotive products and services and advertising, franchise and other services in a precise manner.

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## BUSINESS

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### *Qipeilong (汽配龍)*

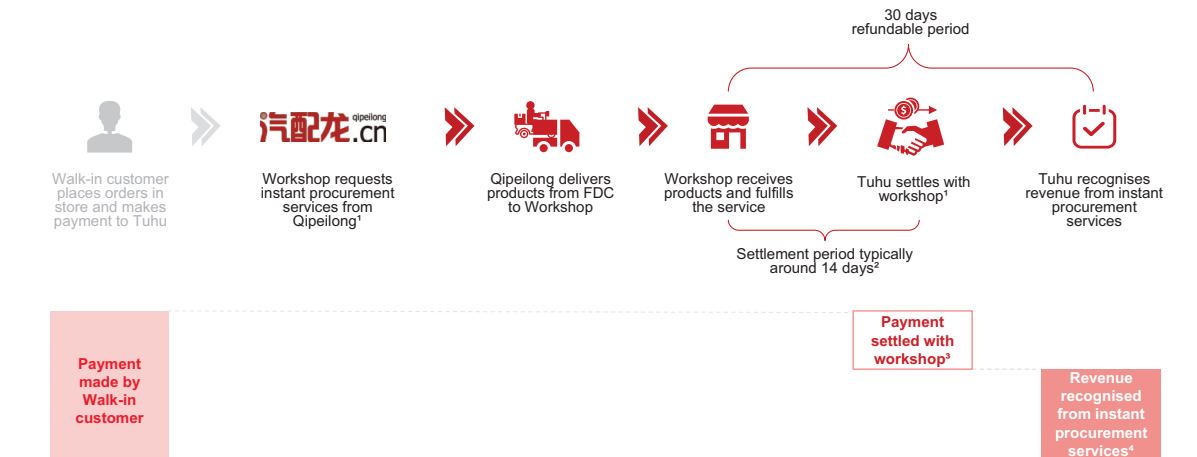
We created Qipeilong to better serve our customers' diversified, long-tail automotive product demand, especially demand arise from our walk-in customers. As of 31 March 2023, Qipeilong mainly utilised our extensive FDCs in 57 cities and our existing supplier universe, along with access to over 2,200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

#### *Instant Procurement Service*

Qipeilong instant procurement service mainly serves the unplanned procurement needs of our self-operated Tuhu workshops and franchised Tuhu workshops arise from orders placed by our walk-in customers. In addition to the frequently-purchased SKUs we place in each Tuhu workshop and our RDCs, we maintain a large number of SKUs in our FDCs to supplement our in-store inventory. Each FDC site is strategically selected to guarantee approximately 30-minute delivery to nearby stores within a 5-kilometre radius, or approximately 60-minute delivery to stores within a 10-kilometre radius, providing on-demand fulfilment service to our Tuhu workshops. After receiving orders from our customers, Tuhu workshops can place procurement orders on Qipeilong. Qipeilong will then deliver the products from our FDCs to Tuhu workshops. With the geographical and user base expansion, there will be increasing orders from end customers and increasing procurement needs from Tuhu workshops, which will drive up the revenue from Qipeilong. Inventories for instant procurement service are available in our FDCs and we bear the inventory risk for these products. Although our walk-in customers are required to make a payment to us when placing orders, we will deliver the auto products directly to the franchised Tuhu workshops and book sales to franchised Tuhu workshops, and we will settle payments made by walk-in customers with franchised Tuhu workshops with the assistance of financial institutions. We recognise revenue from sales of auto parts through Qipeilong instant procurement service to franchised Tuhu workshops on a gross basis. The below charts illustrates the flow of the business. For orders placed by self-operated Tuhu workshops, the full amount of payment by our customers are recognised under the business line of automotive products and services to individual end customers.

## BUSINESS

The below diagram illustrates the product and funds flow of Qipeilong instant procurement service.



Note:

1. Through Blue Tiger.
2. According to practice, TuHu settles with franchised TuHu workshop on a bi-weekly basis for Qipeilong instant procurement services with the assistance of financial institutions. Once an order is fulfilled, TuHu will settle with the franchised TuHu workshop on the next settlement day. For order placed by self-operated TuHu workshop, there is no settlement process and the full payment amount will be recognised as TuHu's revenue.
3. The amount TuHu settles with franchised TuHu workshop is the difference between payments by end customers and sourcing price on Qipeilong.
4. If the order contains service fees, service fees will then be distributed to franchised TuHu workshop through settlement and will not be recognised as TuHu's revenue from Qipeilong.

In order to maintain a strong control over procurements of our TuHu workshops, we also provide external procurement services for stores within our store network. The external procurement services could effectively address TuHu workshops' long-tail and low frequency repair-related automotive product needs also arise from our walk-in services that couldn't be satisfied either by our RDCs or FDCs. TuHu workshops are allowed to procure automotive products externally only when Qipeilong is unable to fulfill the procurement needs of TuHu workshops. The external procurement ratio of TuHu workshops, which represents the percentage of automotive product procured by TuHu workshops without using Qipeilong instant procurement service as measured by GMV, was 8.2%, 6.7%, 4.7%, 3.3% and 4.3% in 2019, 2020, 2021, 2022 and the three months ended 31 March 2023, respectively. After receiving orders from our customers, TuHu workshops can place procurement orders on Qipeilong. Qipeilong will then procure auto parts from certified local and regional wholesalers to ensure the fulfilment of TuHu workshop's automotive product orders. We recognise revenue from sales of auto parts through Qipeilong external procurement service to TuHu workshops on a gross basis as we are the principal in the arrangement that we bear product inventory risk and control the services prior to the transfer to our customer, and we are responsible for the acceptability of the products and services. The below diagram illustrates the product and funds flow of Qipeilong external procurement service.

## BUSINESS



**Note:**

1. Through Blue Tiger.
2. According to practice, Tuhu settles with Workshops on a bi-weekly basis for Qipeilong instant procurement services with the assistance of financial institutions. Once an order is fulfilled, Tuhu will settle with the Workshop on the next settlement day.
3. The amount Tuhu settles with Workshop is the difference between payments by end customers and sourcing price on Qipeilong.
4. If the order contains service fees, service fees will then be distributed to Workshop through settlement and will not be recognised as Tuhu's revenue from Qipeilong.

### *Facilitation Service*

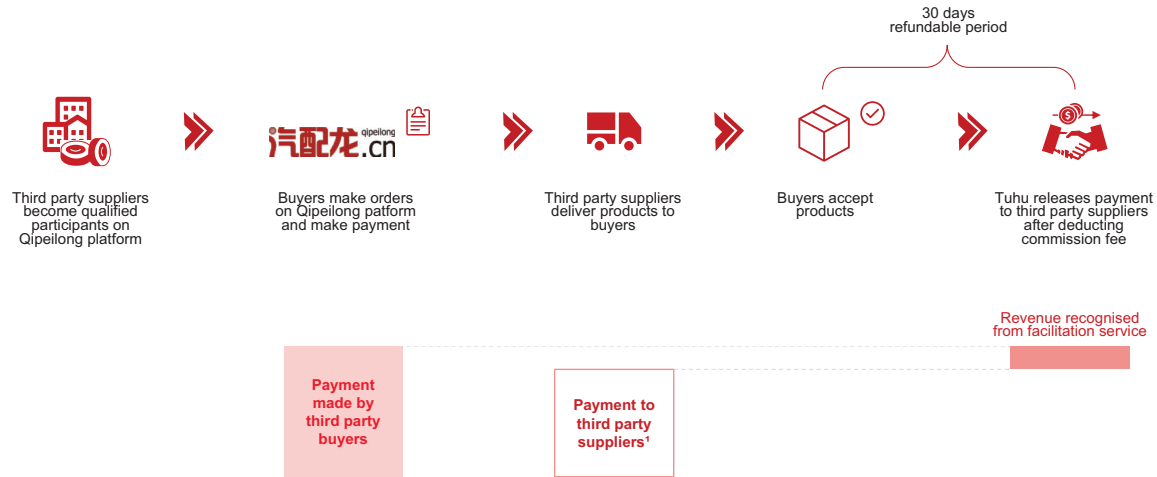
To further support the diverse product needs from stores within and outside of our store network, Qipeilong also serves as a marketplace directly connecting automotive service stores and auto parts suppliers, where we allow stores to procure products directly from qualified suppliers, without the involvement of our FDCs. Revenues generated from facilitation service mainly consist of the commission fee we charge as an agent for facilitating such sales of auto parts to third-party automotive suppliers. The commission fee is recognised on a net basis at a point in time when the orders are fulfilled. We believe the commission fee we charge is commercially reasonable amount taking into account the gross profit of the type of products and our cost. During the Track Record Period, all of suppliers and wholesalers on our Qipeilong platform were Independent Third Parties. We have no ownership or management control over the auto parts suppliers on Qipeilong.

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## BUSINESS

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The below diagram illustrates the product and funds flow of Qipeilong facilitation service.



Note:

1. Tuhu will settle with third party suppliers with assistance of financial institutions.

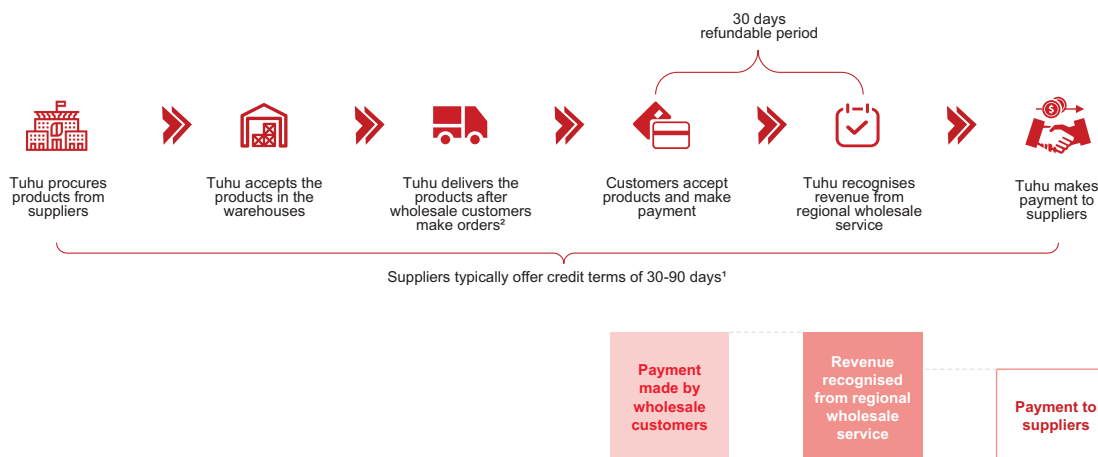
### *Regional Wholesale Service*

During the Track Record Period, we also acted as a regional authorised distributor for an internationally recognised premium tire brand. We believe these arrangements helped foster close relationship with our suppliers and provided us with favourable pricing terms. For the brands which we had distribution rights, customer could return the products within 30 days of delivery for a free replacement or full refund subject to certain terms and conditions, except for tires and other large items which would be considered on a case-by-case basis. Inventories for regional wholesale service were available in our warehouses and we bore the inventory risk for these products. We recognised revenue from wholesale of auto parts through Qipeilong on a gross basis at a point in time when (i) third-party auto parts dealers / stores or (ii) Tuhu workshops and partner stores took possession of and accepted the automotive products.



## BUSINESS

The below diagram illustrates the product and funds flow of Qipeilong regional wholesale service during the Track Record Period.



Note:

1. Payments by Tuhu can either take place before or after payments by wholesale customers depending on the inventory days and credit terms of related products.
2. Customers can order offline or online (on Qipeilong.cn or Qipeilong APP)

The below table sets forth the revenue and gross profit of our Qipeilong business line during the Track Record Period.

	For the Year Ended 31 December				For the Three Months Ended 31 March	
	2019	2020	2021	2022	2022	2023
	<i>(in thousands of RMB, except for percentage data)</i>					
	<i>(unaudited)</i>					
Revenue	614,938	958,970	1,514,910	1,466,286	431,662	328,152
Gross profit	7,002	6,878	139,228	174,034	46,156	57,375
Gross margin (%)	1.1	0.7	9.2	11.9	10.7	17.5

In sum, Qipeilong is an integral part of our products and services offering for car owners, with the aim to serve their diversified product needs in a timely and cost-efficient manner. We recognise revenue from Qipeilong at the price that we charge our stores or the third party auto dealers.

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

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

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## BUSINESS

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### Advertising Services

We mainly offer advertising services to suppliers and brand owners with whom we have established cooperative relationships to help them market effectively to their targeted audience. Our advertising services primarily include launch screen and social media advertisements. Advertisements can be placed at various parts of our online interfaces and access points, as well as on our in-store display screen in different formats. Merchants and brands can place display-based advertisements. We primarily charge display-based advertisements by cost per time, and we recognise revenues on a gross basis ratably over the contractual advertising display period.

### SaaS Solutions

Our technology capabilities and fulfilment infrastructure are naturally appealing to platform participants who want to digitalise their operations and improve efficiency. Leveraging the significant scale of our business, data insights accumulated from years of operation, we started offering customised, flexible and fine-grained software-as-a-service, or SaaS, solutions to our platform participants, in particular leading automotive aftermarket suppliers. Our SaaS solutions consist of tools to manage all aspects of their businesses and help them establish or improve systems, such as enterprise resource planning, or ERP, warehouse management system, distributor management system, mobile sales assistant, order management system, e-commerce platform, and store management systems, and achieve operational optimisation. For instance, our SaaS solutions help our brand partners, such as ExxonMobil and Continental, upgrade their supplier-to-business-to-customer, or S2B2C, full-link supply chain and operations management capabilities in China. Equipped with the SaaS solutions, our platform participants enjoy integrated supply chain, boosting traditional store business with upgrade and optimisation of retail network, and the end customers are offered a convenient, omni-channel auto maintenance experience. Revenues from SaaS solutions on fixed-period basis are recognised on gross basis over the term of the agreements, and revenues from SaaS solutions on project basis are recognised on gross basis at a point in time when customers take possession of and accept the products and services. Revenue contributed by SaaS solutions was immaterial during the Track Record Period.

### Other Services

In order to attract new customers and enhance customer stickiness, we are actively exploring new opportunities to serve the evolving demands from car owners. For example, we provide used car transaction service to our customers. Leveraging our online platform, we are launching the C2B auction model that connects car owners with used car dealers to facilitate used car transactions. Supported by our national offline network, we have built a professional used car service team that encompasses certain key steps of the used car transaction process. We aim to provide a convenient used car transaction experience to our customers. Currently, we are piloting this new service in Shanghai.

In addition, we provide our customers with refuelling coupons by cooperating with various gas stations operators, such as PetroChina and Sinopec. Through our Tuhu Automotive Service (途虎養

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## BUSINESS

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車) app and Weixin mini programme, our customers can enjoy discounted refuelling at the gas station convenient to them. As we were still developing more ways to serve our customers, revenue contributed by these services was immaterial during the Track Record Period.

### *NEV New Initiatives*

The emerging NEV industry represents an important market to us and we are actively exploring opportunities to provide dedicated automotive services that are tailored for NEVs, including NEV sales and aftersales services, battery and charging pile maintenance and repair services. We have established strategic cooperation frameworks with notable NEV brands, such as Leapmotor and BAIC Arcfox, to build our NEV automotive service network.

We see significant potential business synergies between the increasing number of NEV brands and a business like ours. As an increasing number of NEV brands are adopting a direct sales model, they often lack a nationwide offline network that can reliably provide automotive service coverage to their users. Therefore, with our extensive services network across the country, we are an ideal partner for NEV brands to provide high-quality automotive service for their users. Our cooperation with NEV brands enables us to serve a NEV throughout its lifecycle. Our new initiatives in the NEV market include:

- Leveraging our customer resource and our offline operation capabilities, we started to assist NEV brands to explore innovative sales and service integration models, including dealership model. We are also actively exploring in-depth cooperation with NEV brands and key suppliers to help expand their service reach through delivery and maintenance support. We believe a robust service network is critical to boost customer confidence for NEV brands. We have established strategic cooperation frameworks with notable NEV brands, such as Leapmotor and BAIC Arcfox, to build our NEV automotive service network. In August 2021, we entered into a strategic partnership with Leapmotor to offer automotive services, including maintenance and car detailing, to its users. In 2021, we entered into another strategic cooperation framework agreement with BAIC Arcfox pursuant to which we will integrate our respective resources to jointly build a one-stop full service aftermarket service platform that offers a full-range of automotive service to NEV owners.
- In terms of battery related service, we have established cooperative relationships with several mainstream NEV battery manufacturers and battery solution providers, who entrust us to provide battery-related service, such as battery capacity testing and servicing, battery recycling and electrical system replacement to their customers. We have also established our own technician network to provide battery maintenance service and created a platform-based maintenance training system to our technicians to improve our battery maintenance service capabilities and enhance cooperation with our partners. In 2022, we have completed approximately 20,000 battery and charging pile maintenance and repair service orders.

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## BUSINESS

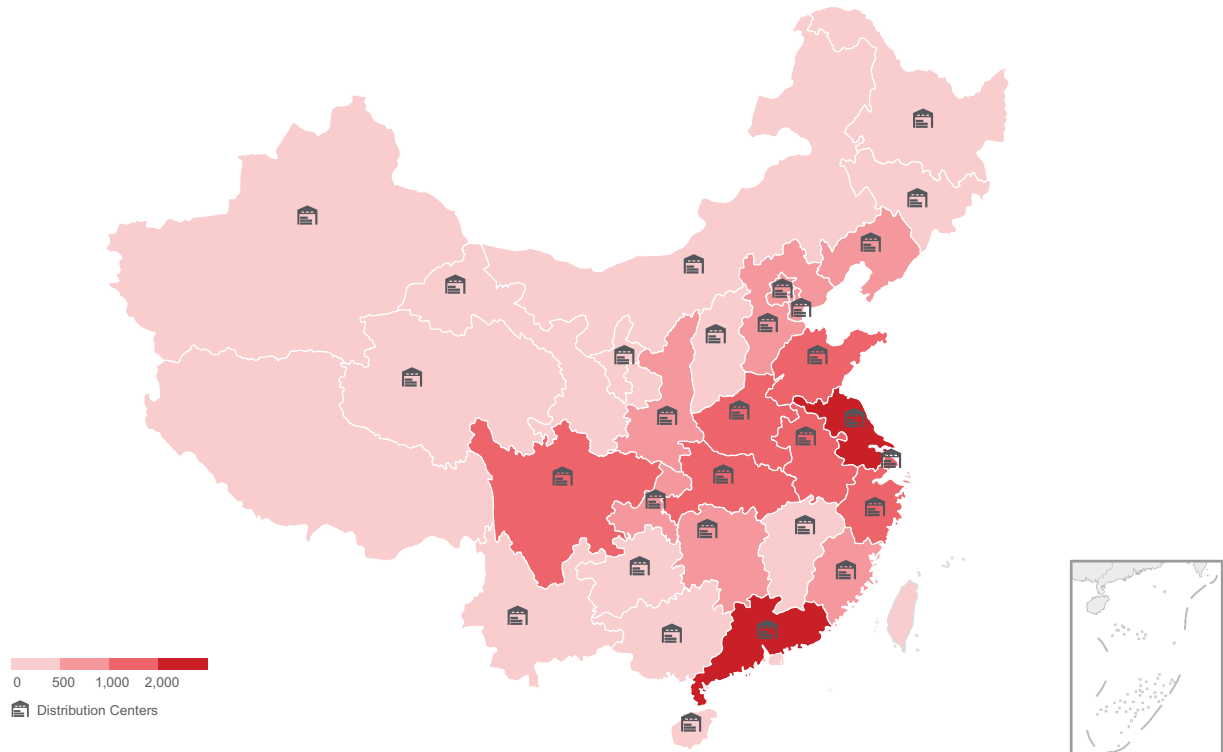
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- We are in the process of transforming and upgrading our offline stores and online interfaces to be able to service NEVs. For example, we have provided low-voltage electrician training for our technicians, created a new energy vehicle database, and designed an online interface tailored to NEV owners.

During the Track Record Period, our revenues attributable to the NEV related services were insignificant.

### Our Nationwide Store Network

Our sustainable and scalable business model is backed by our rapidly expanding store network. As of 31 March 2023, our store network consisted of 24,394 service stores in China, with 4,770 Tuhu workshops and 19,624 partner stores, covering a majority of prefecture-level cities in China. We intend to continue our store network expansion to capture opportunities in the tier 2 and below cities and counties in China and improve market penetration in the cities in which we already have a presence. According to the CIC report, we were the largest automotive service provider in China in terms of number of stores operated as of 31 March 2023. The diagram below demonstrates the coverage and density of our store network as of 31 March 2023.



## BUSINESS

We have three different types of stores, including our self-operated Tuhu workshops, franchised Tuhu workshops, and third-party partner stores. The following table sets forth a breakdown of the number of stores by store types as of the dates indicated.

	As of 31 December								As of 31 March	
	2019		2020		2021		2022		2023	
	Number	%	Number	%	Number	%	Number	%	Number	%
Self-operated Tuhu workshops . . .	127	0.6	165	0.6	195	0.6	162	0.6	160	0.7
Franchised Tuhu workshops . . . . .	1,296	6.4	2,323	9.0	3,658	10.3	4,491	17.6	4,610	18.9
Partner Stores <sup>(1)(2)</sup> . . . . .	18,743	93.0	23,285	90.4	31,623	89.1	20,870	81.8	19,624	80.4
<b>Total</b> . . . . .	<b>20,166</b>	<b>100.0</b>	<b>25,773</b>	<b>100.0</b>	<b>35,476</b>	<b>100.0</b>	<b>25,523</b>	<b>100.0</b>	<b>24,394</b>	<b>100.0</b>

*Note:*

- (1) When we calculate the number of partner stores as of a specified date, we only include partner stores which had completed at least one transaction with us during the three months preceding the specified date.
- (2) We have been strategically focusing on expanding geographical coverage of our Tuhu workshops to provide our customers satisfying and consistent customer experience, as evidenced by the rapid increase of the number of our franchised Tuhu workshops. As a result, our customers are increasingly utilizing Tuhu workshops as their designated service stores, and the decrease in number of partner stores during the Track Record Period had limited impact on our service capabilities. The decrease in the number of partner stores in 2022 was primarily due to the outbreaks of COVID-19 across China which significantly affected the operations of and resulted in the temporary closure of many of our partner stores. The decrease in number of partner stores in the three months ended 31 March 2023 is a natural outcome of the aforementioned strategy.

Below is a summary of the three different types of stores in terms of strategic rationale, operating model and degree of store control.

	Tuhu Workshops		
	Self-operated Stores	Franchised Stores	Tuhu Partner Stores
Strategic rationale	To set industry standards of service quality and operating efficiency	To achieve rapid network expansion with an asset-light business model	To serve as a supplement to Tuhu workshops to further expand our geographical coverage
Operating model	We have full control over: <ul style="list-style-type: none"> <li>• store location selection</li> <li>• store decoration</li> <li>• employee recruitment</li> <li>• store management and information system</li> <li>• payment, settlement, and financial system</li> <li>• supply chain and logistics capabilities</li> <li>• unified Tuhu brand</li> <li>• technician management</li> <li>• service quality</li> </ul>	We have full control over: <ul style="list-style-type: none"> <li>• store management and information system</li> <li>• payment, settlement, and financial system</li> <li>• supply chain and logistics capabilities</li> <li>• unified Tuhu brand</li> <li>• technician management</li> <li>• service quality</li> </ul> We provide guidance on location selection, store decoration, and personnel training	<ul style="list-style-type: none"> <li>• We do not control the operations of partner stores</li> <li>• Partner stores mainly provide installation services for products sold on our online platform</li> </ul>

## BUSINESS

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

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

*(unaudited)*

**Notes:**

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

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## BUSINESS

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### *Tuhu Workshops*

We aim to bring a satisfying and consistent customer experience with unified and rigorous product and service quality standards under the Tuhu brand. We established a set of detailed criteria for location selection, store layout and decoration, and store staffing. For example, we require our self-operated and franchised Tuhu workshops to have unified store design, logo display and standardised service stations. A typical Tuhu workshop is between 300 and 500 square metres in size. The average number of car lifts per Tuhu workshop was 6.0 as of 31 March 2023. The following pictures illustrate typical layouts of our Tuhu workshops.



Our Tuhu workshops can be further categorised into 160 self-operated Tuhu workshops and 4,610 franchised Tuhu workshops, both as of 31 March 2023. Our self-operated Tuhu workshops serve as models for best practises for our franchised Tuhu workshops. Our franchised Tuhu workshops are operated with the same standard and through our proprietary technology systems. The integration of technologies and the comprehensive store management and information systems ensure that the services offered by our franchised Tuhu workshops meet the same high standard. In 2019, 2020, 2021, 2022 and the three months ended 31 March 2023, the average revenue per self-operated Tuhu workshop was RMB4.2 million, RMB3.6 million, RMB3.3 million, RMB3.2 million and RMB1.0 million, and the average revenue per franchised Tuhu workshop was RMB4.0 million, RMB3.0 million, RMB2.7 million, RMB2.1 million and RMB0.6 million, respectively. The average revenue per Tuhu workshop during the Track Record Period has been negatively affected as new stores opened in 2020, 2021 and 2022 ramped-up slower than those opened in 2019 due to COVID-19. In addition, we have been strategically increasing revenue contribution of businesses with higher margin profiles but lower average selling price, such as auto maintenance products and services, in order to achieve high quality growth, which further decreased the average revenue per Tuhu workshop during the Track Record Period.

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## BUSINESS

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Self-operated Tuhu workshops are important to our strategies and are a key pillar of our integrated online and offline platform. These self-operated Tuhu workshops are pioneers in new services or new markets, serve many key functions such as marketing pilot services or programs testing and technician training, and are tasked with setting the high benchmark for customer experience. As such, these self-operated Tuhu workshops are primarily located in carefully-selected prime locations, taking into account vehicle traffic, commercial building density and other factors such as expansion strategy, which serves to promote the Tuhu platform and enhance brand awareness. In addition, self-operated Tuhu workshops are generally larger in size and feature technician training centres, corresponded with more experienced technicians to solve complex technical issues, and provide more comprehensive service capabilities than franchised Tuhu workshops. As a result, rental expenses and staff costs per store of self-operated Tuhu workshops are often higher, all of which affect the gross margin of self-operated Tuhu workshops. The self-operated Tuhu workshops turned from gross profit position in 2020 to gross loss position in 2021 and 2022, primarily due to the larger average gross floor area of the newly opened self-operated Tuhu workshops, which required more rental expenses and resulted in longer ramp-up period. Additionally, many of our self-operated Tuhu workshops are located in Tier 1 and New Tier 1 cities, which were negatively impacted by the COVID-19 resurgence in 2022. As a strategic matter, seeking immediate financial returns or profitability has not been the top priority in operating our self-operated Tuhu workshops. Instead, these self-operated Tuhu workshops are part of our growth strategies and serve many functions, including as best examples for providing optimised customer experience to all stores within Tuhu network, and are the fundamentals of our integrated online and offline platform. We have also been implementing various measures to further improve efficiency of self-operated Tuhu workshops, including rolling out more exclusive products and private label products with higher gross margin, optimising the use of workstations and increasing the customer service capacities, and further enhancing the compensation and reward plans for the store managers and technicians to better incentivise them.

The average time for franchised Tuhu Workshops that opened in 2019 to reach operating break-even point (the “ramp-up period”) was 5 months. Due to the strategic importance, high capital investment and operation and maintenance costs of self-operated Tuhu workshops, the average ramp-up period for self-operated Tuhu Workshops that opened in 2019 was 15 months. For Tuhu workshops that opened in 2020 and after, due to the adverse impact of COVID-19, the average ramp-up periods for franchised Tuhu Workshops and self-operated Tuhu Workshops were 6 months and 18 months, respectively.

The initial capital investment to open a franchised Tuhu workshop varies, depends on city tiers, store locations and floor area of the franchised Tuhu workshop. For illustrative purpose, our largest franchisee spent approximately RMB664,000 on average for each franchised Tuhu workshop. This figure includes upfront franchise fees, costs of fixtures, equipment and decoration, and other miscellaneous expenses. We believe that the data of these franchised Tuhu workshops are representative of all franchised Tuhu workshops. The average initial capital investment to open a self-operated Tuhu workshop was approximately RMB667,000.



## BUSINESS

The table below sets forth the movement in the number of our Tuhu workshops during the Track Record Period:

	As of 31 December												As of 31 March									
	2019				2020				2021				2022				2023					
	Year		Year		Year		Year		Year		Year		Year		Year			Period				
	Begin	Opened	Closed <sup>(1)</sup>	Converted <sup>(2)</sup>	End	Opened	Closed <sup>(1)</sup>	Converted <sup>(2)</sup>	End	Opened	Closed <sup>(1)</sup>	Converted <sup>(2)</sup>	End	Opened	Closed <sup>(1)</sup>	Converted <sup>(2)</sup>	End	Opened	Closed <sup>(1)</sup>	Converted <sup>(2)</sup>	End	
<b>Self-operated</b>																						
<b>Tuhu</b>																						
<b>Workshop</b>	115	31	(3)	(16)	127	59	(6)	(15)	165	46	(14)	(2)	195	5	(26)	(12)	162	3	(1)	(4)	160	
<b>Franchised</b>																						
<b>Tuhu</b>																						
<b>Workshop</b>	697	587	(4)	16	1,296	1,030	(18)	15	2,323	1,367	(34)	2	3,658	903	(82)	12	4,491	139	(24)	4	4,610	
<b>Franchisees<sup>(3)</sup></b>	377	275	(20)	N/A	632	447	0	N/A	1,079	795	(34)	N/A	1,840	554	(116)	N/A	2,278	57	(37)	N/A	2,298	

*Note:*

- (1) During the Track Record Period, a small number of self-operated and franchised stores were closed. The number of closed self-operated and franchised Tuhu workshops increased in 2022, which can be attributed to various reasons, including strategic optimisation of location, lease expiration, and sub-optimal operational performance as a result of the COVID-19 impact.
- (2) For the years ended 31 December 2019, 2020, 2021, 2022 and the three months ended 31 March 2023, 16, 15, 5, 12 and 4 of our self-operated Tuhu workshops were converted into franchised Tuhu workshops, respectively, and nil, nil, 3, nil and nil of our franchised Tuhu workshops were converted into self-operated Tuhu workshops. When we expand into a new geographic area, we typically start with operating Tuhu workshops ourselves to set the high service standard and promote our brand. After we have established presence in the local market, and identified suitable franchisees who meet our standard, we may transfer certain self-operated Tuhu workshops to such franchisees at a mutually agreed price based on bona fide negotiation and convert them into franchised Tuhu workshops. The conversions were to optimise our and our franchisees' commercial interest by taking into account our strategic expansion plan, franchised store's operating efficiency, franchisee's management and service capabilities and investment return potential of the Tuhu workshop location. During the Track Record Period, a limited number of our franchised Tuhu workshops were converted into self-operated Tuhu workshops as a result of the respective franchisees' personal reasons to discontinue operations. Considering the strategic value of these Tuhu workshops locations and demands from our customers in the areas, we converted these franchised Tuhu workshops into self-operated Tuhu workshops so that we can continue to provide service to our customers. None of these converted Tuhu workshops had been the subject of any material non-compliant incidents, claims, litigation, legal proceedings or regulatory enquiries since their establishment up to the Latest Practicable Date. During the Track Record Period, the total revenues attributable to franchised Tuhu workshops converted from self-operated Tuhu workshops were RMB11.6 million, RMB1.9 million, RMB3.8 million, RMB6.2 million and RMB0.7 million, and the total revenues attributable to self-operated Tuhu workshops converted from franchised Tuhu workshops were nil, nil, RMB1.4 million, nil and nil in 2019, 2020, 2021, 2022 and the three months ended 31 March 2023, respectively.
- (3) With respect to the franchisees, "opened" represents the number of new franchisees who established franchise relationship with us during the period indicated; "closed" represents the number of franchisees who terminated franchise relationship with us during the period indicated.

### Tuhu Workshop Location Selection

We adopt a systematic and standardised process for the planning and execution of new Tuhu workshop expansion plans.

We strategically set up our Tuhu workshops in selected cities and locations. We primarily focus on Tier 1, New Tier 1 and Tier 2 cities in China. Our Tuhu workshop network covers economically vibrant regions, which we believe provide us with a more scalable and stable potential customer

## BUSINESS

base. We also plan to further penetrate into tier 2 and below cities and counties and expand our geographic coverage, especially in southeast China. The following table sets forth a breakdown of the number of our Tuhu workshops by geographic location as of the dates indicated.

	As of 31 December								As of 31 March	
	2019		2020		2021		2022		2023	
	Number	%	Number	%	Number	%	Number	%	Number	%
Tier 1 Cities . . . . .	395	27.8	595	23.9	739	19.2	786	16.9	790	16.6
New Tier 1 Cities . . . . .	540	37.9	917	36.8	1,225	31.8	1,328	28.5	1,354	28.4
Tier 2 Cities . . . . .	300	21.1	564	22.7	814	21.1	987	21.2	1,018	21.3
Other Cities and Counties . . . . .	188	13.2	412	16.6	1,075	27.9	1,552	33.4	1,608	33.7
<b>Total . . . . .</b>	<b>1,423</b>	<b>100.0</b>	<b>2,488</b>	<b>100.0</b>	<b>3,853</b>	<b>100.0</b>	<b>4,653</b>	<b>100.0</b>	<b>4,770</b>	<b>100.0</b>

Our offline operations team determines the target locations of each city by analysing the economic and car parc data, population, commercial districts, investment return estimation and market intelligence information of each city, and prepare field survey reports containing building structure, utility service and usage requirement. When selecting potential Tuhu workshop locations, we seek locations where communities gather, often with characteristics such as high vehicle traffic and other factors such as whether the specific location meets the size, environmental and fire safety requirements and fits our strategic expansion plan. Our offline operations team will prudently evaluate each to ensure that we can effectively expand our coverage while maintaining standardised service quality and a unified brand image.

In addition, as we increase the density of our store network, during the process of site selection, we take into account the potential cannibalisation effect on our other Tuhu workshop nearby, while balancing it against the potential benefits to be generated from the new Tuhu workshops, especially the greater location convenience to customers. To minimise competition among our Tuhu workshops, during the process of site selection, we evaluate if there is sufficient population and customer demand in a potential area to support opening a new Tuhu workshop. We generally will not open a new Tuhu workshop in the same neighbourhood or within a certain area in which we already have a Tuhu workshop, unless we have sufficient traffic data showing that the traffic is sizeable enough to support an additional Tuhu workshop in that location. We also conduct reviews of the operational and financial performance of our Tuhu workshops. If an existing Tuhu workshop has only opened for a short period of time or if it is still in the incubation period, we will avoid opening a new Tuhu workshop in the same area too early but deploy various measures to support its growth. We continually monitor the operational and financial performance of Tuhu workshops, and if their performance is still below our expectation, we will review whether their performance could be improved and adjust our strategies accordingly.

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## BUSINESS

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### Technician Training Programme

We have established a training programme designed to improve the operational efficiency and productivity of our technicians. We offer various types of regular training courses to our technicians, including: (i) a mandatory onboarding orientation programme; (ii) regular and ad hoc trainings that introduce emerging technical knowledge in the automotive industry; and (iii) customised training modules in which seminars are conducted and case studies are discussed and explained. For a detailed discussion on our technician training and support system, see “— Our Proprietary Technologies — Technicians Support and Management System.”

### ***Our Franchise Model***

We have been strategically focusing on our innovative franchise model, which is a mix of traditional franchise model and self-operated model. Such innovative franchise model allows us to scale our network rapidly in an asset light manner, while maintaining service quality consistency and product authenticity. Under our franchise model, we leverage franchisees to build and operate franchised Tuhu workshops and empower them with store management and information system, and provide access to our online traffic, and full supply chain support. Our cooperation with franchisees carries many similar features as the typical franchise models. For example, franchisees operate the business and bear the operating cost and expense by their own, franchisees are using Tuhu’s logo and brand pursuant to the franchise agreement, and franchisees are entitled to share part of the product profits for offline walk in orders. Our franchise model differs from traditional franchise model mainly in terms of service control level, product procurement, inventory risk, transaction settlement and minimum sales target. The following table is a brief summary of the main differences.

	<u>Our franchise model</u>	<u>Traditional franchise model</u>
<b>Differences</b>		
Service . . . . .	Strong control over all Tuhu workshops to ensure consistent and high standard service quality	Practice varies, some franchise model does not have strong controls over the services provided by franchisees
Product procurement . . . . .	Centralised procurement policy, supply chain of franchised Tuhu workshops is fulfilled and fully trackable through our proprietary fulfilment infrastructure and Qipeilong to ensure product authenticity	There are usually no strong controls over the products sold by franchisees to prevent them from procuring products from third parties
Inventory risk . . . . .	Inventory risk is generally borne by us until transactions are settled with customers	Franchisees bear the inventory risk

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## BUSINESS

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	<u>Our franchise model</u>	<u>Traditional franchise model</u>
Transaction settlement . . . . .	Customers pay us directly and we will then settle the payments with our franchisees. All transactions between our franchised Tuhu workshops and our customers are required to be recorded in our system	Franchisees receive payments directly from customers
Minimum sales target . . . . .	No monthly minimum sales target for our franchised Tuhu workshops	Franchisees are often required to meet the monthly minimum sales target

The vast majority of Tuhu workshops are operated by our franchisees with the same standard and through our proprietary technology systems. All Tuhu workshops employ our proprietary enterprise resource planning, or ERP, system and digitalised toolkits for operational standardisation and financial and transaction management. We have also established a standard operating procedure, including step-by-step instructions used to guide and monitor store operations and assist stores in training and evaluating technicians. The integration of technologies and the store management and information systems ensure that the services offered by our franchised Tuhu workshops meet the same high standard.

### Franchisee Selection

We follow strict guidelines and apply rigorous standards in selecting franchisees. As part of a due diligence effort, we will meet with potential franchisees to understand their qualification, reputation, track record, business goals, industry experience and financial ability, and we will also consider their ability to meet our service standards and whether they share the same business value with us. We typically source potential franchisees through word-of-mouth referrals, applications submitted via our website and industry conferences. Our franchisees mainly consist of automotive service providers and seasoned investors in the automotive industry.

### Operational Support to Franchisees

We guide franchisees through the site selection, build-out, design and decoration processes during the development of the new locations, ensuring that new locations conform to the physical specifications of our unified brand. For example, the location of each of our stores is carefully selected through a disciplined, data-driven site-selection process. Our data analytics engine uses sophisticated algorithms based on site-level characteristics to identify locations within a market that we believe will maximise traffic and deliver strong economic returns. We then use this data to improve market planning and to connect franchisees with potential expansion opportunities.

In addition, we help franchisees optimise their store operations and improve their overall efficiency through a series of support measures including post-opening personnel training, a management system, and other ad hoc supports. Through our fulfilment infrastructure and Qipeilong,

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## BUSINESS

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we minimise our in-store inventory while maintaining the flexibility to respond to our customers' comprehensive product needs swiftly to a consistent customer experience. Our growing economies of scale across our network enable us to continually drive more competitive pricing. Our franchisees also benefit from the best-practice training and operational expertise provided by our field operations team members. As a result, we ensure unified excellent service quality that our customers have come to associate with our brand.

### Strong Control over Franchised Stores

We have strong control over our franchised Tuhu workshops and have established a protocol to manage selling and marketing, technician training, supply chain and store operations to maintain consistent brand images and pricing. We train and evaluate the technicians and monitor their work via a combination of online tracking and ad hoc on-site inspections.

We adopt a centralised procurement policy under which our procurement department is responsible for purchasing auto parts directly from manufacturing brands and authorised suppliers for all of our Tuhu workshops. We manage the supply chain of the stores to ensure low cost of bulk procurement, quality of products, and efficient warehousing and logistics. Each franchised Tuhu workshop keeps an inventory of frequently-purchased SKUs. We bear the inventory risks for the products we place in franchised Tuhu workshops, but franchised Tuhu workshops are required to manage the inventory in accordance with our internal guidelines and they bear the risks for any product damage or loss in their possession. For store management, our system enables intelligent inventory management, unified payment connection, complete record of transactions and a unified ERP and finance management system.

We have put in place a series of measures to prevent franchised stores from selling products and providing service directly to or receive payments from walk-in customers outside our system. For example, all inventory products in our franchised stores will undergo compulsory scanning process which enables us to monitor the movement of the entire flow of inventory and have real-time inventory visibility in our franchised stores. In addition, through live video monitoring of our Tuhu workshops and our offline operations team's periodic site visits, we can ensure store operations and service process follow our policy. If we discover misconduct by our franchised stores, we may terminate the franchise agreement and any upfront security deposit paid may be forfeited by us.

### Key Terms of Franchise Agreement

Our franchisees are Independent Third Parties who are specialised in automotive service and have sufficient financial resources for setting up and operating our Tuhu franchised stores. To our best knowledge, except as disclosed in this document, none of our franchisees had or has any material relationship with us outside of our ordinary course of business, and our arrangements with each of our franchisees were entered into on an arm's length basis. To the best of the Company's knowledge and having made all reasonable enquiries with its franchisees, except for those franchisees that we have minority equity investment arrangements as disclosed herein, none of the

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## BUSINESS

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Company, our subsidiaries, our directors, senior management members, key employees or any of our major shareholders who owns 5% of our issued share capital had more than 5% interest in any of our franchisees, and none of our franchisees or any of their major shareholders had more than 5% interest in the Company and our subsidiaries during the Track Record period and as of the date of this submission. The following sets forth a summary of material terms of the standard franchise agreement we enter into with our franchisees as of the Latest Practicable Date:

<b>Key Terms</b>	<b>Description</b>
<i>Term</i>	Franchise agreement typically has an initial term of three years, and is renewable by mutual agreement.
<i>Products</i>	Franchised stores can only offer products supplied by us to customers. If we are unable to supply the products required to fulfil orders, franchised stores may purchase products from third-party suppliers approved by Tuhu with our consent and record such purchase in our store management system.
<i>Service</i>	Franchisees agree to operate their stores and provide automotive services to our customers following our protocol.
<i>Pricing</i>	Franchisees do not have any rights to adjust the prices of services provided to our customers. Franchisees generally have no rights to adjust the prices of our products, unless expressly approved by us in advance.
<i>Inventory</i>	We have inventory in each franchised store and bear inventory risk. Franchised store should manage the inventory in accordance with our internal guidelines and franchised store bears the risks for any product damage or loss in its possession.
<i>Franchise Fees</i>	Franchisees agree to pay an upfront franchise fee and monthly fixed management fees to us. We are also entitled to profit-based royalty fees.
<i>Security Deposit</i>	Each franchised store is required to pay RMB100,000 as upfront refundable security deposit.
<i>Assignment</i>	Franchisees are not allowed to assign rights and obligations under the franchise agreements to third parties without express consent by us.
<i>Store Management</i>	Franchisees are required to follow our internal operational policy, such as our general product return and refund policy, and our criteria for store design and decoration.  Franchisees should ensure their stores obtain requisite licences, permits or approvals from relevant government authorities and comply with all the regulatory requirements. Franchisees are solely responsible for any penalties imposed by governmental authorities and we are entitled to terminate franchisee agreement and claim damages caused by such regulatory non-compliance.

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## BUSINESS

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<b>Key Terms</b>	<b>Description</b>
<i>Staff Recruiting and Training</i>	Franchisees need to ensure all of their employees have completed all compulsory trainings provided by us and received the certification following our requirements.
<i>Termination</i>	If the franchisees breach the franchise agreement or our policies, we may terminate the franchise agreement at our discretion and may be entitled to claim liquidated damages from the franchisees. In addition, the upfront refundable security deposit may be subject to forfeiture.
<i>Transfer of Ownership</i>	Franchisees are not allowed to transfer the ownership of their franchised Tuhu workshops without our permission, and we have the preemptive right to purchase the equity interest from such franchisee.

### Revenue Model

We sell our products directly to our customers, and our franchised stores serve as our offline service providers who render services to our customers. There is no monthly minimum sales target set for our franchisees and the franchisees are not allowed to enter into transaction directly with or receive payments from customers outside our system. Our customers pay us directly and we recognise revenue from sales of products and services when customers take possession of and accept the products and services at our Tuhu workshops. We will then settle the service fee payments with our franchisees with the assistance of financial institutions, generally within one to two weeks. The service fees for each type of service vary based on factors including car model, car size, types of auto parts, estimated labour hours involved for performing the service, technical difficulty of the service being performed and market standard. There are also circumstances where certain low frequency auto products are not available in the inventories we place in each Tuhu workshop or our RDCs. For better customer experience, some franchised Tuhu workshops purchase such auto products through Qipeilong platform for future customer orders. Under such circumstances, we book sales of auto products to franchised Tuhu workshops. For detailed illustration of transactions and fund flow, including diagrams, see “— Our Product and Service Offerings — Qipeilong.”

Our revenue from franchisees consists of (i) an upfront franchise fee, (ii) monthly fixed management fees and (iii) profit-based royalty fees, which generally equals to 10% of franchised store’s operating profits. Depending on the region, city tier, car parc and size of the franchised Tuhu workshop, the upfront franchise fee we charge for a three-year franchise agreement ranges from RMB100,000 to RMB400,000. Following the end of the initial term, the franchise fees for renewal will be determined on a case-by-case basis. We recognise franchise fees on a gross basis over the term of the franchise agreements. At present, we have two levels of standard monthly management fees: RMB4,000 and RMB8,000. However, we may reduce the monthly fixed management fees according to the specific situation of franchised Tuhu workshops, such as those in the early stage of development, to support the growth of their businesses and alleviate their operating pressure caused by COVID-19 in 2020, 2021 and 2022. We recognise monthly fixed management fees on a gross basis over the term of the franchise agreements. For the years of 2019, 2020, 2021, 2022 and the

## BUSINESS

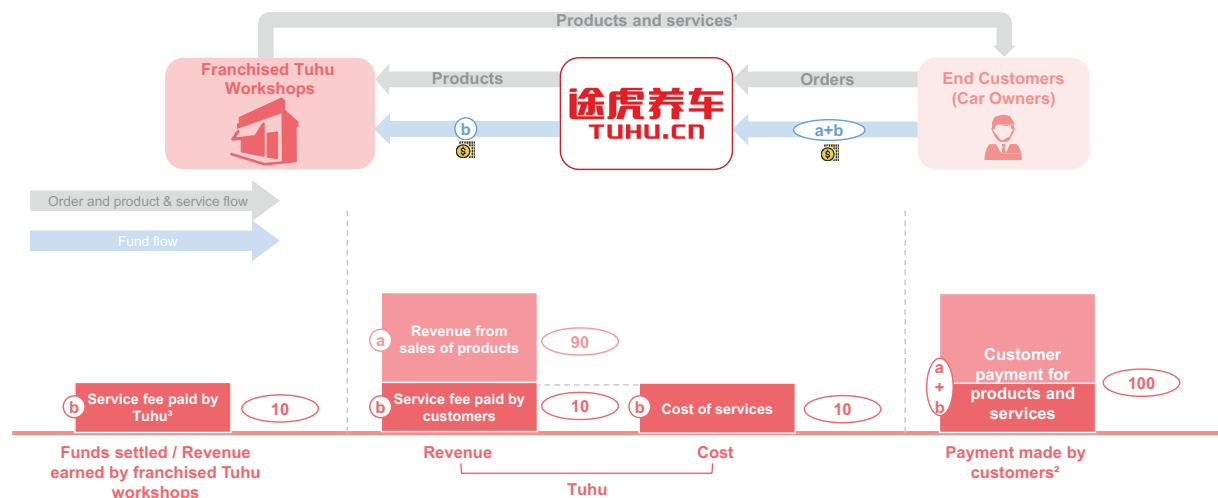
three months ended 31 March 2023, the average monthly fixed management fees per Tuhu workshop were RMB5,862, RMB5,454, RMB5,503, RMB4,689 and RMB5,484, respectively.

Franchisees pay recurring royalty fees, based on a fixed percentage of the franchised stores' monthly profits throughout the duration of the respective franchise agreement. The recurring royalty fees are recognised at the time the underlying franchised stores' sales occur.

Our franchisees generate revenue mainly from automotive services they provide, and they bear the operating cost of franchised Tuhu workshops. Upon the service being rendered to our customers by Tuhu workshops, our system will record the completion of the order and recognise revenue. We will distribute the payments to our franchisees periodically. After deducting the upfront franchise fee, monthly fixed management fees and profit-based royalty fees paid to us, they can enjoy a substantial economic benefit. We have built a franchisee-friendly business model and implemented a series of measures to support our franchisees to develop their businesses, such as dynamically adjusting the profit-sharing level according to the specific situation of franchisees, and organising trainings and nationwide networking activities for franchisees.

The below diagrams illustrate the product and funds flows among our customers, franchised Tuhu workshops and us under different user cases.

### Online Orders



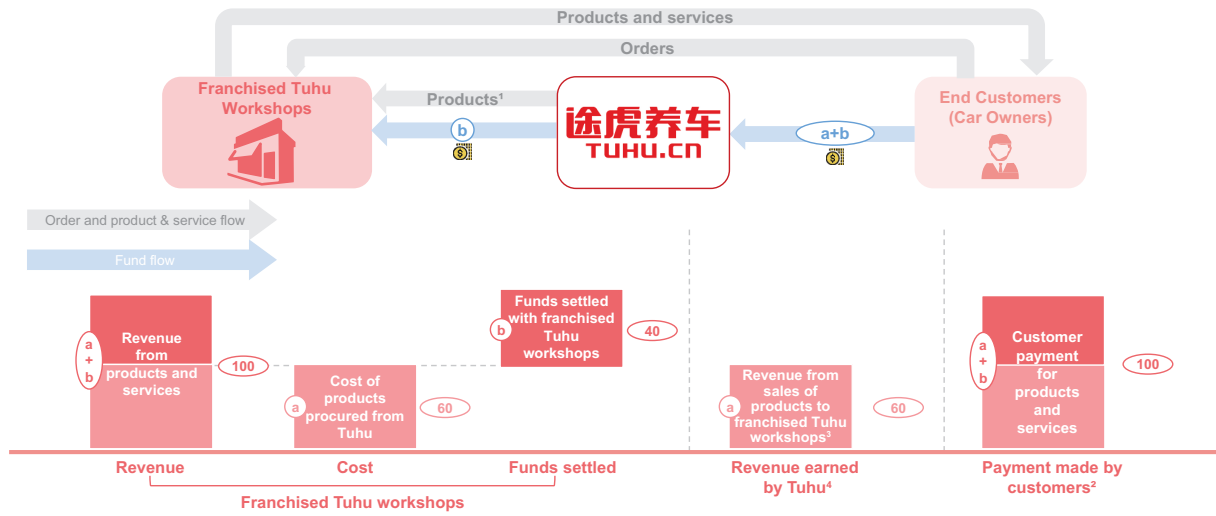
Note: Funds flow figures are for illustration only.

1. Products that do not require offline installation can be directly delivered to car owners by Tuhu.
2. For all the product and service fees, customers pay directly to Tuhu.
3. For online orders, franchised Tuhu workshops are only entitled to service fees related to provision of services.



## BUSINESS

### Walk-in Orders with In-store or RDC Inventory

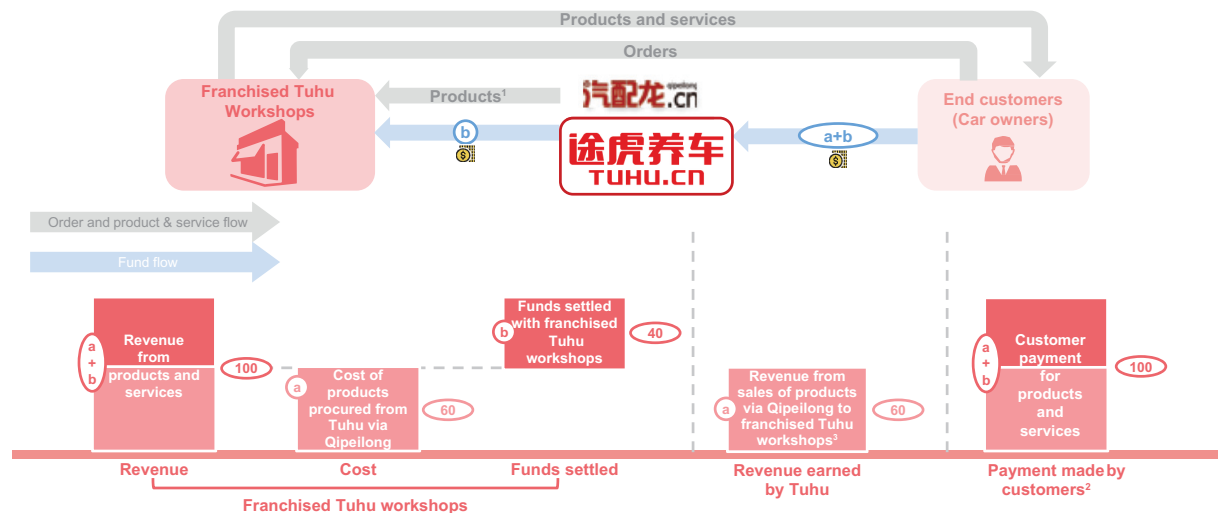


Note: Funds flow figures are for illustration only.

1. If products are available in the store or local RDC, the franchised Tuhu workshops can utilize in-store inventory or have Tuhu ship auto parts from RDC to the store.
2. For all the product and service fees, customers pay directly to Tuhu.
3. Included in revenue from product and services sales to individual end customers. We recognise revenue from such orders under the business line of automotive products and services to individual end customers because we place inventory in our Tuhu workshops and RDC in order to directly serve the automotive product needs of our individual end customers. Therefore, we consider sales of automotive products from such orders to be part of the automotive products and services we directly provide to our individual end customers.
4. We recognise less revenue from walk-in orders compared to online orders because for walk-in orders, the staff at our franchised Tuhu workshops would guide the customers through the entire order placement and service rendering process, including customer intake, product and service recommendation, vehicle inspection and order placing, to provide walk-in customers a seamless service experience. As service process for walk-in orders require more staff participation and promotional efforts and such natural walk-in customer traffic are generated by franchised Tuhu workshops to our platform, we share part of product revenue with franchised Tuhu workshops to allow them achieve reasonable economic return.

## BUSINESS

### *Walk-in Orders Utilizing Qipeilong Instant Procurement Services*



Note: Funds flow figures are for illustration only.

1. If products are NOT available in the store or local RDC, the franchised TuHU workshops can utilize Qipeilong instant procurement services or Qipeilong external instant procurement services to procure automotive products from FDC or external suppliers.
2. For all the product and service fees, customers pay directly to TuHU.
3. Included in revenue from Qipeilong. We recognise revenue from Qipeilong instant procurement services under the business line of Qipeilong because Qipeilong instant procurement service mainly serves the unplanned procurement needs of TuHU workshops arise from orders placed by walk-in customers. Therefore, we consider TuHU workshops that place such procurement orders as our customers and book sales to franchised TuHU workshops.

The revenue recognised by TuHU for walk-in orders utilizing Qipeilong instant procurement services are the same compared to that with in-store or RDC inventory. However, the sales prices of the relevant products sold to TuHU workshops through Qipeilong are lower than the retail sales prices to walk-in customers by TuHU workshops to our individual end customers. We generally take into accounts factors such as cost, popularity, volume and procurement difficulties of the products, and sets the Qipeilong sales price and retail sales price to end customers at levels that allow both Qipeilong and franchised TuHU workshops to achieve reasonable margins and economic return. The amount we settle with franchised TuHU workshops is the difference between retail sales price paid by walk-in customer and the sales price of the product sold to franchised TuHU workshops through Qipeilong.

Our brand equity, customer recognition, well-established supply chain system and efficient management mechanism provide highly compelling economic benefits for our franchisees, release them from the burden of inventory risks and daily on-site operations, and enhance their ability to manage multiple stores through our digital technical supporting systems, which result in a strong desire to join and stay within our network. During the COVID-19 pandemic, we exhibited better resilience in difficult times than smaller scale operators due to our scale, which helped us to attract more franchisees to join and stay within our network. We had 632, 1,079, 1,840, 2,278 and 2,298 franchisees as of 31 December 2019, 2020, 2021, 2022 and 31 March 2023, respectively. For the years of 2019, 2020, 2021, 2022 and the three months ended 31 March 2023, our revenues attributable to the top five franchised TuHU workshops were RMB14.0 million, RMB15.6 million,

## BUSINESS

RMB19.1 million, RMB19.3 million and RMB5.3 million, respectively, and our revenues attributable to the top five franchisees were RMB163.0 million, RMB243.4 million, RMB339.3 million, RMB334.8 million and RMB95.4 million, respectively. Only around 2% of franchised Tuhu workshops were closed during the Track Record Period. In situations where a franchised Tuhu workshop has operational difficulties, our franchisee generally prefers to transfer the ownership of such franchised Tuhu workshop to another franchisee with our consent, which enables us to maintain a stable and healthy franchised store network. As of 31 March 2023, 39.9% of our franchisees had opened two or more stores with us.

The tables below set forth the identities of our five largest franchisees in terms of revenue contribution and their respective revenue contribution during the Track Record Period.

### For the Year Ended 31 December 2019

Franchisee	Revenue Contribution to the Company (RMB'000)	% of Total Revenues
Meilishi Group .....	113,498	1.6
Shanghai Kai Zu Auto Technology Co., Ltd. ....	18,705	0.3
Beijing Mingtu Automobile Service Co., Ltd. ....	11,901	0.2
Mr. Ma Chengcheng .....	10,195	0.1
Mr. Zhang Guolin .....	8,743	0.1

### For the Year Ended 31 December 2020

Franchisee	Revenue Contribution to the Company (RMB'000)	% of Total Revenues
Meilishi Group .....	162,961	1.9
Shanghai Kai Zu Auto Technology Co., Ltd. ....	25,803	0.3
Mr. Zhang Guolin .....	19,024	0.2
Mr. Ma Chengcheng .....	18,444	0.2
Mr. Fu Jie .....	17,211	0.2

## BUSINESS

### For the Year Ended 31 December 2021

Franchisee	Revenue Contribution to the Company (RMB'000)	% of Total Revenues
Meilishi Group .....	228,327	2.0
Shanghai Kai Zu Auto Technology Co., Ltd. ....	33,347	0.3
Mr. Ma Chengcheng .....	27,517	0.2
Mr. Zhang Guolin .....	26,384	0.2
Mr. Fu Jie .....	23,734	0.2

### For the Year Ended 31 December 2022

Franchisee	Revenue Contribution to the Company (RMB'000)	% of Total Revenues
Meilishi Group .....	233,958	2.0
Shanghai Kai Zu Auto Technology Co., Ltd. ....	26,704	0.2
Mr. Zhang Guolin .....	26,372	0.2
Beijing Mingtu Automobile Service Co., Ltd. ....	24,436	0.2
Mr. Fu Jie .....	23,292	0.2

### For the Three Months Ended 31 March 2023

Franchisee	Revenue Contribution to the Company (RMB'000)	% of Total Revenues
Meilishi Group .....	66,795	2.0
Shanghai Kai Zu Auto Technology Co., Ltd. ....	7,510	0.2
Mr. Fu Jie .....	7,139	0.2
Mr. Zhang Guolin .....	7,003	0.2
Beijing Mingtu Automobile Service Co., Ltd. ....	6,995	0.2

During the Track Record Period, we entered into minority equity investment arrangements, typically as a 10% minority shareholder, with a selected number of our franchised stores through arm's length negotiation, which benefit us by enhancing our business relationship with franchisees with strong resources and commitment to do business with us, while gaining opportunities for long-term investment return. For the years of 2019, 2020, 2021, 2022 and the three months ended 31 March 2023, we had minority equity investment arrangements with 2, 10, 63, 100 and 108 franchisees, respectively, and there were 124, 164, 228, 359 and 431 franchised stores in which we

## BUSINESS

had minority equity investment, respectively. When selecting franchised stores to invest in, we pay particular attention to stores that demonstrate higher growth potential and share the same vision on China's automotive service market with us. We believe that our franchisees also benefit from our equity investment therein as the exhibition of our commitment to support our franchisee's long-term growth and achieve win-win outcomes for both our Company and our franchisees. For the years of 2019, 2020, 2021, 2022 and the three months ended 31 March 2023, our revenues attributable to these franchised stores were RMB36.8 million, RMB150.3 million, RMB260.4 million, RMB413.6 million and RMB125.2 million, respectively.

In order to retain and attract franchisees, we have established an offline supporting team responsible for franchisee development. We adopt various measures to attract new franchisees, including face-to-face visits, phone calls, promotions on social media platform, franchisee seminars and existing franchisee referrals. Franchisees are important participants in our network, by improving the efficiency of our offline supporting team, we will be able to better serve our franchisees, tailor solutions for them and provide necessary financial support during difficult times, and achieve win-win result with our franchisees in the long term.

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

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

*Notes:*

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

The relatively small increase in the number of profit-marking self-operated Tuhu workshops or the decrease in the percentage data in December 2021 as compared to December 2020 was primarily due to the larger average gross floor area of the newly opened self-operated Tuhu workshops in 2021, which required more rental expenses and resulted in longer ramp-up period.

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## BUSINESS

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

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

*Note:*

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

### ***Partner Stores***

In order to provide more convenient automotive service to our customers, in addition to our Tuhu workshops, we also have a large number of partner stores that only provide installation and maintenance services to our customers for the orders placed through our online interfaces. As a supplement to our Tuhu workshops, our partner stores allow us to quickly and effectively expand our store network in an asset-light manner to expand our service capacity and serve customers in regions where we currently have limited presence. We select our partners carefully. Unlike our Tuhu workshops, the arrangements with our partner stores are on a non-exclusive basis and we generally do not control the operations of our partner stores and they do not have the same store design and our brand name as our Tuhu workshops. Partner stores have their own operations outside the Tuhu system and can accept orders placed by their own customers. Partner store operators bear the operating cost of their partner stores, and they may procure auto parts through Qipeilong on their own accounts and sell to their customers. We do not maintain an inventory of our products in partner stores and we only bear inventory risks for online orders distributed to partner stores. If our customers select our partner stores to receive the services, we will deliver ordered products to the selected partner stores for them to perform the requested services. However, partner store operators have access to our store management systems and are required to follow our service protocol to ensure that high-quality services are offered to our customers across our store network. There is no monthly minimum sales targets for our partner stores. Our partner stores are not allowed to receive funds directly from our customers outside our payment system for services rendered to our customers. For orders placed through our online interfaces and distributed to partner stores for service rendering, we monitor the performance of such orders, such as order cancellation rate and customer complaint rate, to prevent partner stores from bypassing our system and entering into transactions with our customers directly. If our partner stores fail to meet our service standard or engage in improper conducts, we have the right to terminate the partnership and the security deposit they paid may be forfeited.

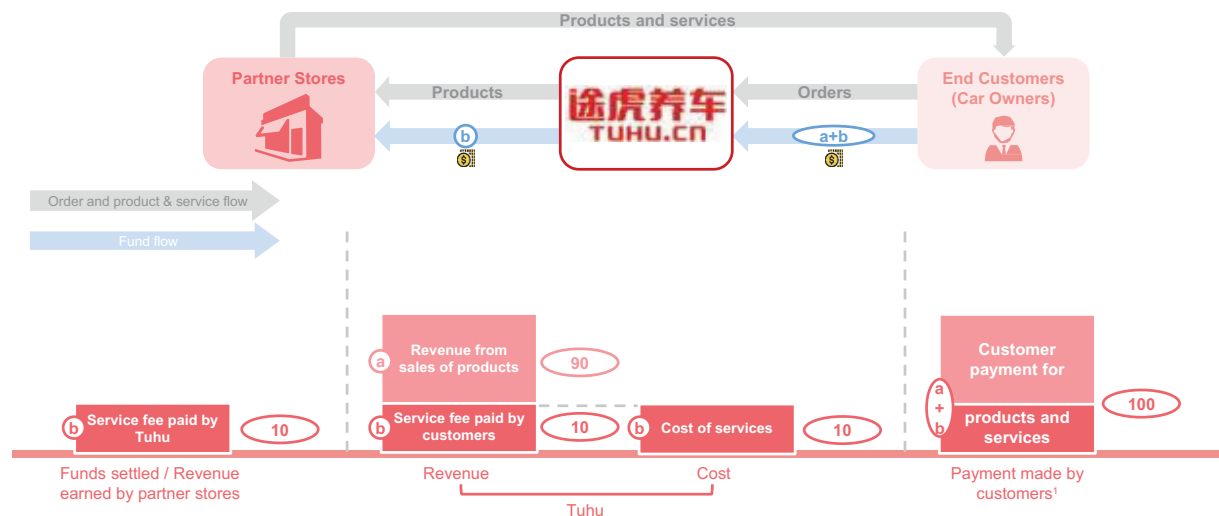
## BUSINESS

After we receive an application to join our platform as a partner store, our team will visit the store and negotiate the details of the partner store framework agreement. Partner stores are required to pay RMB5,000 as security deposit before they can be admitted to our platform. Similar to our Tuhu workshops, customers can place orders through our online interfaces and choose a partner store to render the service. When the customer arrives at the store, the partner store will verify the order information in the system before performing the service. After the customer acknowledges the completion of the order, it will be recorded in our system and we will settle the negotiated service fee with the partner store. Our customers may choose to pay for their orders with any of the payment options offered on our online interfaces. We generate revenue from sales of auto parts to partner stores and net service fee, which equals the fee we charge online customers less service fee paid to partner stores. We generally distribute service fee payments to our partner stores monthly with the assistance of financial institutions.

When a customer places an order through our online interfaces and selects a partner store for services, such order will be distributed to a partner store through our Blue Tiger system and the store operator will be notified. Delivery of the auto parts are then arranged to the partner store accordingly. If the partner store declines the order through our system or refuses to accept the delivery, we will notify the customer to change his or her store selection and receive service in a timely manner at another store. If the partner store further indicates it will no longer be able to provide services to our customers, we will remove the partner store from our partner store network. Through our Blue Tiger system, we have visibility of and can accurately determine the number of partner stores available for providing automotive services to our customers at any given time.

The below diagrams illustrate the product and funds flows among our customers, partner stores and us under different user cases.

### Orders with Bundled Product Sales and Service

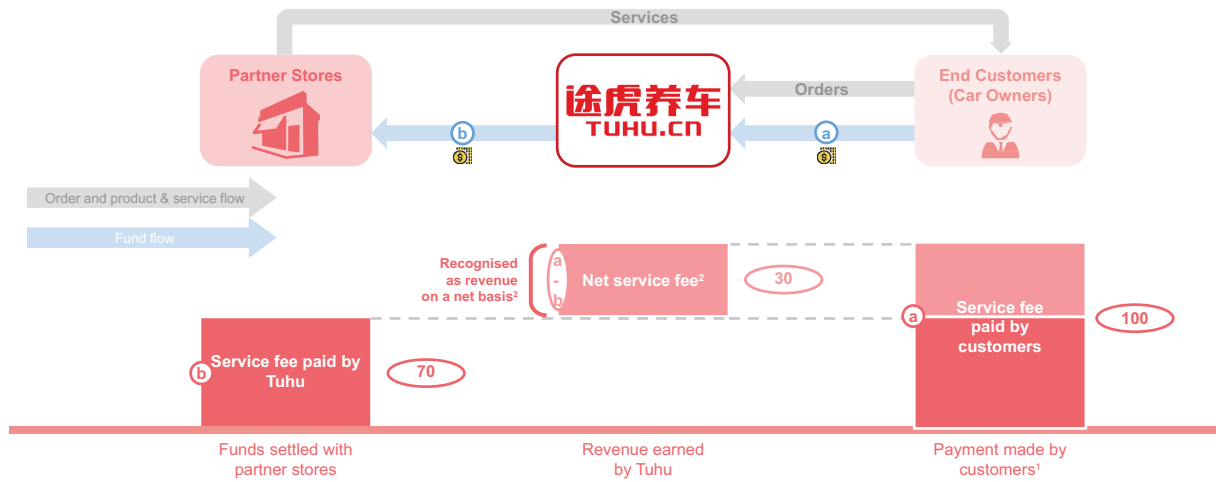


Note: Funds flow figures are for illustration only.

1. For all the product and service fees, customers pay directly to Tuhu.

## BUSINESS

### Service-only Orders



Note: Funds flow figures are for illustration only.

1. For all the service fees, customers pay directly to Tuhu;
2. For service fees not associated to product sale, Tuhu recognises revenue under “automotive products and services to individual end customers” on a net basis, i.e. revenue are recognised at the amounts equal to fees charged to customers less service fees paid to partner stores. For the years ended 31 December 2019, 2020, 2021, 2022 and the three months ended 31 March 2023, we recognised net service fees of RMB5.1 million, RMB12.3 million, RMB12.8 million, RMB5.8 million and RMB0.3 million, respectively.



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## BUSINESS

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### Key Terms of Partnership Agreement

Our partner stores are Independent Third Parties who are automotive service providers. The following sets forth a summary of material terms of the standard partnership agreement we enter into with our partners:

<b>Key Terms</b>	<b>Description</b>
<i>Term</i>	Partnership agreement typically has an initial term of two years, and is renewable by mutual agreement.
<i>Product Offering</i>	Partner stores may purchase auto parts and equipment on Qipeilong or from third-party suppliers. If partner stores sell products sourced from third-party suppliers to our customers, they should ensure the quality of such products and will be held accountable for any damage caused by such defected products.
<i>Service</i>	Partner store operators are required to follow our service protocol when rendering services to our customers.
<i>Pricing</i>	Partner stores do not have any rights to adjust the prices of our products and services.
<i>Deposit</i>	Partner stores are required to pay RMB5,000 as security deposit before it can be admitted to our platform.
<i>Assignment</i>	Partner stores are not allowed to assign rights and obligations under the partnership agreements to third parties without express consent by us.
<i>Service Quality</i>	If our customers suffer damage as a result of intentional misconduct and negligence of our partner stores, such partner store is responsible for the damage.
<i>Training</i>	Partner stores need to ensure that all technicians have the requisite skills to render service to our customers. At the request of our partner stores, we may provide certain operational support and training to our partner stores.
<i>Inventory</i>	Partner stores generally do not keep an inventory of our products in its store.
<i>Termination</i>	If our partner stores fail to meet our service standard or engage in improper conducts, we have the right to terminate the partnership and the security deposit they paid may be forfeited.

We have launched a certification programme to deepen the cooperation with certain high-performing partner stores. For these certified stores, we will provide additional supports, including priority recommendation, technical support, supply chain support and financial planning support. As of 31 March 2023, we had 19,624 partner stores across China. By placing orders on our platform, our

## BUSINESS

customers can be confident that they will receive quality service with transparent pricing, at a convenient location where they choose to be served. Our strong brand image and the significant scale of our platform are crucial to our partner stores as they benefit from the increased business opportunities generated through our platform, which motivates them to maintain a loyal relationship with us and ensure the services they provide meet our standard. Depending on the types of service provided by our partner stores, the net service fee per order payable to our partner stores typically ranges from RMB20 to RMB200. For the years of 2019, 2020, 2021, 2022 and the three months ended 31 March 2023, our revenues attributable to the top five partner stores were RMB0.6 million, RMB1.8 million, RMB2.0 million, RMB2.2 million and RMB0.4 million, respectively.

The tables below set forth the identities of our five largest partner stores in terms of revenue contribution and their respective revenue contribution during the Track Record Period.

### For the Year Ended 31 December 2019

Partner Store	Revenue Contribution to the	
	Company (RMB'000)	% of Total Revenues
Xiangyang Gucheng Store	170	<0.1
Tongren Yinjiang Guanzhuang North Road Store	144	<0.1
Nanchang Cuiyuan Road Store	113	<0.1
Jingmen Zhongxiang Store	113	<0.1
Huangshi Yangxin Store	82	<0.1

### For the Year Ended 31 December 2020

Partner Store	Revenue Contribution to the	
	Company (RMB'000)	% of Total Revenues
Pudong Jinhu Road Store	429	<0.1
Nanning Qingxiu Tongfu Road Store	415	<0.1
Bridgestone Tire (Jingmen Shayang Jiangjin Avenue Store)	329	<0.1
Yuncheng Linyi Jingming Flower Store	326	<0.1
Zaozhuang Xuecheng District Four Seasons Jinghua Store	284	<0.1

## BUSINESS

### For the Year Ended 31 December 2021

Partner Store	Revenue Contribution to the Company (RMB'000)	% of Total Revenues
Suzhou Huayuan Road Store .....	492	<0.1
Bridgestone Tire (Jingmen Shayang Jiangjin Avenue Store) .....	383	<0.1
Zaozhuang Xuecheng District Four Seasons Jinghua Store .....	382	<0.1
Nanjing Qixia District Xianyao Road Store .....	363	<0.1
Xi'an Hanqu South Road Store .....	357	<0.1

### For the Year Ended 31 December 2022

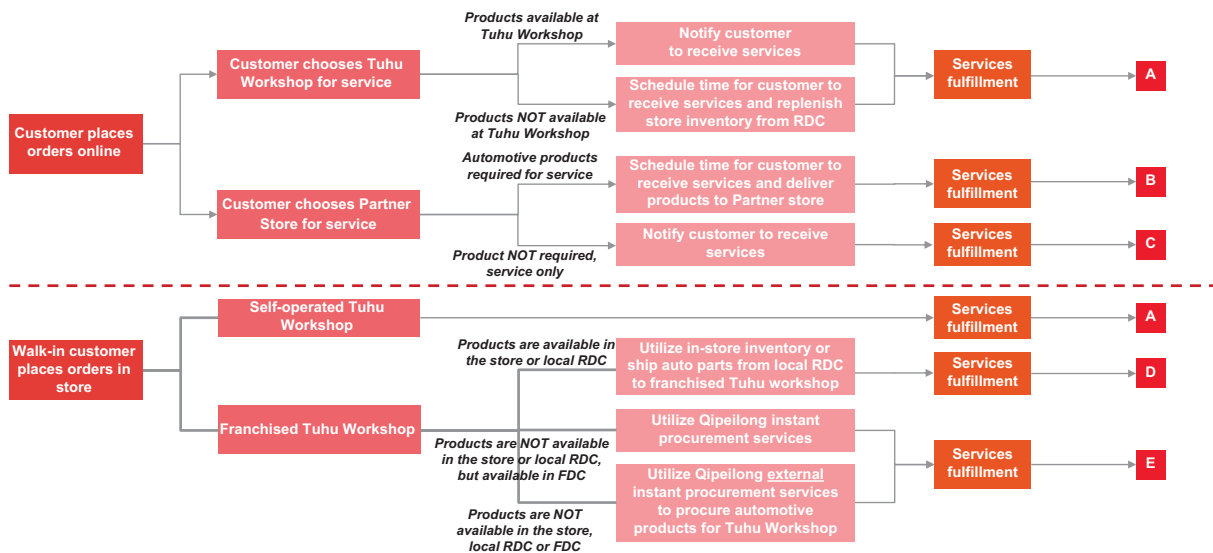
Partner Store	Revenue Contribution to the Company (RMB'000)	% of Total Revenues
Suzhou Huayuan Road Store .....	678	<0.1
Jinhu Tire (Shangcai Chongyang Avenue Store) .....	442	<0.1
Bridgestone Tire (Jingmen Shayang Jiangjin Avenue Store) .....	431	<0.1
Taizhou Xianju Gongye Road Store .....	344	<0.1
Xi'an Yanta Zhuque Road Store .....	314	<0.1

### For the Three Months Ended 31 March 2023

Partner Store	Revenue Contribution to the Company (RMB'000)	% of Total Revenues
Suzhou Huayuan Road Store .....	171	<0.1
Chongqing Fengwen Huashi Store .....	71	<0.1
Huaihua Chenxi Chenzhou South Road Store .....	69	<0.1
Dazhou Xuanhan Beicheng Avenue Store .....	65	<0.1
Huanggang Wuxue Longgang Road Store .....	54	<0.1

## BUSINESS

Below is a diagram that illustrates the differences in revenue and cost recognition under different user cases for automotive products and services.



	Revenue and Cost for Tuhi	Revenue and Cost for Franchised Tuhi Workshops / Partner Stores (if applicable)	Rationale for revenue split
<b>A</b>	<b>Revenue</b> Revenue from products and services <sup>(1)</sup> <b>Cost</b> Cost of products <sup>(2)</sup> Cost of services <sup>(2)</sup> Cost of self-operated Tuhi workshops	<b>Revenue</b> Service fee paid by Tuhi <sup>(2)</sup>	<ul style="list-style-type: none"> <li>Tuhi is the principal for the transaction and bears inventory risk, so enjoys 100% of product revenue</li> <li>Franchised Tuhi workshops are the agent to fulfillment services only, so are paid with service fee</li> </ul>
<b>B</b>	<b>Revenue</b> Revenue from products and services <sup>(1)</sup> <b>Cost</b> Cost of products <sup>(2)</sup> Cost of services <sup>(2)</sup>	<b>Revenue</b> Service fee paid by Tuhi <sup>(2)</sup>	<ul style="list-style-type: none"> <li>Tuhi is the principal for the transaction and bears inventory risk, so enjoys 100% of product revenue</li> <li>Partner stores are the agent to fulfillment services only, so are paid with service fee</li> </ul>
<b>C</b>	<b>Revenue</b> Revenue from services <sup>(1)(3)</sup>	<b>Revenue</b> Service fee paid by Tuhi	<ul style="list-style-type: none"> <li>Tuhi is the agent for the service provided by partner store and bears no inventory risk</li> </ul>
<b>D</b>	<b>Revenue</b> Revenue from products <sup>(1)</sup> <b>Cost</b> Cost of products <sup>(2)</sup>	<b>Revenue</b> Revenue from products and services <b>Cost</b> Cost of products <sup>(1)</sup>	<ul style="list-style-type: none"> <li>Franchised Tuhi workshops generate natural walk-in customer traffic, so Tuhi shares part of product revenue with franchised Tuhi workshops</li> </ul>
<b>E</b>	<b>Revenue</b> Revenue from Qipeilong instant procurement services <sup>(4)</sup> <b>Cost</b> Cost of products <sup>(5)</sup>	<b>Revenue</b> Revenue from products and services <b>Cost</b> Cost of Qipeilong instant procurement services <sup>(4)</sup>	

(1) Included in Revenue from automotive products and services to individual end customers

(2) Included in Cost of automotive products and services to individual end customers

(3) On a net basis

(4) Included in Revenue from Qipeilong

(5) Included in Cost associated with Qipeilong

For orders placed by our customers through our online interfaces for (i) sales of auto parts and provision of automotive service fulfilled by our Tuhi workshops and (ii) sales of bundled automotive products and services fulfilled by our partner stores, we recognise revenue when customers take possession of and accept the automotive products and services. We recognise revenue on a gross basis as we bear product inventory risk and control the services prior to the transfer to our customers. For service-only order placed by our customers through our online interfaces and fulfilled by our partner stores, revenue is recognised on a net basis after deducting the service fee paid to our partner stores. When a service-only order is assigned to a partner store, we only act as an agent within the arrangement as our output in such a service-only transaction is to connect end customers with partner stores for receiving the services. Although partner store operators are required to follow our service protocol, the end customers are clear that the services are provided by partner stores.

## BUSINESS

Partner stores control and direct the service to end customers and are responsible for the acceptability of services by end customers.

For orders placed by our walk-in customers at our franchised Tuhu workshops, (i) if the products are available in the store or local RDC, we recognise revenue at a point in time when franchised stores take possession of and accept the automotive products in-store or delivered by RDC. We recognise revenue on a gross basis as we act as the principal in the arrangement and bear the inventory risk until franchised Tuhu workshops receive the products. Franchised Tuhu workshops become the principal for the sales to end customers and bear the inventory until services are rendered and accepted by end customer; (ii) if products are not available in the store or our RDC and need to be sourced from Qipeilong through its instant procurement service, we recognise revenue at a point in time when franchised stores take possession of and accept the automotive products in-store or delivered by Qipeilong instant procurement service and after the expiration of a 30-day unconditional return period. We recognise revenue on a gross basis as we act as the principal for Qipeilong instant procurement service and bear the inventory risk until franchised Tuhu workshops receive the products. Franchised Tuhu workshops become the principal for the sales to end customers and bear the inventory until services are rendered and accepted by end customers. Walk-in orders are entered into and processed via Blue Tiger. Such orders are labeled as walk-in orders in our operation system. We do not directly record revenues for the payments made by individual end customers for such walk-in orders. Instead, for walk-in orders, we only recognise revenue from sales of products to franchised Tuhu workshops, either using in-store or RDC inventory or through utilising the instant procurement services via Qipeilong. Revenue from walk-in orders utilising in-store or RDC inventory is recorded under the sub-segment automotive products and services to individual end customers, and revenue from walk-in orders utilising Qipeilong instant procurement services is recognised under sub-segment Qipeilong. We have a periodic settlement arrangement with franchised Tuhu workshops for the split of payments made by individual end customers.

The below table sets forth the revenue breakdown by online and walk-in orders in absolute amounts and as percentages of our revenue from automotive products and services to individual end customers during the Track Record Period.

	For the Year Ended 31 December								For the Three Months Ended 31 March			
	2019		2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except for percentage data)</i>											
	<i>(unaudited)</i>											
Revenue from online												
orders	5,484,457	88.4	6,087,622	82.5	7,493,671	78.5	6,787,509	73.3	1,793,619	76.2	1,923,445	70.8
Revenue from walk-in												
orders	719,556	11.6	1,293,617	17.5	2,057,664	21.5	2,468,953	26.7	561,510	23.8	793,373	29.2
<b>Total revenue from automotive products and services to individual end customers</b>	<b>6,204,013</b>	<b>100.0</b>	<b>7,381,239</b>	<b>100.0</b>	<b>9,551,335</b>	<b>100.0</b>	<b>9,256,462</b>	<b>100.0</b>	<b>2,355,129</b>	<b>100.0</b>	<b>2,716,818</b>	<b>100.0</b>

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## BUSINESS

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Our efforts over the years have paid off, and we witnessed an increasing revenue contribution from our recurring customers. Please refer to below table for revenue contribution ratio from recurring customers during Track Record Period based on Company's management account:

	2019	2020	2021	2022	Twelve Months Ended 31 March 2023
Percentage of recurring customers <sup>(1)</sup> . . . . .	31%	40%	46%	55%	57%
Revenue contribution ratio from recurring customers <sup>(2)</sup> . . . . .	36%	42%	44%	51%	50%

*Notes:*

- (1) Percentage of recurring customers for a given period equals the number of customers who had paid for at least one order on our Tuhu platform before such period, divided by the total number of customers who paid for at least one order in the given period.
- (2) Revenue contribution ratio equals revenue from the recurring customers divided by the revenue from automotive products and services to individual end customers.

### **Business Sustainability**

We are one of the leading integrated online and offline platforms for automotive service in China, according to the CIC Report. China's automotive service market is massive with further growth potential. China's automotive service market size in terms of GMV was RMB1,239.8 billion in 2022, and is forecasted to reach RMB1,931.9 billion in 2027, with a CAGR of 9.0% from 2023 to 2027, according to the CIC Report. To capture the industry opportunity, we have been striving to address the key pain points of the automotive service market in China, and to innovate simple and easy automotive service by providing a digitalised and on-demand service experience to our customers. To lay a solid foundation for our long-term development and growth, we have been focused on executing growth strategies, rather than seeking immediate financial returns or profitability. To that end, we have devoted considerable resources to growing our user base, broadening our service and product offerings, expanding our geographic coverage, building our fulfilment infrastructure and investing in technology, which has led to us recording accumulated losses as at 1 January 2019 and net losses during the Track Record Period. See "Risk Factors — Risks Related to Our Business and Industry — We have a history of losses and negative cash flows from operating activities, which may continue in the future."

### ***Our Resilient Historical Growth***

We witnessed resilient growth in our business operations and financial results during the Track Record Period. Our revenues increased from RMB7.0 billion in 2019 to RMB11.5 billion in 2022. Our revenue increased by 10.0% from RMB3.0 billion in the three months ended 31 March 2022 to RMB3.3 billion in the same period of 2023, primarily due to an increase in revenue from automotive products and services. Our gross profit margin increased from 7.4% in 2019 to 19.7% in 2022, and further to 24.2% in the three months ended 31 March 2023. Furthermore, as we improved our

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## BUSINESS

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operational efficiencies, our operating losses as percentage of revenue narrowed over time. Our operating loss as percentage of revenue changed from 16.1% in 2019, to 6.6% in 2022, and further to 0.1% in the three months ended 31 March 2023. In the six months ended 30 June 2023, we have achieved positive net profit of RMB59.5 million and positive operating cash flow of RMB714.8 million, demonstrating the sustainability of our business model.

- **Service and product offerings expansion:** Since our inception in 2011, we have been continuously adding more service and product offerings and also exploring new business initiatives with strong growth potential. For example, we launched tires, motor oil, chassis parts, storage battery and NEV battery maintenance and repair businesses in 2011, 2013, 2015, 2015 and 2021, respectively, to address the increasing demand in these service categories.
- **Geographic coverage expansion:** We have been continuously expanding our geographic coverage to serve customers in wider areas and also enable them to enjoy our services with greater convenience. The number of Tuhu workshops increased from 1,423 in 141 cities as of 31 December 2019 to 4,770 in 303 cities as of 31 March 2023. We were the largest automotive services provider in China in terms of number of stores operated, as of 31 March 2023, according to the CIC Report.
- **Fulfilment infrastructure:** We have built a nationwide warehousing and logistics system to ensure timely delivery of our products and accurate monitoring of the logistics. As of 31 March 2023, we operated 39 RDCs and 267 FDCs across the country. Our logistics solutions covered more than 300 cities in China as of 31 March 2023 and our RDCs support a monthly average of 2.7 million tires and 13.1 million other auto parts received and shipped in the three months ended 31 March 2023.
- **Technology innovations:** We have built a research and development team consisting of over 800 R&D personnel as of 31 March 2023 and developed a full suite of proprietary technologies tailored to China's automotive service industry. Such technology innovations not only include customer-facing digitalised applications, but also include the automotive service technical support system along the automotive service industry chain. We leverage technology to digitalise the industry chain and improve customer experience.
- **User base and user engagement:** Growing user base and enhancing user engagement are crucial for our growth and to generate more revenues. We have been continuously improving our user experience. Our efforts have contributed to the loyalty of our customer base, and we continue to attract new customers to our platform across mobile, website and other digital interfaces. Our registered users increased from 44.2 million as of 31 December 2019 to 100.2 million as of 31 March 2023. Our transacting users increased from 8.6 million in 2019 to 17.1 million in the last twelve months ended 31 March 2023. Our average MAU increased from 5.5 million in 2019 to 10.2 million in the three months ended 31 March 2023.

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## BUSINESS

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Going forward, we plan to further improve our profitability primarily by: (i) continuing to achieve revenue growth, driven by a larger user base, more product and services offerings and further penetration into an increasing number of lower-tier cities; (ii) improving our cost efficiency, driven by further optimisation of product mix with increased revenue from sale of higher gross margin products and more favourable pricing terms with our suppliers; and (iii) increasing our operating leverage, driven by our economies of scale and optimised supply chain efficiency.

### *Continuing to Achieve Revenue Growth*

According to CIC, China's automotive service market size in terms of GMV was RMB1,239.8 billion in 2022 and is forecasted to reach RMB1,931.9 billion in 2027, with a CAGR of 9.0% from 2023 to 2027. Thus, China's automotive service market enjoys high growth potential. Moreover, in China's automotive service market, repair and maintenance service accounts for the largest proportion with GMV of RMB845.7 billion in 2022, contributing to approximately 68.2% in the total GMV of automotive service market. As vehicles age, the demand for repair and maintenance is expected to keep growing at a CAGR of 9.1% from 2023 to 2027. Hence, there is sufficient demand in China's auto maintenance market and we only fulfill small portion of demand.

We will continue to expand the scale of our platform and plan to gradually expand Tuhu workshops to over 9,400 by the end of 2025. Our asset-light franchise model and our strong control over Tuhu workshops allow us to scale up rapidly and efficiently while maintaining service quality and consistency. We historically focused on expansion in tier-1 and new tier-1 cities, where we have established a strong presence in terms of both number of stores and number of franchisees. In the future, we will maintain stable expansion in tier 1 and new tier 1 cities while expanding our footprint in tier 2 and below cities and counties.

We will also continue to enhance our brand recognition through both online interfaces and offline service networks. With the expanded network, we believe we are able to provide our customers with greater convenience for services, which leads to further improved customer experience and better brand recognition. We believe improved customer experience will attract more customers to our platform and to consume our products and services more frequently in an organic manner.

In addition, to accommodate our customers' diversified needs, we will continue to explore new service offerings that can be seamlessly integrated with our existing offerings. Leveraging on our strengths in tire, maintenance and car detailing, we will continue to improve capabilities in new services such as quick repair and collision repair. We will expand technician training and conduct store floor expansion or renovation to support those expanding services. In addition, the emerging NEV market represents an important market to us and we have been expanding the partnerships with more NEV brands or key suppliers of NEV brands to provide dedicated services addressing the growing NEV market. With more product and service offerings, we expect our users' consumption frequency and spending to increase, therefore effectively increasing the lifetime value of our customers.



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## BUSINESS

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### *Improving Our Cost Efficiency*

We are taking measures to enhance our profit margin by optimising product mix with more exclusive products and private label products with higher gross margin. As one of the leading online and offline integrated automotive service providers in China, our brand recognition, access to the largest car owner community, and business insights make us the go-to partner for global brands to design and sell exclusive products in China. We have entered into exclusive partnerships with many major suppliers and manufacturing brands to roll out more exclusive products and private label products to cater to the tiered needs of our customers.

Our revenue from auto maintenance products and services, which generally have higher margins, as a percentage of total revenue increased from 26.6% in 2019 to 36.6% in the three months ended 31 March 2023. We expect the revenue contribution ratio from auto maintenance products and services continue to increase in the future. As our platform continues to expand and our scale continues to increase, we could leverage the scale advantage to increase the leverage in merchandise sourcing and obtain more favourable terms from our suppliers. In addition, we have been continuously expanding the scope of our exclusive products and private label product offerings, which generally have a higher gross margin than branded products. As of 31 March 2023, we had launched 51 private label product brands covering 7,429 SKUs transacted through our platform over the last twelve months, and 54 exclusive product brands covering 2,239 SKUs transacted through our platform over the last twelve months. Revenue contribution from exclusive products increased from 17.5% in 2019 to 36.5% in the three months ended 31 March 2023, and revenue contribution from private label products increased from 4.7% in 2019 to 30.1% in the three months ended 31 March 2023. We expect such trends will continue in the foreseeable future.

### *Increasing Our Operating Leverage*

Our operating expense as a percentage of our total revenue changed from 23.8% in 2019, to 24.3% in 2020, to 28.2% in 2021, to 27.6% in 2022, and to 24.8% in the three months ended 31 March 2023. In the second half of 2020 and first half of 2021, in anticipation of the economic recovery in China, we increased the size of our R&D team and operational support team to better support our store network expansion and new business initiatives. The COVID-19 resurgence in the second half of 2021 and 2022 had a negative impact on our revenue growth. In the future, we will continue to optimise the operating efficiency through technology innovation and benefit from the economy of scale.

Selling and marketing expenses accounted for the largest portion of our operating expenses during the Track Record Period. During the Track Record Period, our selling and marketing expenses as a percentage of our total revenue remained relatively stable, accounting for 14.7%, 14.4%, 14.3%, 13.3% and 12.9% in 2019, 2020, 2021, 2022 and the three months ended 31 March 2023, respectively. Going forward, we will take the following measures to further improve efficiency: (i) increasing operating efficiency with more Tuhu workshop coverage per FDC store.

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## BUSINESS

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For example, one FDC covered approximately 18 nearby Tuhu workshops as of 31 March 2023 and we expect such ratio will continue to increase in the future as we expand into lower tier cities with smaller city size and more concentrated commercial area; (ii) optimising the warehouse and freight expenses structure through labour efficiency, improving the average sales per unit area of warehouses, lowering the administrative expenses and enhancing the delivery accuracy and efficiency with effective data, and (iii) optimizing customer service team through the application of AI to control the labour expense and also increase efficiency of customer service team by optimizing scheduling and hiring plans. Through those efforts, we expect to decrease the number of employees in customer service team in the future. We will continue to evaluate and monitor the effectiveness and efficiency of our selling and marketing spending, as well as strategically focus on marketing efforts customised for different target customer groups. We expect our selling and marketing expenses as a percentage of total revenue will gradually decrease in the foreseeable future.

We continue to invest in our research and development capabilities to improve our technological capabilities to enhance our store management system, fulfilment efficiency and user experience. Research and development expenses as a percentage of our total revenue accounted for 3.2%, 4.2%, 5.3%, 5.4% and 4.7% in 2019, 2020, 2021, 2022 and the three months ended 31 March 2023, respectively. We expect our research and development expenses will continue to increase in absolute amounts as we plan to invest more resources to improve our technological capabilities. We expect the number of our research and development team to remain relatively stable in the future, as we have built a large and capable R&D team consisting of 830 employees as of 31 March 2023, which we believe are sufficient for continuous development and improvement of our technology infrastructure while enabling us to benefit from the economies of scale. As we continue to scale up our business, we expect our research and development expenses as a percentage of total revenue will decrease in the foreseeable future.

Our operations and support expenses accounted for 3.1%, 3.5%, 5.6%, 5.4% and 4.3% of our total revenue in 2019, 2020, 2021, 2022 and the three months ended 31 March 2023, respectively. Going forward, additional hires each year are expected to decrease as a result of increased store operation and management efficiency. For example, we will adopt intelligent online monitoring system to replace part of the onsite manual checking in Tuhu workshop; and as we expand into lower tier cities, which in general are much smaller in terms of city size, and more concentrated in terms of commercial area, each operation and support employee is able to cover more Tuhu workshops effectively. For example, the number of franchised Tuhu workshop per offline operations team member can cover increased from 1.9 in 2019 to 4.4 in the three months ended 31 March 2023, and we expect such ratio will increase to over 5 by 2024. As we continue to scale up our business, we expect our operations and support expenses as a percentage of total revenue will decrease in the foreseeable future.

Our general and administrative expenses accounted for 2.8%, 2.2%, 3.0%, 3.5% and 2.9% of our total revenue in 2019, 2020, 2021, 2022 and the three months ended 31 March 2023, respectively. As we continue to scale up our business and achieve economies of scale, we expect our general and administrative expenses as a percentage of total revenue will decrease in the foreseeable

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## BUSINESS

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future. In addition, we plan to optimise expense structure through improving business travel efficiency and adopting more prudent approach when exploring new business initiatives.

Overall, although we expect our operating expenses in terms of absolute amount to increase going forward, as we continue to grow in scale, we expect to further benefit from our operating leverage and economies of scale on our platform, which is expected to lead to a decrease in our total operating expenses as a percentage of our total revenues.

### *Working Capital Sufficiency*

We have been applying a variety of methods to manage our working capital. We generally offer credit terms of 30 days to franchised Tuhu workshops for orders sourced from Qipeilong and certain key account customers for bulk purchase of automotive services. We maintain strict control over our outstanding receivables and our overdue balances are regularly reviewed by our senior management. Meanwhile, we manage and negotiate flexible credit terms with our suppliers to improve our cash position. For most of our suppliers, the credit terms offered to us range from 30 to 90 days. We are committed to further improving our working capital management.

While our business has been expanding, we incurred net cash outflows from operating activities of RMB251.5 million, RMB98.8 million and RMB312.7 million in 2019, 2021 and 2022, respectively, and net cash inflow from operating activities of RMB331.3 million and RMB183.9 million in 2020 and the three months ended 31 March 2023, respectively. The net cash outflows were mainly due to (i) increases in inventories, which are in line with the growth of our business and operation, and (ii) increases in restricted cash, the reasons of which are stated above. By taking the measures illustrated above, we expect to operating cash flow breakeven in 2023.

Taking into account the financial resources available to us, including our cash and cash equivalents on hand and the estimated net proceeds from the Global Offering, our Directors are of the view that we have sufficient working capital to meet our present needs and for the next twelve months from the date of this document. We also proactively review and adjust our cash management policy and working capital needs according to general economic conditions and our short-term business plans. Certain unique factors also contributed to our net cash outflow from operating activities in 2021: (i) we paid a deposit of RMB50.0 million in connection with the setup of a financing guarantee company, (ii) as part of our NEV-related efforts, we incurred some expenditure in exploring business opportunities related to NEV, such as purchase of vehicles from certain NEV brands for sale, and (iii) we increased certain cash expenditures, such as research and development expenses, significantly in 2021 to support our business expansion. As such expenses are paid upfront, we expect them to be much more stable in the following years. Certain unique factors contributed to our net cash outflow from operating activities in 2022: (i) a large number of stores temporarily suspended operations in certain cities in 2022 due to the COVID-19 resurgence, which resulted in a decrease in revenue, while we continued to incur certain fixed costs and expenses; and (ii) although we paced our merchandise procurement in light of the COVID-19 resurgence, we were required to settle the bills we issued in relation to the procurement orders placed before the COVID-19 resurgence, and as a result, our trade and bills

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## BUSINESS

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payables fell faster than the inventories, leading to a net outflow of funds. In addition, in view of our net cash outflow from operating activities in 2019, 2021 and 2022, we plan to ensure our working capital sufficiency by taking advantage of aforementioned measures to narrow our net loss and improve our profitability, which will in parallel translate into improved net operating cash flows. For instance, we plan to achieve revenue growth by growing customer base and enhancing customer engagement, and expanding store network as we penetrate in tier 2 and below cities and counties and optimise location and density of our stores in existing cities, which will boost sales and generate more cash inflow. We also plan to optimise our cost structure and operating efficiency, such as effectiveness and efficiency of our selling and marketing spending, which will save more cash outflow. Specifically, we will continue to strategically focus on marketing efforts customised for different target customer groups and invest in our research and development capabilities efficiently to improve our technological capabilities to enhance our store management system, fulfilment efficiency and user experience. We also plan to partner with many major suppliers and manufacturing brands to roll out more exclusive products and private label products with higher gross margin. Moreover, we will continue to improve efficiency of working capital management to accelerate the inventory turnover and better utilize the payment terms offered by our suppliers. Further, as evidenced by our historical equity financing activities, we have a good track record in being able to raise money from renowned investors to finance our business. See the section headed “History, Reorganisation and Corporate Structure — Pre-IPO Investments” of this Prospectus. We believe that potential external financing sources, including those to which we will gain access after the Global Offering, will provide additional funding to fuel our business operation and expansion.

Overall, although we expect our operating expenses in terms of absolute amount to increase going forward, as we continue to grow in scale, we expect to further benefit from our operating leverage and economies of scale on our platform, which will lead to a decrease in our total operating expenses as a percentage of our total revenues.

In summary, we had losses for the years/periods in the Track Record Period as we focused on executing on growth strategies rather than seeking immediate financial returns or profitability. Upon the successful implementation of the foregoing measures, we believe we are well positioned to achieve sustainable profitability.

### **Our Supply Chain Capabilities**

We built our supply chain capabilities from the ground up, which helps us to skip layers of intermediary distributors and procure auto parts at a more competitive cost basis and better manage inventory.

### ***Our Suppliers***

We maintain strong and long-standing relationships with a diverse base of suppliers, including manufacturing brands and wholesalers of various auto parts and equipment to ensure market competitiveness and reliability in our supply chain. We also procure low-frequency auto parts from

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## BUSINESS

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certified wholesalers to meet various customer demands. We have established close cooperation with major international brands through multiple models, such as direct procurement, exclusive distribution arrangements, and became the largest business partner in China of several major international auto parts and motor oil brands. We also work with selected suppliers to jointly develop our private label products that cater to the specific needs of our customers based on our data and business insights. Unlike authorised dealerships, who procure auto parts from OEM's aftersales department, we directly procure from auto parts manufacturers where possible. Given OEMs' strong leverage in the automotive service value chain, they often sell auto parts to authorised dealerships at a considerable markup in price, which cost will be passed through with additional markup made by authorised dealerships to its customers. On the other hand, we leverage our direct procurement advantage and our economy of scale to obtain favourable terms from our suppliers and, as a result, have considerable advantage over authorised dealerships and other IAM competitors that lack our scale and traffic. For example, according to CIC, the average procuring price of motor oil from certain premium brands offered to authorised dealerships is around 30% higher than the same obtained by us. We believe that as our business continues to expand, our scale will continue to drive increasing procurement benefits.

We select suppliers based on a number of criteria, such as relevant qualifications, reputation, track record, price, quality and timeliness and accuracy of delivery. When evaluating suppliers, we conduct background and qualification check, sample testing, customer feedback review and, where appropriate, on-site auditing of their production facilities to ensure that their product quality is satisfactory. We emphasise ethical value and commitment when picking suppliers, and we have also implemented an anti-bribery and corruption policy forbidding our employees from receiving any kickbacks from our suppliers.

We closely monitor our supply chain to reduce risk and maintain flexibility in the event of potential supply interruptions, and we continually reevaluate our supplier relationships to ensure that we and our franchisees obtain competitive pricing for high-quality equipment, products and other items. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material incidents of supply interruption, early termination of contractual arrangements with our suppliers which materially and adversely affected our operations and financial conditions.

### ***Our Fulfilment Infrastructure***

A flexible and extensive fulfilment infrastructure is critical to the success of our platform. To this end, we have incurred and will continue to incur expenditures in building and operating our nationwide fulfilment infrastructure that consists of a self-operated nationwide warehouse network and stores that provide same-day or next-day delivery and installation service to our customers. Our fulfilment infrastructure also provides inventory management services.

We adopt a multi-level warehousing system consisting of RDCs, FDCs and Tuhu workshops for different type of inventories. We place most frequently-purchased SKUs at each Tuhu workshop and

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## BUSINESS

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our RDCs, and maintain a large number of low-frequency SKUs in our FDCs to supplement unplanned procurement needs of our Tuhu workshops. We manage our inventories on a real-time basis with our proprietary WMS and SMS.

### *In-store Inventory Management*

Each Tuhu workshop also has a designated storage area that keeps an inventory of frequently-purchased SKUs based on our algorithm which takes into account our customers' consumption pattern. Our algorithms predict the optimised level of frequently-purchased SKUs we should maintain at each Tuhu workshop based on historical sales and user data analytics to maintain the flexibility to quickly respond to customers' comprehensive product and service needs, while minimising in-store inventory. We monitor the real-time inventory level of each Tuhu workshop to ensure that inventory will be replenished as needed, through planned delivery from warehouses.

### *Warehouse Inventory Management*

Our warehouses fulfil different inventory needs of Tuhu workshops. RDCs cover the planned replenishment needs of frequently-purchased SKUs while FDCs mainly cover the instant procurement needs of low-frequency SKUs through Qipeilong platform. We maintain an optimised level of inventory in each type of warehouse to ensure timely replenishment of inventory to Tuhu workshops. As of 31 March 2023, we operated 39 RDCs, which supported a monthly average of 2.7 million tires and 13.1 million other auto parts received and shipped in the three months ended 31 March 2023, respectively.

Each FDC site is strategically located to provide on-demand fulfilment service to our Tuhu workshops. Our FDC network enables us to achieve an average delivery time of approximately 30 minutes for delivery orders within a five-kilometre radius of the FDCs and one hour for delivery orders within a ten-kilometre radius of the FDCs. As of 31 March 2023, we had 267 FDCs in 57 cities, covering all of our Tuhu workshops and partner stores across China. In addition to our self-operated RDCs and FDCs, we also engage third-party warehouse service providers to expand the coverage of our nationwide warehouse network and enhance our inventory management and fulfilment efficiency.

Our warehouse site selection is driven by our algorithm and takes into account parameters such as our store footprint, car parc, accessibility and economic analysis. These selections leverage data we have accumulated from our operations during the past years to provide accurate predictions. We strategically place our RDCs in the best location to reach the largest number of stores and customers in the shortest time.

When a customer places an order, our proprietary WMS and OMS automatically process the order and intelligently match it to the nearest warehouse where such product is available. Product selection is done on the basis of instructions that are generated automatically by our WMS, which

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## BUSINESS

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assigns orders intelligently. Our TMS will then provide the best delivery route to ensure efficient and on-time delivery to our offline stores across 111 cities. Our intelligent systems will also aggregate orders for delivery to achieve lower cost per order.

As of 31 March 2023, we delivered products directly to our stores and our customers in 111 cities covered by our scheduled routes. We collaborated with around 70 courier companies to deliver our products to our stores and customers in more than 300 cities as of 31 March 2023, which allows us to provide same-day or next-day delivery of our products and installation service to our customers. In the three months ended 31 March 2023, over 50% of the tire orders placed online were delivered on the same day or the day after the order was placed, and approximately 75% of the maintenance product orders placed online were delivered on the same day or the day after the order was placed. Our system closely monitors and gives routing instructions to trucks delivering parts to our stores, ensuring delivery efficiency and speed. Once the order has been shipped, our system automatically updates the inventory level, ensuring that inventory will be replenished as needed. Our customers can track the shipping status of their orders in real-time through our online interfaces during each step of the process.

We are in the process of constructing a new automated warehouse. We believe that service automation will increase our storage capacity and allow us to reduce labour costs and improve operational efficiency.

### **Quality Control**

Quality and product authenticity are essential to our business. We directly procure merchandise from the manufacturing brands where possible to ensure product authenticity. Our quality management team audits our suppliers through visiting their manufacturing facilities or through online video to monitor the production process and inspect products before shipment and entering our warehouse. For our private label products, we examine product samples at the production testing stage to ensure they satisfy all requirements set forth in the agreements with suppliers before mass production. Our quality management team will also conduct aftersales analysis to resolve customer complaints in a timely manner and continue to improve our quality control management.

We also engage with a diverse pool of other supply channels, such as certified wholesalers of various auto parts and equipment, to meet various customer demands. For products we procure from third-party suppliers, including through our Qipeilong, we have adopted additional measures to ensure authenticity of these products, such as proactively reviewing and tracking the authorisation and certification status of these suppliers and holding them accountable for counterfeit, damaged or defected products.

We have implemented a quality management system that provides the framework for continual improvement of products and services. For example, we have developed a “Unique Parts Code” system, through which each product is assigned a unique code when they arrive at our warehouses. The code can be used for monitoring the entire order fulfilment process. Every step of the process

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## BUSINESS

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will be updated in the online systems, including our WMS, TMS, OMS and SMS, on a real-time basis, making each product sold on our platform traceable from initial purchase to the final installation on customer's vehicle. In addition, we have a dedicated team to conduct regular and ad hoc site visits at our Tuhu workshops and warehouses and closely monitor the quality of our products and services.

To ensure our quality service, we have also established standard operational protocols including step-by-step instructions used to guide and monitor store operations and assist stores in training and evaluating technicians. In addition, our mobile app offers live video of the entire service process to ensure service transparency. Our rigorous quality control process allows us to deliver consistent and high-quality services to our customers.

### **Our Proprietary Technologies**

Empowered by our AI and big-data analytics capabilities, our proprietary algorithms help us make informed decisions on every aspect of our business, providing real-time data analytics to optimise operational efficiency across our entire store network management and improve our supply chain capabilities.

#### ***Smart Recommendation***

Our algorithms constantly improve from customer and transaction data accumulated on our platform. Given our scale, we have a holistic view of the automotive service market, including supply, demand and pricing trends. These data provide us with valuable insights and help us provide customised products and services to our customers, especially those who are less familiar with various types of auto parts, enabling them to effortlessly find products and services they desire. We believe this helps increase user conversion from online browsing to transactions, and improve customer loyalty.

As illustrated in the graphics below, our system intelligently provides our customers with customised and convenient products and services recommendations based on information of our customers' vehicles, the condition of the vehicles, common problems for the specific vehicle types, the customers' orders and browsing history and consumption pattern, click rate, product reviews and sales volume. Additionally, our system takes into account the weather conditions in the local area, the store coverage, and individual stores' service capabilities to provide customers with the optimised products and services recommendations.

As of 31 March 2023, we had more than 9,000 multi-dimensional data features, including user portrait features, goods and services features, vehicle features and scenarios features. In addition, our AI algorithm model currently covers over 45 core scenarios, such as intelligent growth model, recommendation conversion model, revenue improvement model, intelligent marketing model and intention prediction model. As more and more customers use our online interfaces, including the "Tuhu Automotive Service (途虎養車)" app and Weixin Mini Programme, generating an increasing volume of customer behaviour data, our AI algorithm is also learning and improving in terms of accuracy and efficiency.





**Full Suite of Auto Service Technical Support Systems**

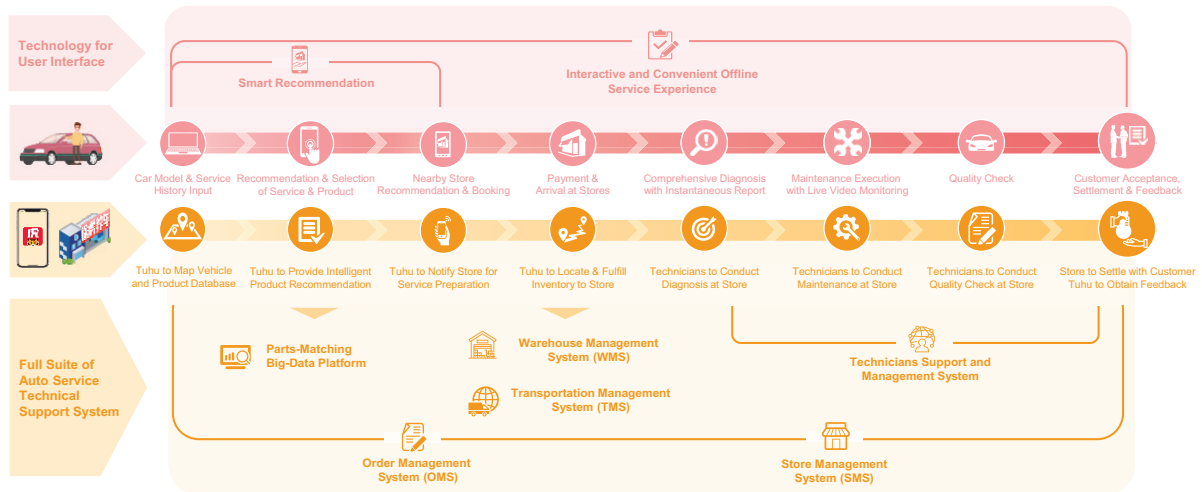
We believe the digitalisation of operations and management is critical to enhancing our transparency, efficiency and service capabilities. With advanced technologies such as big data and commercialised AI, we have developed a comprehensive auto service technical support system along the auto service industry chain that includes our parts-matching big-data platform, warehouse management system, transportation management system, store management system and technician support and management system. Our proprietary technical support systems support the digitalisation of our supply chain, and are coordinated and synchronised by our intelligent algorithms to enable centralised decision-making in areas such as store management, inventory planning and supply chain network optimisation.

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## BUSINESS

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For our customers, technical support systems bring better service quality, including more efficient transaction processing and a more convenient experience, allowing customers to obtain immediate vehicle detection results and live video monitoring of the repair process. For our supply chain, our data analytics capabilities enable comprehensive matching of car models and auto parts stock to customer need, short inventory turnaround and efficient allocation of goods. Set forth below are the key components of our auto service technical support system. The following diagram illustrates how our proprietary technologies are applied to our business operations and user interfaces.



### Parts-Matching Big-Data Platform

Auto parts, such as tires, car lights, ignition coils, shock absorber repair kits and air-conditioning filters, are highly specialised. Across a large number of SKUs, subtle differences in products can render an item unsuitable for a particular vehicle. Therefore, keeping track of and mapping auto parts to specific vehicles and services are traditionally difficult. We have been able to resolve this issue effectively by using the wealth of historical customer data that we have accumulated. Starting with records from the auto parts' factories of origin, we integrate data from auto parts suppliers and our sales channels, and utilise our AI capabilities for cross-comparison. We also take advantage of our customers' online and offline activity records to improve the accuracy of our database. Through our research and development capability and industry expertise, we have built a comprehensive and industry-leading big-data platform that matches a vehicle with all major categories of auto parts. Our parts-matching big-data platform intelligently identifies auto parts and accessories suitable to the customer's car type to streamline the ordering process and improve customer experience. We will continuously improve our big-data platform, leveraging our strong presence in the automotive service market.

### Warehouse Management System (WMS)

We have built our WMS based on our deep understanding of customer demand of various automotive products, and with the help of AI-driven big-data analysis, we can improve inventory

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## BUSINESS

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management efficiency and the service quality from the warehouse end to the store end. Empowered by our data analytics capabilities, we are able to realise comprehensive matching of car models and auto parts stock to customer needs, quick inventory turnaround time and efficient allocation of goods. Our WMS automatically sorts our inventory, which helps to improve sorting efficiency and accuracy, achieve automated goods-to-person sorting and lower labour costs. Our WMS also monitors the movement of the entire flow of inventory and personnel in and out of our warehouse networks, enabling us to better manage inventory by having real-time inventory visibility. In addition, we use predictive modelling to intelligently allocate parts to warehouses and stores that have better access to those who are more likely to purchase these products.

### Transportation Management System (TMS)

When a customer places an order online, our TMS analyses the order information and available third-party fleets and couriers and determines an optimised routing plan to achieve the shortest transportation time while balancing cost. For each batch of products, our TMS automatically implements the routing plan by allocating transportation resources and monitors the process. Our TMS minimises human intervention, improves efficiency and achieves cost optimisation. In addition, our TMS offers real-time track-and-trace capabilities as products move through our fulfilment infrastructure, which enhances transportation process control and resource-matching of products with our fleets and couriers.

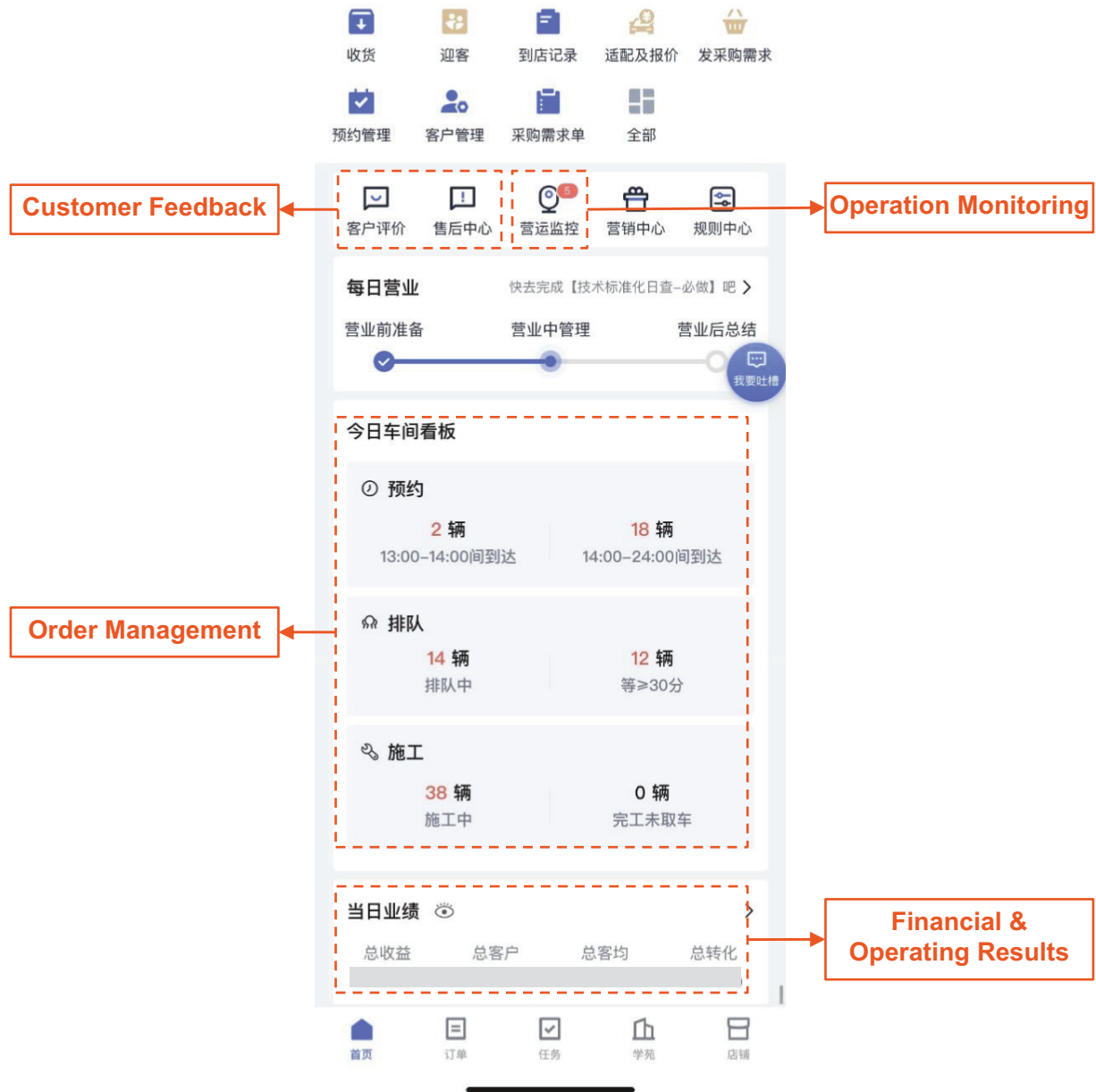
### Order Management System (OMS)

Our online order management system synchronises and integrates online order data and digitalises our online order management process to improve efficiency. This system enables customers to monitor each order throughout the entire delivery process. Through the order-management module, our OMS further interfaces with WMS and TMS operations by managing and tracking the entire lifecycle of orders from origination to settlement. By integrating with WMS and TMS across the supply chain, our OMS maximises efficient cooperation of upstream and downstream operations and enables us to efficiently manage the fulfilment of each order.

### Store Management System (SMS)

Our in-depth operational know-how allows us to provide valuable operational guidance to our stores. All Tuhu workshops employ our proprietary system to unify the operations as well as financial and transaction management. We offer the stores a comprehensive store management and information system, full supply chain support and access to the online interfaces, allowing our franchisees to build a unified Tuhu brand.

## BUSINESS



We have built from scratch our Blue Tiger system which digitalises and streamlines the process of store management and through which store managers can manage service appointments, customer feedback and real-time operating data. We have also designed a standard operating procedure, composed of step-by-step instructions, used to monitor store operations and assist stores in training and evaluating their technicians, which ensures the quality of products and services we provide. For example, we implement reception standardisation to ensure a consistent service experience and operations standardisation to ensure service quality and the efficiency of daily operations of offline stores.

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## BUSINESS

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Based on the data collected, our system intelligently projects future customers' maintenance needs. In addition, we plan to roll out a new function to help stores monitor the lifecycle of store equipment to ensure overall operational safety.

### Technicians Support and Management System

Our technician support and management system consists of a comprehensive training system, intelligent performance evaluations, a know-how database and a technical support team, which improve the skills and professionalism of our technicians and increase the transparency and efficiency of store management.

We have established a comprehensive online training system designed to improve the operational efficiency and productivity of our technicians. We offer various types of regular training courses to our technicians, including: (i) a mandatory onboarding orientation programme; (ii) regular and ad hoc trainings that introduce emerging technical knowledge in the automotive industry; and (iii) customised training modules in which seminars are conducted and case studies are discussed and explained. Blue Tiger system, through its learning portal, connected over 98,000 technicians in March 2023 and provided technicians with access to more than 1,500 online courses and learning materials as of 31 March 2023. Besides the 24/7 access to the online learning portal, technicians can watch livestreaming provided by experienced technicians, through which they can interact with the instructors in real-time. In addition, to assess competency and ensure service quality, our technicians are required to pass our certification exam before they can start providing services to our customers.

We analyse customer reviews and data collected through our system and provide customer feedbacks to our technicians to help them improve on their skills and services. We have a technician-development incentive system which is designed to optimise our technicians' efficiency and performance. Customers can see our technicians' reviews and choose the technician that performs their service, which aids our technicians to provide higher standard services to our customers.

We also established our own know-how database, which contains articles, Q&A and videos contributed by our experts. Given the repair process is highly specific car make and model and even year of manufacturing, our technicians can access our database to find solutions to common issues and practical tips shared by our experts. To ensure the safety of the installation process, our database will also offer relevant risk warnings to technicians to help them navigate around these issues.

We have a dedicated team of specialists who are responsible for technical support and providing remote guidance to help our technicians resolve difficult problems in auto maintenance and repair. All of our specialists are seasoned technicians with significant experience in working in dealership stores of various renowned automobile brands including German, Japanese, American, and Chinese domestic car makes. Some of them have won awards in national technical competitions. Each vehicle and car make has its own common problems and this knowledge base translates to more effective auto service. In addition to both online and onsite technical support to our technicians, our specialists can also provide remote assistance to our technicians. Our technicians visit our Blue Tiger

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## BUSINESS

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system to seek technical support from our specialists and our technical support specialists respond to over 2,100 technical inquiries on average per month in the three months ended 31 March 2023.

### **Customer Service**

Providing excellent customer service is a high priority for our platform and is the key to building a loyal customer base. Our stores regularly organise community events to engage with our customers and expand product and service offerings that cater to our customers' needs. Customers who purchase our tires can also enjoy a series of automotive services free-of-charge, including tire pressure refill, dynamic tire balancing, tire rotation, and tire inspection. We aim to continue optimising our customer service to deliver the best possible automotive service experience to our customers.

In addition, we have a customer service call centre, where customers are able to communicate directly with online representatives through our online interfaces and telephone hotline. We rigorously train our customer service representatives to respond to customer inquiries efficiently and proactively educate potential users about our products and promptly resolve customer complaints. As of 31 March 2023, we had 460 customer service representatives who were dedicated to addressing customer issues and resolving them in a timely and efficient manner.

### ***Warranty and Product Return Policies***

As most of the products sold on our platform are directly procured from auto parts suppliers, they typically come with warranty provided by the original manufacturer. For any product quality issues, customers can contact our customer service hotline and our dedicated customer service representatives will help the customers to coordinate with the manufacturing brand to resolve customers' complaints.

We strictly abide by our return policy for products sold on our platform. Customers can return the products within seven days of delivery for a full refund, subject to certain terms and conditions. We also offer free replacement of defective products if the product malfunctions within 15 days of delivery. In addition, we provide extended insurance for certain tire products by partnering with major insurance carriers to offer our customers additional protection. For products sold through Qipeilong, customers can return the products within 30 days of delivery for a free replacement or full refund subject to certain terms and conditions, except for tires and other large items which would be considered on a case-by-case basis. Customised products are generally non-refundable upon delivery.

### **Marketing and Branding**

We believe that our high-quality products and services lead to strong word-of-mouth referrals, which helps us acquire new customers organically and continues to encourage repeat customers on our platform. As we gain trust from customers through maintaining high standards of service, they often refer us to their car-owner friends and social circles, as well as return to our platform when

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## BUSINESS

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they have additional automotive service needs, be it tire installations, auto repairs, car detailing or other services. We also benefit from walk-in customers whom we seamlessly convert to online customers through our standard protocols. At the same time, we promote our platform and enhance brand awareness through a variety of integrated and targeted online and offline marketing communication campaigns. We cooperate with third-party websites and mobile apps, particularly popular search engines and social media platforms, for online and mobile marketing. We also conduct offline marketing primarily in the form of promotional events, public relations campaigns, outdoor advertisements and television commercials.

In addition, we collaborate with celebrities and KOLs to promote our platform and services among younger car owners, who are tech-savvy and used to online engagement. Although KOLs do not engage in distribution of our products and services, through celebrities and KOLs, we are able to create highly effective touchpoints for customers to access our platform through virtual interactions between KOLs and our customers. We also use short videos, social media communities and livestreaming to facilitate more interactive community discussions and drive user engagement on our platform. We closely monitor the effectiveness of our marketing activities to improve our marketing strategies and resource allocation.

We also have cross-over, co-branding events in collaboration with premium brands such as Shell Helix, Pirelli, and Goodyear. For example, we co-organised offline promotional events with Shell Helix such as racecar test-driving and light shows, where we offered promotions to our customers when they purchased Shell Helix products during our promotional events.

### **Customers and Suppliers**

#### *Customers*

We strive to serve all car owners' automotive product and service needs, including both for cars that are within warranty periods and cars that are out of warranty coverage. During the Track Record Period, our customers primarily include individual car owners that represent a highly-fragmented customer base. We have a broad base of customers, and our top five customers in each year during the Track Record Period accounted for 2.7%, 2.8%, 1.9%, 1.3% and 1.5% of our total revenues in each year ended 31 December 2019, 2020, 2021, 2022 and the three months ended 31 March 2023, respectively, and our largest customer accounted for 1.8%, 1.9%, 1.0%, 0.6% and 0.6% of our total revenues in each year ended 31 December 2019, 2020, 2021, 2022 and the three months ended 31 March 2023, respectively. Some of our largest customers also include insurance companies and commercial banks that make bulk purchases of our automotive service vouchers and offer them to their individual customers. Holders of such vouchers can use them to make service appointments directly with us to be served by our Tuhu workshops and partner stores.

## BUSINESS

### *Suppliers*

Auto parts suppliers on our platform consist of manufacturing brands and wholesalers of various auto parts and equipment. All of our five largest suppliers are Independent Third Parties. We do not believe that we have supplier concentration risks or counterparty risks. Purchase from our five largest suppliers in each year during the Track Record Period accounted for 31.6%, 37.0%, 36.8%, 36.6% and 38.0% of our total purchases in each year ended 31 December 2019, 2020, 2021, 2022 and the three months ended 31 March 2023, respectively, and purchases from our largest supplier accounted for 12.6%, 14.1%, 14.2%, 13.8% and 11.9% of our total purchases in each year ended 31 December 2019, 2020, 2021, 2022 the three months ended 31 March 2023, respectively. The tables below set forth the details of our five largest suppliers in terms of percentages of total purchase during the Track Record Period.

<u>Name of Suppliers</u>	<u>Products/Services Purchased</u>	<u>Purchase Amount (In RMB Millions)</u>	<u>% of Total Purchase Cost</u>	<u>Length of Relationship</u>
<b>For the Year Ended 31 December 2019</b>				
Supplier A .....	Tires	771.4	12.6%	Since 2015
Supplier B .....	Maintenance products	364.7	6.0%	Since 2017
Supplier C .....	Maintenance products	323.7	5.3%	Since 2017
Supplier D .....	Tires	245.7	4.0%	Since 2018
Supplier E .....	Tires	227.5	3.7%	Since 2016

<u>Name of Suppliers</u>	<u>Products/Services Purchased</u>	<u>Purchase Amount (In RMB Millions)</u>	<u>% of Total Purchase Cost</u>	<u>Length of Relationship</u>
<b>For the Year Ended 31 December 2020</b>				
Supplier A .....	Tires	993.1	14.1%	Since 2015
Supplier B .....	Maintenance products	554.6	7.9%	Since 2017
Supplier D .....	Tires	432.9	6.1%	Since 2018
Supplier C .....	Maintenance products	330.9	4.7%	Since 2017
Supplier E .....	Tires	299.3	4.2%	Since 2016

<u>Name of Suppliers</u>	<u>Products/Services Purchased</u>	<u>Purchase Amount (In RMB Millions)</u>	<u>% of Total Purchase Cost</u>	<u>Length of Relationship</u>
<b>For the Year Ended 31 December 2021</b>				
Supplier A .....	Tires	1,263.3	14.2%	Since 2015
Supplier B .....	Maintenance products	712.5	8.0%	Since 2017
Supplier D .....	Tires	537.0	6.0%	Since 2018
Supplier C .....	Maintenance products	425.6	4.8%	Since 2017
Supplier E .....	Tires	341.2	3.8%	Since 2016



## BUSINESS

Name of Suppliers	Products/Services Purchased	Purchase Amount (In RMB Millions)	% of Total Purchase Costs	Length of Relationship
<b>For the Year Ended 31 December 2022</b>				
Supplier A .....	Tires	1,077.4	13.8%	Since 2015
Supplier B .....	Maintenance products	783.0	10.0%	Since 2017
Supplier C .....	Maintenance products	426.3	5.5%	Since 2017
Supplier E .....	Tires	294.8	3.8%	Since 2016
Supplier F .....	Maintenance products	281.6	3.6%	Since 2017

Name of Suppliers	Products/Services Purchased	Purchase Amount (In RMB Millions)	% of Total Purchase Costs	Length of Relationship
<b>For the Three Months Ended 31 March 2023</b>				
Supplier B .....	Maintenance products	262.1	11.9%	Since 2017
Supplier A .....	Tires	248.7	11.3%	Since 2015
Supplier C .....	Maintenance products	147.0	6.7%	Since 2017
Supplier E .....	Tires	95.2	4.3%	Since 2016
Supplier G .....	Tires	84.8	3.8%	Since 2017

As of the Latest Practicable Date, to the knowledge of our directors, none of our directors or their close associates or our shareholders (as defined in the Hong Kong Listing Rules) held a 5% or more shareholding interest in our top five customers or suppliers. In 2019, 2020, 2021, 2022 and the three months ended March 31, 2023, four, four, four, three and four of our top five suppliers were also our customers, and our sales to these companies contributed for a total of 0.1%, 0.2%, 0.2%, 0.2% and 0.4% of our revenues, respectively. Our Directors confirmed that negotiations of the terms of our purchases from and sales to these suppliers and customers were conducted independently and as a result, the purchases and sales were neither connected with nor conditional upon each other. Our transactions with these suppliers and customers were conducted on normal commercial terms after arm's length negotiations, in line with market practice.

### Environmental Sustainability and Corporate Social Responsibility

We are committed to Environmental Sustainability and corporate social responsibility and meeting society's changing needs. We have established an internal environmental, social and governance ("ESG") communications and management mechanism to comprehensively improve our corporate governance and benefit society.

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## BUSINESS

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### *Identification, Assessment and Mitigation of our ESG Risks*

Our business operations are subject to environmental protection laws and regulations promulgated by the PRC government. Maintaining compliance with applicable environmental rules and regulations are critical to our business operations. If we violate any laws and regulations relating to the environmental protection or face any charges of negligence therein, we may be subject to potential fines and penalties. During the Track Record Period and up to the Latest Practicable Date, we have not had any accident or claim for personal or property damage made by our employees which had materially and adversely affected our financial condition or business operations.

We believe that it requires collective effort from our Board to evaluate and manage material ESG issues, therefore we have not established any sub-committee for ESG issues. Our Directors and senior management team have collective and overall responsibility for our ESG strategies, ensuring that our ESG strategies are duly implemented and comply with the applicable laws, regulations and industry standards and managing material ESG issues. Our senior management team will coordinate efforts across departments to review and implement our ESG strategies and make timely report to our Directors on ESG-related performance. Our Directors and senior management team are also responsible for identification, assessment and management of our ESG-related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place. Our Directors and senior management team may engage independent third party to evaluate the ESG risks and review our existing strategies, target and internal controls. Necessary improvement will then be implemented to mitigate the risks.

We have identified the following ESG risks which may have an impact on our business, strategy or financial performance and we have taken measures to manage and mitigate these risks.

- *Storage of hazardous chemicals.* Some of our inventories involve hazardous chemicals. The storage and transportation of chemicals involve inherent safety risks. We may face challenges with respect to the storage, transportation, handling, protection and examination of these chemicals by the governmental authorities. We also face challenges to eliminate all possibilities of hazardous chemical diffusions, combustions, and other types of hazardous chemical accidents. Handling hazardous chemicals involves inherent legal and other risks, and there is increasing governmental scrutiny and public awareness regarding work safety and environmental protection. See “Risk Factors — Risks related to Our Business and Industry — We are subject to risks relating to the warehousing and logistics of our products.” We follow our suppliers’ guidelines to store chemicals in designated warehouses and have established a safety protocol in handling such hazardous chemicals.
- *Disposal of hazardous waste.* Certain activities of our stores involve the handling, storage, transportation, recycling, or disposing of various new and used products, which may generate solid and hazardous wastes. These business activities are subject to stringent laws and regulations governing the storage and disposal of these products and wastes, the release of materials into the environment or otherwise relating to environmental protection. We

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## BUSINESS

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have cooperated with local operators to dispose of the hazardous wastes and will make our best efforts to obtain or cause our franchisees and partners to obtain requisite licence and permits and comply with all applicable laws and regulations. See “Risk Factors — Risks related to Our Business and Industry — Stores in our network are subject to certain environmental laws and regulations.”

- *Managing and disposal of auto parts.* We manage a large number of auto parts in the ordinary course of our operation, which subject us to stringent safety and environmental protection regulations that may impose liabilities for environmental pollutions resulting from improper handling and disposal of these auto parts. To comply with relevant laws and regulations and prevent pollution to the environment, we have formulated internal protocols covering the storage, handling and disposal of unused or waste auto parts to be followed by our Tuhu workshops in their daily operations. Currently, a significant portion of our waste auto parts are waste tires and motor oil products, which accounted for over 60% of the auto parts sold on our platform during the Track Record Period. To effectively reduce environmental impact of our operations, we have implemented the following measures to manage and mitigate risks relating to handling and disposal of auto parts: (i) we have launched a waste tire recycling project in November 2021 to recycle waste or scrap tires and avoid environmental pollution created by landfill disposal. We have been cooperating with third-party waste tire collectors since January 2022 to recycle waste tires. After being taken to their plants, waste tires will be decomposed, processed and converted into materials such as steel wire and rubber. Steel wire will then be recycled by steel manufacturers for reuse and rubber will undergo further processing to be converted into new products such as tire-derived fuels, which can be used as a supplement to traditional fuels; (ii) we have established a disposal protocol and procedure for defective or waste motor oil products in February 2021 and are in the process of establishing cooperation with qualified third-party disposal companies to carry out the recycling of motor oil to reduce landfill and water contamination. Recycled motor oil will then be re-refined into lubricants, processed into fuel oils, or used as raw materials for the petroleum industry; (iii) for Tuhu workshops that intend to engage in painting service, we have established strict entry standard in May 2022 requiring Tuhu workshop operators to obtain the requisite qualifications and will conduct thorough inspection and review of such Tuhu workshops’ qualifications before they can begin providing painting service on our platform; (iv) in support of PRC government’s efforts to accelerate development of power battery recycling system and in connection with our NEV battery repair and replacement service, beginning in February 2022, we have gradually rolled out a used battery management system covering the entire process from storage, transportation to recycling of used batteries. Our used battery storage facilities are gradually equipped with specialized equipment in accordance with applicable regulations and industry standards. We have also obtained permits for transportation of hazardous materials in June 2022 and have established business cooperation with qualified power battery recycling companies since February 2022; and (v) in the process of delivering products from our warehouses to Tuhu workshops, we have been gradually replacing non-recyclable corrugated cartons with eco-friendly shipping boxes since November 2020 and recycling them after delivery to reduce the consumption of shipping

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## BUSINESS

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materials and environmental pollution. We monitor and inspect the operations of our Tuhu workshops to ensure compliance of these protocols and procedures and require any non-compliant Tuhu workshops to rectify any violations. In addition, when selecting suppliers, we emphasize our commitment to supply chain sustainability and generally prefer to partner with ISO 14001-certified suppliers. In addition to the measures taken above, we are also actively exploring other effective ways to recycle or safely dispose waste auto parts to minimise environmental impact of our operations to the extent possible. We plan to gradually implement waste recycling measures for other types of waste auto parts with a goal to have measures in place to recycle all of our waste auto parts by 2025.

In addition, supervised by our Board, we actively identify and monitor the climate-related risks and opportunities over the short, medium and long term and we seek to incorporate such climate-related issues into our businesses, strategy and financial planning. For example, we are committed to reducing energy consumption and pollutions. We will continue to explore ways to contribute to create a more environmentally sustainable society.

### *Environmental Sustainability*

We do not operate any production facilities but some of our inventories involves hazardous chemicals, and certain activities of our stores involve the handling, storage, transportation, recycling, or disposing of hazardous wastes. To ensure compliance with applicable laws and regulations, we would seek legal advice as appropriate and consider making adjustments to our internal policies from time to time. We follow our suppliers' guidelines to store chemicals in designated warehouses and have established a safety protocol in handling such hazardous chemicals. To the extent practicable, we also cooperate with licenced local operators to dispose of the hazardous waste. For a discussion on PRC laws and regulations on environmental protection and work safety, see "Regulatory Overview — Regulations Relating to Environmental Protection."

We have implemented health and safety standard operating procedures and conducted related training for our employees. Our workplace safety committee is responsible for formulating quarter operations safety targets, monitoring and enforcing the compliance of our operations with environment, health and safety regulations and policies, and providing detailed reports and recommendations for improvement. In light of the comprehensive health and safety measures we put in place and our strict enforcement of these measures, we believe we are not subject to significant health, safety or environmental risks. During the Track Record Period and up to the Latest Practicable Date, we have not been subject to any material fines or other penalties due to non-compliance in relation to health, work safety, social or environmental regulations, and have not had any accident, or claim for personal or property damage made by our employees which had materially and adversely affected our financial condition or business operations.

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## BUSINESS

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### *Metrics and Targets*

We are committed to operating our business in a manner that protects the environment and improves environmental sustainability. We have established a comprehensive set of key performance indicators to evaluate and guide our business operations.

#### Power Usage

*Metrics and targets.* We evaluate our power usage level using the metric of average annual power usage per Tuhu workshop. In 2022, our average annual power usage per self-operated Tuhu workshop was 24,269 kWh. We intend to reduce the level of our average annual power usage per self-operated Tuhu workshop by more than 20% over the next three years.

*Measures we take to achieve the target.* We will continue to optimise our Tuhu workshop design and apply innovative technologies and systems to improve energy efficiency. We purchase and use environmental-friendly equipment and facilities and will also leverage our video monitoring system to avoid unintended power usage during off-hours. In addition, we also raise energy consumption awareness of our employees during our trainings.

#### Water Usage

*Metrics and targets.* We evaluate our water usage level using the metric of average annual water usage per Tuhu workshop. In 2022, our average annual water usage per self-operated Tuhu workshop was 527 tonnes. We intend to reduce the level of our average annual water usage per self-operated Tuhu workshop by more than 20% over the next three years.

*Measures we take to achieve the target.* We continue to monitor and control water usage for car-washing. We strive to foster water conservation culture in our Company.

### *Employee Care and Training*

We treat the health and safety of our employees as our top priority and have taken measures to enhance the safety of our employees. For instance, we have a safety management system handbook to provide guidance on the safe operations of our business, including the handling, storage, transportation, recycling, or disposing of various new and used products and wastes. Our Tuhu workshops are typically equipped with professional explosion-proof cabinets. In addition, we have an employee assistance programme that offers employees professional counselling for personal issues affecting their work or personal life, in order to help protect their physical, emotional and psychological well-being. In addition, we help our employees balance their work and life and organise various recreational and sports activities to enrich their cultural life.

In addition to trainings and guidance provided to our technicians through Blue Tiger, we provide regular trainings to our employees on work ethics, working procedures, internal policies,

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## BUSINESS

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management, technical skills and other aspects that are relevant to their day-to-day work, and specialised training tailored to the needs of our employees in different departments.

### *Corporate Social Responsibility*

We are committed to social responsibilities and high standard of corporate governance, through active participation in various public interest initiatives and contribution to the society at large.

#### *Initiatives to Alleviate the COVID-19 Outbreak*

Our commitment to society is embodied in our efforts during the COVID-19 outbreak. We proactively supported China's nationwide efforts to contain the spread of COVID-19 and launched a variety of initiatives to combat the pandemic and to support communities. During the Wuhan shutdown in early 2020, we put together a task force to lead our epidemic relief efforts. For example, we mobilised resources and manpower of our company, local franchisees and offline stores to establish a "Tuhu Emergency Rescue Service Team" in Wuhan to offer free emergency services for frontline ambulances. We have launched such emergency services in Xiaogan, Xi'an and Zhengzhou cities to support local epidemic relief efforts and have provided more than 3,000 times of free roadside assistance service. We also made an RMB5 million donation to Wuhan Dongxihu Red Cross Foundation to fund purchases of protective gear for frontline medical staff and local community health institutions. In addition, we launched the "Chujiang initiative ("楚江計劃")" and "Zhujiang initiative" ("珠江計劃") online recruitment programmes, offering more than 1,000 job positions to people in the communities that suffered severely from the COVID-19 pandemic. During COVID-19 resurgence in 2022, we provided operational and financial support to our franchisees, which benefited approximately 3,000 service stores. In particular, our emergency service team provided emergency rescue services to more than 1,000 vehicles during COVID-19 resurgence in Shanghai.

We have also made the safety and sustainability of our stores and employees our top priority. During the COVID-19 outbreak, we provided our Tuhu workshops with protective gear including more than 35,000 face masks and more than 2,000 bottles of disinfectant, which were in urgent demand and short supply. We also introduced a series of new policies, such as financial assistance, management fee reductions, relief and waivers, to alleviate the financial burdens of our franchised Tuhu workshops. We believe our supportive efforts in this time strengthened our ties with the communities we serve and reinforced our long-standing value in being socially responsible.

### *Community Care*

We are committed to support the employment and well-being of veterans and have launched the "Veterans Care Initiative" in 2021 with the focus on promoting the employment and entrepreneurship opportunities for veterans. We offered veterans automotive service-related employment training and job positions in Hubei Province and certain other areas in China. We plan to continue to roll out these measures in more areas across China to carry out our commitment to supporting veterans.

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## BUSINESS

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### *Supply Chain Management*

Responsible sourcing and supply chain management are essential for us to ensure reliable product quality and sustainability along our supply chain. We directly procure merchandise from the manufacturing brands where possible to ensure product authenticity. We carefully select our suppliers and third-party logistics service providers and maintain store control of our supply chain to reduce our exposure to risks of suppliers' non-compliance with applicable laws and regulations and unethical practises, which could diminish our competitiveness and harm our reputation. If we discover our suppliers or third-party logistics service providers are not in compliance with the applicable laws and regulations regarding safety and quality or commit misconducts, we may terminate our cooperation with them. We require that all products we obtain from our suppliers fully comply with applicable national industrial standards. Our quality management team audits our suppliers through visiting their manufacturing facilities or through online video to monitor the production process and inspect products before shipment and entering our warehouse.

### *Anti-Corruption*

To protect our reputation and integrity, we have implemented an anti-bribery and corruption policy to safeguard against any corruption within our Company. We provide training sessions to our employees to ensure that our employee's awareness of such policy and their compliance with applicable laws and regulations in the course of conducting business. We make our internal reporting channel open and available for our employees to report any bribery and corruption acts, and our employees can also make anonymous reports to our internal audit committee. We also request our suppliers to comply with all the applicable laws and regulations relating to the procurement transactions. We have an internal control team who is responsible for investigating the reported incidents and taking appropriate measures in response to the relevant incidents.

### **Pricing Policy**

We aim to provide our customers authentic products and high-quality services with attractive prices. To ensure pricing transparency, we adopt a consistent pricing strategy across our online platform by taking into various factors such as procurement costs, our target operating profit margins for each product and service, general market trends, the demand, availability and comparability of identical or similar products and services in the market, purchasing power and pattern of our customers and prices set by our competitors. We will continue to foster our relationship with our suppliers to obtain favourable pricing terms in order to offer our customers more competitive pricing.

### **Competition**

We compete with a variety of service providers within the large, recession-resistant and highly fragmented automotive service industry. In general, we face competition from players who operate a business overlapping with or similar to one or several components of our platform. We believe our

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## BUSINESS

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integrated online and offline platform is strategically well-positioned compared to incumbent service providers, including authorised dealerships, IAM stores, and various retailers and wholesalers of auto parts.

We believe we compete based on our customer-centric, integrated online and offline platform that focuses on brand recognition, customer satisfaction, business scale, geographic reach, service pricing and comprehensive supply chain capability. Leveraging on our deep understanding of the automotive service industry, we adopted an platform-friendly philosophy and aim to create value for all platform participants.

### **Research and Development**

Our technology innovation and business digitalisation is driven by our significant investment in research and development, or R&D, activities and personnel over the years. Our technology and development expenses primarily consist of payrolls and other employee-related expenses for employees involved in research and development functions, cloud and other service expenses, and office supply expenses and depreciation expenses of right-of-use assets in relation to office leases for research and development functions. Our research and development expenses amounted to RMB223.3 million, RMB369.5 million, RMB619.6 million, RMB621.4 million and RMB152.7 million in 2019, 2020, 2021, 2022 and the three months ended 31 March 2023, respectively, representing 3.2%, 4.2%, 5.3%, 5.4% and 4.7%, respectively, of our total revenue during these periods, and representing 13.3%, 17.3%, 18.7%, 19.5% and 18.9%, respectively, of our total operating expenses during these periods, respectively.

As of 31 March 2023, our R&D team consisted of 830 personnel, who were mainly based in our Shanghai headquarters and our R&D centre in Wuhan. Our R&D team is led by experts with distinguished competency in their respective fields, including data analytics, industrial digitisation solutions and intelligent store management, and consists of employees with previous experience in the IT and technology industries, including various renowned technology companies. Our R&D team is responsible for the development, management and maintenance of our digitalised and automated solutions, including our parts-matching big-data platform, warehouse management system, transportation management system, order management system, store management system and technicians support and management system. We also engage a small number of outsourced R&D personnel to supplement our R&D efforts on an as-needed basis. We are committed to continually investing in R&D to strengthen our technology capabilities.

### **Data Privacy**

We are committed to protecting personal information. We have implemented company-wide policies that set data protection and security standards that regulate the collection, classification, handling, storage and transferring of data pertaining to our customers, suppliers, business partners and employees. We have an internal team dedicated to formulating data protection policy and monitoring data security practises, and we hold relevant personnel accountable for unauthorised



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## BUSINESS

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access and data breaches. We strictly comply with laws and regulations and do not distribute or sell personal data for any purpose. In addition, we will (a) closely monitor and assess any regulatory development in relation to cybersecurity and data protection; (b) adjust and optimize our practices in data protection in a timely manner to comply with the new requirements imposed by any new laws and regulations; (c) continuously improve our data security protection technologies and internal control procedures and engage external professional parties to advise us on cybersecurity and data protection requirements, if needed; and (d) proactively maintain communications with the relevant PRC regulators.

To help ensure the confidentiality and integrity of our data, we take comprehensive and rigorous data security measures. We anonymise, desensitise and encrypt confidential personal information and take other technological measures to help ensure the secure processing, transmission and usage of data. We have developed a company-wide policy on data security to preserve individual personal information and privacy, such as Provisions on Administration of Data Security (《數據安全管理規定》), Data Classified and Categorised Protection Guidelines (《數據分類分級指引》) and Office Security Management Procedures (《辦公安全管理制度》). We strictly comply with laws and regulations and do not distribute or sell our users' personal data for any illegal or unauthorised purpose.

The user data we collect and process during our operations includes information such as name, birthday, gender, telephone number, delivery address, purchase information and relevant vehicle information. In order to provide service to our users, we collect such user data from our users when they register on our platform, place orders with us and accept the service from us. We enter into Tuhu User Agreement (《途虎用戶協議》) with our users when they register on our mobile App, according to which users grant us authorisation to collect, process and use their personal information and the relevant data generated during the course of our services. We collect, process and use the user data within the scope of such authorisation, and strictly follow the internal policy to encrypt user data. We store the obtained data on our encrypted servers within the territory of mainland China separately. We also strictly follow the shortest storage period principal pursuant to the Personal Information Protection Law, and we will delete users' data if such user no longer use our service or notify us to delete his/her data. We have obtained the ISO 27001 information security certification and the Level 3 Information Security Protection Certification issued by the Shanghai Institute for Integrated Application of Network Technology.

### **Intellectual Property**

We regard our trademarks, copyrights, patents, domain names, technological know-how, proprietary technologies, and other intellectual properties as critical to our success and competitiveness. We rely on a combination of copyright and trademark law, trade secret protection, confidentiality agreements with employees and contractual restrictions on intellectual property and confidentiality clauses in our agreements with third parties to protect our intellectual property rights. In addition, under the employment agreements we enter into with our employees, they acknowledge

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## BUSINESS

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that the intellectual property made by them in connection with their employment with us are our property. We also regularly monitor any infringement or misappropriation of our intellectual property rights.

As of 31 March 2023, we owned 153 copyrights (including 106 software copyrights) and 43 patents in China across various aspects of our operations and maintained 892 trademark registrations in China. As of 31 March 2023, we had registered or acquired three material domain names, including [www.tuhu.cn](http://www.tuhu.cn), among others.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material intellectual property infringement claims by third parties or suffered any material intellectual infringement by third parties.

### Seasonality

We have historically recorded higher revenues in the second half of each year. During the first quarter, our Tuhu workshops and partner stores are generally closed for an extended period of time around the Chinese New Year holidays as technicians travel to their hometown to spend time with their families. Spending on automotive maintenance by car owners in China is generally higher in the second half of the year, primarily due to higher demands for maintenance services resulting from climate change in winter seasons and preparation for long-haul travel during the Chinese New Year holidays. Due to the seasonality of our business, we generally open more stores in the second half of the year to benefit from the higher sales in that period.

### Employees

We had 3,407, 5,185, 5,635, 4,960 and 4,572 full-time employees as of 31 December 2019, 2020, 2021, 2022 and 31 March 2023, respectively. All of our full-time employees are located in China. The following table sets forth the number of our full-time employees as of 31 March 2023:

<u>Function</u>	<u>Number of Employees</u>
Store Management and Service .....	487
Warehouse and Supply Chain .....	189
Operations and Supporting .....	2,033
Selling and Marketing .....	659
Research and Development .....	830
General and Administrative .....	374
<b>Total</b> .....	<b><u>4,572</u></b>

Our franchised Tuhu workshops are mostly independently owned and operated businesses. As such, employees of our franchised Tuhu workshops are not employees of Tuhu.

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## BUSINESS

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As required by laws and regulations in China, we participate in various employee social security plans that are organised by municipal and provincial governments including, among other things, pensions, medical insurance, unemployment insurance, maternity insurance, work-related injury insurance and housing fund plans through a PRC government-mandated benefit-contribution plan. We are required under PRC law to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government from time to time.

We enter into standard employment agreements, as well as confidentiality and non-compete agreements with our employees in accordance with market practice.

Our employees have set up a labor union in China according to the related Chinese labor law. We believe that we maintain a good working relationship with our employees, and we have not experienced any material labour disputes.

### Properties

Our corporate headquarters is located in Shanghai, China. As of 31 March 2023, we owned the land use right with respect to five parcels of land of approximately 335,000 square metres, and we owned five properties on these parcels of land with an aggregate GFA of approximately 57,000 square metres, which were primarily used for office and warehousing functions.

As of 31 March 2023, we leased 482 properties in the PRC with an aggregate GFA of approximately 467,000 square metres. Among such 482 properties, 152 were operated as Tuhu workshops or were in pre-opening phase, and 330 were used as warehouses or offices. Our leased properties were used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. The following table sets forth the lease terms of our leased properties as of 31 March 2023.

	<u>Tuhu workshops</u>	<u>Warehouses</u>	<u>Offices</u>	<u>Total</u>
Less than one year .....	1	180	0	181
One to two years .....	5	105	2	112
Two to five years .....	66	32	9	107
Over five years .....	73	0	1	74
Indefinite Tenancy .....	<u>7</u>	<u>1</u>	<u>0</u>	<u>8</u>
	<u>152</u>	<u>318</u>	<u>12</u>	<u>482</u>

We believe that our existing facilities are generally adequate to meet our current needs. We expect to expand our fulfilment infrastructure by leasing, building, or purchasing additional facilities across China over the next several years.

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## BUSINESS

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### *Title Defects*

Of the abovementioned 482 leased properties, 31 leased properties (with an aggregate GFA of approximately 6,064 square metres, representing approximately 1.3% of our total leased GFA) were not used in a manner consistent with their respective title certificate. Among these leased properties, four were used as Tuhu workshops (with an aggregate GFA of approximately 2,519 square metres, representing approximately 0.5% of our total leased GFA) and 27 were used as warehouses (with an aggregate GFA of approximately 3,545 square metres, representing approximately 0.8% of our total leased GFA). The respective lease agreement of these properties will expire in the period between one to five years. During the Track Record Period, revenue attributable to these properties were insignificant.

As advised by our PRC Legal Advisor, if any such lease is challenged by any interested parties or if the lessor is penalised by competent government authorities, we may not be able to continue to lease, occupy and use the relevant properties. During the Track Record Period and up to the Latest Practicable Date, none of our relevant subsidiaries had been imposed penalties or required to vacate from the relevant properties for inconsistent usage. Therefore, we believe that such inconsistent usage will not have any material adverse effect on our financial condition or results of operations. See “Risk Factors — Risks Related to Our Business and Industry — Our use of certain leased properties could be challenged by third parties or governmental authorities, which may expose us to potential fines and negatively affect our ability to use the properties we lease.”

In addition, among the abovementioned 482 leased properties, the lessors of 60 leased properties (with an aggregate GFA of approximately 18,777 square metres, representing approximately 4.0% of our total leased GFA) have not provided a valid title certificate or sublease authorisation or other relevant certificate. Among such 60 leased properties, 17 were used as Tuhu workshops (with an aggregate GFA of approximately 11,750 square metres, representing approximately 2.5% of our total leased GFA), one were used as offices (with an aggregate GFA of approximately 454 square metres, representing approximately 0.1% of our total leased GFA), and 42 were used as warehouses (with an aggregate GFA of approximately 6,573 square metres, representing approximately 1.4% of our total leased GFA). The respective lease agreement of such 62 leased properties will expire between one to nine years.

As advised by our PRC Legal Advisor, we will not be subject to any fines or penalties for such defects, but if the title or the lessor’s right to rent is challenged by any third-party right owner, our lease may be affected. See also “Risk Factors — Risks Related to Our Business and Industry — Our use of certain leased properties could be challenged by third parties or governmental authorities, which may expose us to potential fines and negatively affect our ability to use the properties we lease.”

Considering that (i) we have not received any material claim of rights by any third parties in relation to such title defects during the Track Record Period and up to the Latest Practicable Date; (ii) it is unlikely that we would be subject to claim of rights from third parties or be required by

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## BUSINESS

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authorities to relocate with respect to a significant number of these leased properties at the same time, considering that these properties are geographically dispersed and under the jurisdiction of different authorities, and are leased from different counterparties; (iii) the lessors of 23 out of the 32 leased properties that were not used in a manner consistent with their respective title certificate have undertaken to compensate us for losses that we suffer if we are unable to continue to legally occupy and use such properties, and even if our lessors have not provided this undertaking to us, we may still raise a claim against such lessors based on relevant PRC laws and regulations; (iv) we can find alternative properties in the event that we were required to relocate; and (v) we have strengthened our internal control measures and procedures to prevent new leasing properties with title defects in the future, we and our PRC Legal Advisors are of the view that the risk that our business and results of operations would be materially and adversely affected by these title defects is remote.

### *Non-registration of Lease Agreements*

As of 31 March 2023, 480 lease agreements we entered into had not been filed with relevant authorities. The lease agreements of such 480 properties will generally expire in the period between one to nine years.

Our PRC Legal Advisor is of the view that the non-filing of lease agreements would not affect the validity of such lease agreements, but relevant local housing authorities may require us to complete the filing within the prescribed period and we may be subject to penalties of RMB1,000 to RMB10,000 as a result of delay in filing for each of such properties. The aggregate maximum penalty of the Company for the non-filing of these lease agreements is RMB4.8 million. Therefore, we have the right to use the relevant properties in accordance with the lease agreements, but if the lease filing has not been completed in accordance with the requirements of relevant local housing authorities, we may be subject to the risk of penalties. See also “Risk Factors — Risks Related to Our Business and Industry — Our use of certain leased properties could be challenged by third parties or governmental authorities, which may expose us to potential fines and negatively affect our ability to use the properties we lease.”

Having considered the foregoing, our Directors believe that the non-registration of leases described above will not, individually or in the aggregate, materially affect our business and results of operation for the following reasons: (i) we have not been penalised for our failure to register and file the relevant lease agreements during the Track Record Period and up to the Latest Practicable Date; (ii) we have been advised by our PRC Legal Advisor that the non-filing of lease agreements would not affect the validity of such lease agreements, and that if the lease registration can be completed within the prescribed period of time as required by the government authorities, the risk that the government authorities will impose significant penalties on us in respect of such leased properties is remote; (iii) we have been more stringent in terms of requiring our lessors to cooperate with us in registering our lease agreements with the relevant housing administrative authorities.

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## BUSINESS

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As of 31 March 2023, none of the properties leased by us had a carrying amount of 15% or more of our total assets. According to Chapter 5 of the Hong Kong Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempt from the requirements of section 342(1)(b) of the Companies (Winding up and Miscellaneous Provisions) Ordinance to include all interests in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance.

### **Insurance**

We consider our insurance coverage to be adequate and in accordance with the commercial practises in the industries in which we operate. We maintain certain insurance policies to safeguard us against risks and unexpected events, including products-related policies, such as property insurance, public liability insurance and employer liability insurance. We do not maintain any liability insurance or property insurance policies covering our equipment and facilities for injuries, deaths or losses due to fire, earthquake, flood or any other disasters. We consider our insurance coverage to be in line with that of other companies of similar size and business nature in China.

For a discussion of risks relating to our insurance coverage, see “Risk Factors — Risks Related to Our Business and Industry — Insurance coverage may not be adequate, and increased insurance costs could adversely affect our results of operations.”

### **Legal Proceedings and Compliance**

#### ***Legal Proceedings***

During the Track Record Period and up to the Latest Practicable Date, we had not been a party to, and were not aware of any threat of, any legal, arbitral or administrative proceeding, which, in our opinion, would likely have a material and adverse effect on our business, financial conditions or results of operation. We have been, and may from time to time, be subject to various legal or administrative claims and proceedings arising in the ordinary course of our business.

Litigation or any other legal or administrative proceeding, regardless of the outcome, is likely to result in substantial costs and diversion of our resources, including our management’s time and attention. For potential impact of legal or administrative proceedings on us, see “Risk Factors — Risks Related to Our Business and Industry — Regulatory actions, legal proceedings, and customer complaints against us or our constituents could harm our reputation and have a material adverse effect on our business, results of operations, financial condition and prospects.”

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## BUSINESS

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### *Compliance*

Our PRC Legal Advisor is of the opinion that, except as disclosed in this document, during the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material non-compliance incidents that have led to fines, enforcement actions, or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition, and results of operations.

### *Social Insurance and Housing Provident Funds*

#### *Background and reasons for non-compliance*

During the Track Record Period and as of the Latest Practicable Date, we had not made social insurance and housing provident fund contributions for some of our employees in full in accordance with the relevant PRC laws and regulations. In 2019, 2020, 2021, 2022 and the three months ended 31 March 2023, the aggregate shortfall of social insurance and housing provident fund contributions amounted to RMB50.1 million, RMB33.7 million, RMB90.1 million, RMB54.0 million and RMB10.2 million, respectively. We have made adequate provisions for our historical contribution shortfall. Such non-compliance was primarily because (i) we have a large labour force with relatively high mobility, (ii) certain of our employees were not willing to bear the costs associated with social insurance and housing provident funds strictly in proportion to their salary and (iii) a certain number of our employees are migrant workers who are typically not willing to participate in the social welfare schemes of the city where they temporarily reside as such contributions are not transferrable among cities.

#### *Potential legal consequences*

According to relevant PRC laws and regulations, (a) in respect of outstanding social insurance contributions, the relevant PRC authorities may demand us to pay the outstanding social insurance contributions within a stipulated deadline and we may be liable to a late payment fee equal to 0.05% of the outstanding amount for each day of delay; if we fail to make such payments, we may be liable to a fine of one to three times the amount of the outstanding contributions; and (b) in respect of outstanding housing provident fund contributions, we may be ordered to pay the outstanding housing provident fund contributions within a prescribed time period; if the payment is not made within such period, the housing provident fund management centre may make an application for compulsory enforcement to PRC courts. As advised by our PRC Legal Advisor, if any of the relevant housing reserve fund authorities or social insurance authorities is of the view that our contributions to the housing reserve fund or social insurance contributions we made for our employees do not satisfy the requirements under the relevant PRC laws and regulations, it may order us to pay the outstanding balance within a prescribed period. In 2019, 2020, 2021, 2022 and the three months ended 31 March 2023, the aggregate shortfall of social insurance and housing provident fund contributions amounted to RMB50.1 million, RMB33.7 million, RMB90.1 million, RMB54.0 million and RMB10.2 million, respectively. As for the penalty amount, as advised by our PRC Legal Advisor, according to the

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## BUSINESS

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Social Insurance Law, we would be subject to a fine only if the relevant social insurance authorities are of the view that the social insurance contributions we made for our employees do not comply with the requirements under the relevant PRC laws and regulations and order us to pay the outstanding balance within a prescribed time period plus a late fee, and we fail to do so within the prescribed period as requested by the relevant social insurance authorities. We undertake that, if we were ordered to make such payment, we will do so within the prescribed time period.

Having considered the foregoing, our Directors believe that such non-compliance are common in China and would not have a material and adverse effect on our business and results of operations, considering that: (i) we had not been subject to any material administrative penalties with respect to our social insurance and housing provident funds contributions during Track Record Period and up to the Latest Practicable Date; (ii) as of the Latest Practicable Date, we had not received any notification from the relevant PRC authorities requiring us to pay material shortfalls or the penalties with respect to social insurance and housing provident funds; (iii) we were not aware of any material employee complaints nor were involved in any material labour disputes with our employees with respect to social insurance and housing provident funds during the Track Record Period and up to the Latest Practicable Date; and (iv) we have made provisions of RMB50.1 million, RMB33.7 million, RMB90.1 million, RMB54.0 million and RMB10.2 million for the social insurance and housing provident fund contribution shortfall in 2019, 2020, 2021, 2022 and the three months ended 31 March 2023, respectively.

### *Internal control and remedial measures*

We have taken the following rectification measures to prevent future occurrences of such non-compliances:

- We have been working to enhance our human resources management policies, which will explicitly require social insurance and housing provident fund contributions to be made in full in accordance with applicable local requirements;
- We are in the process of communicating with our employees with a view to seeking their understanding and cooperation in complying with the applicable payment base, which also requires additional contributions from our employees;
- We have designated our human resources department to review and monitor the reporting and contributions of social insurance and housing provident fund on a monthly basis;
- We will keep abreast of latest developments in PRC laws and regulations in relation to social insurance and housing provident funds; and
- We will consult our PRC legal counsel on a regular basis for advice on relevant PRC laws and regulations to keep us abreast of relevant regulatory developments.



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## BUSINESS

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In addition, we undertake to make timely payments for the deficient amount and overdue charges, as soon as requested by the competent governmental authorities.

### ***Fire Safety***

#### *Background and reasons for non-compliance*

As of the date of this prospectus, there were 22 self-operated Tuhu workshops that have not completed the required fire safety filings, representing approximately 13.9% of the Tuhu workshops operated by us as of 31 March 2023. In some instances, it usually takes a period of time for the relevant local authorities to conduct fire safety inspection for our workshops after our initial application. After following all of our internal requirements on fire safety to make sure that the Tuhu workshops are safe for operation as set out in “— Risk Management and Internal Control”, we decided to commence operations for these Tuhu workshops before completing all necessary fire safety procedures. In some other instances, our employees were not familiar with the constantly evolving requirements and practises relating to the fire safety filings adopted by the different local authorities and erroneously concluded that certain Tuhu workshops do not need to complete the relevant fire safety procedures or obtain the relevant approvals before opening after following all of internal requirements on fire safety.

For the years ended 31 December 2019, 2020, 2021, 2022 and the three months ended 31 March 2023, there were 30, 33, 34, 21 and 22 self-operated Tuhu workshops that failed to complete the necessary fire safety filings, and the revenue attributable to these Tuhu workshops was RMB38.5 million, RMB42.5 million, RMB51.3 million, RMB24.4 million and RMB9.4 million, respectively.

#### *Potential legal consequences and latest status*

As of the date of this prospectus, among the 22 self-operated Tuhu workshops that have not completed the required fire safety filings, (i) 11 of them are undergoing renovation, for which we plan to submit the fire safety filings within six months after completion of renovation, which is expected by the end of 2023. If we are unable to complete the fire safety filings for some of these Tuhu workshops after renovation, we will close those Tuhu workshops to ensure compliance; and (ii) 11 of them are not able to complete the necessary fire safety filings primarily because (1) the owners of certain leased properties have not completed the fire safety filings for the entire properties within which our leased premises are located, which causes a delay or failure in our completion of the fire safety filings, and (2) the lessors are not able to provide the property ownership certificates for certain leased properties, which are required by the relevant regulatory authorities when applying for the Fire Safety Filing. We will exert best efforts to negotiate with such lessors to complete the fire safety filings for the entire properties or to obtain property ownership certificates. However, we cannot assure you that we will be able to do so in an efficient, cost-effective and timely manner, or at all. If we are not able to complete necessary fire safety filings for all our self-operated Tuhu workshops, we plan to close or relocate such self-operated Tuhu workshops after the expiration of their lease agreements, all between 2023 and 2029, and expect to incur a total estimated costs of

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## BUSINESS

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approximately RMB2 million for the relocation. As advised by our PRC Legal Advisor, there is no substantial legal impediment for us to complete the required fire safety filings, provided that we have submitted all requisite documents to the relevant governmental authorities in accordance with the relevant PRC laws, regulations, government policies and the specific requirements of the relevant governmental authorities and passed the on-site inspections. Our Fire Safety Consultant has confirmed that we are capable of completing the required fire safety filings for these self-operated Tuhu workshops, except for two Tuhu workshops that are still under its inspection. Our PRC Legal Advisor has advised that once we have completed the fire safety filings with the relevant government authorities as required, the risk of us being subject to material administrative penalties due to the historical non-compliance is low considering that (a) we had not been subject to any material administrative penalties or fines in relation to the fire safety procedural defects during the Track Record Period and up to the Latest Practicable Date; (b) our Fire Safety Consultant has concluded that, after reviewing the relevant premises, except for two Tuhu workshops that are still under its inspection, (x) our Tuhu workshops are in compliance with the relevant fire safety design, construction and equipment requirements under the relevant fire safety laws and regulations and (y) no fire safety accident has ever occurred in these Tuhu workshops; and (c) we undertake to make timely rectification and apply for fire safety filings for such Tuhu workshops, as soon as requested by the competent governmental authorities. As advised by our PRC Legal Advisor, according to the Fire Prevention Law of the PRC, a construction project that fails to complete fire safety filing shall be ordered to rectify and be subject to a fine of up to RMB5,000. As advised by our PRC Legal Advisor, pursuant to the Fire Prevention Law of the PRC, if we are not able to complete the applications for these Tuhu workshops, our maximum penalty for failing to complete the fire safety filings for these Tuhu workshops will be approximately RMB110,000.

### *Rectifications*

In order to ensure that these Tuhu workshops operate safely, we have engaged Taitong Construction Co., Ltd., as our Fire Safety Consultant to conduct fire safety inspection on each of the self-operated Tuhu workshops that have not complete the fire safety filings as of the date of this prospectus. Our Fire Safety Consultant primarily engaged in maintenance and inspection of fire safety facilities and fire safety evaluation and is qualified to conduct the relevant inspection and issue credible report and conclusion. Our Fire Safety Consultant holds ISO 9001, ISO 14001 and OHSAS 18001 certificates, and its inspection team consists of engineers, including fire safety specialist engineers who have extensive experience in fire safety evaluation work of various rail transportation, power plants and stadiums.

Our Fire Safety Consultant reviewed and inspected the following aspects of our operations through on-site inspection, surveys and document review: (i) the compliance of our fire protection system with laws and regulations and industry standards, (ii) the adequacy of the fire safety equipment and system and emergency evacuation plan of premises on which our Tuhu workshops are located and (iii) the compliance with applicable building fire protection and fire safety standards of the premises where our Tuhu workshops are located.

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## BUSINESS

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Based on its review, other than two Tuhu workshops which are still under inspection by our Fire Safety Consultant as of the date of this prospectus, our Fire Safety Consultant has concluded that (i) all of these Tuhu workshops comply with the relevant fire safety design, construction and equipment requirements under the fire safety laws and regulations, including those related to fire safety procedures and emergency evacuation procedures (ii) the premises on which our Tuhu workshops are located have adequate fire safety equipment and signs and emergency evacuation plan, all of which are in good condition (iii) the premises where these Tuhu workshops are located are in compliance with applicable building fire protection and fire safety standards, and (iv) no fire safety accident has ever occurred in these Tuhu workshops and we have never been subjected to any material administrative penalty or public notice of violations due to any fire safety issues with respect to these Tuhu workshops. As confirmed by our Fire Safety Consultant, these Tuhu workshops do not have major fire safety issues, and these Tuhu workshops have not yet completed the relevant procedures primarily due to defects in titles or fire safety filings of the respective Tuhu workshop, which is common in China, or other reasons that are not related to fire safety issues of these Tuhu workshops. Our Fire Safety Consultant has also confirmed that there are no material impediments for these Tuhu workshops to complete the required fire safety filings, upon submission of applications and all the requisite documents.

Furthermore, we have enhanced our internal control measures and procedures with respect to fire safety as recommended by our Fire Safety Consultant to manage associated risks and prevent re-occurrence of such non-compliance incidents. Set forth below are key efforts we have made:

- *Training.* We conduct extensive training for our staff, including periodic training on general fire safety awareness and knowledge, regular updates and training on the fire safety rules and regulations, and training on proper use of fire safety equipment and emergency evacuation plans. We also conduct periodic fire drills at our premises to familiarise our staff with our evacuation plans.
- *Personnel.* Each of our Tuhu workshops has designated personnel who is responsible for fire safety. We have also designated personnel at our headquarters, that is responsible for conducting periodic review of fire safety work at our Tuhu workshops. We have also engaged an independent fire safety expert who has around 20 years of experience in the field of fire safety to provide relevant advice to our safety centre.
- *Fire safety policies.* We have established detailed fire safety measures and procedures with respect to our Tuhu workshops, including frequent inspection of the electric appliances in our Tuhu workshops, and the fire safety equipment that we equip on our premises. We have also formulated evacuation plans, fire protection and rescue plans in the event of fire emergency, and have also installed signs for fire evacuation.
- *Equipment.* We equip our premises with the proper fire safety equipment and systems, and regularly assess the need to upgrade our equipment and facilities to achieve better ventilation, humidity, fire and heat protection.

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## BUSINESS

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We fully implemented the enhanced management measures and strictly implemented these enhanced management systems in the process of expansion to avoid recurrence of related non-compliance in the future. Particularly, for the site selection and leasing of new self-operated Tuhu workshops, we will inspect the fire safety of the leased property, and clearly require the lessor, in the newly signed lease agreement, to provide assistance in obtaining the Construction Fire Service Completion Inspections filing documents of the leased property and ensure that the leased property possesses the necessary conditions for handling pre-opening fire safety procedures. After taking into account the above rectification and enhanced management measures and the Directors' undertaking that we will timely complete the fire safety filings as required by under PRC laws and regulations for every new Tuhu workshops, going forward, our Directors are of the view that our Group's enhanced management measures (including fire safety measures) are adequate and effective and sufficient to ensure our Group's compliance going forward, considering that (i) the enhanced management measures and procedures with respect to fire safety taken by the Company, (ii) the improvement of the Company's overall fire safety management and control system, (iii) the Fire Safety Consultant's view that all of the Tuhu workshops that had not obtained the relevant fire safety approvals as of the date of this prospectus, except for two Tuhu workshops that are still under inspection by our Fire Safety Consultant, comply with fire safety laws and regulations and the premises where these Tuhu workshops are located are in compliance with the relevant fire safety design, construction and equipment requirements under the fire safety laws and regulations, and (iv) the Company's management consultant's review and confirmation on establishment of the enhanced fire safety system currently adopted by the Company.

Our Directors believe that such non-compliance would not have a material and adverse effect on our business and results of operations, considering that: (i) the maximum potential penalty of RMB110,000 accounted for merely 0.0001% of our revenues in 2022, (ii) we have not received any material administrative fines or penalties with respect to the aforementioned non-compliance during the Track Record Period and up to the Latest Practicable Date, (iii) the non-compliance did not and will not affect the safety of our guests and employees given that the Fire Safety Consultant has advised us that these Tuhu workshops, except for two Tuhu workshops that are still under inspection by our Fire Safety Consultant, comply with fire safety standards provided by the relevant PRC laws and regulations and are subject to supervision of and regular fire-related inspection by the relevant authorities, (iv) the Fire Safety Consultant has advised us that all of these Tuhu workshops for which we did not complete the fire safety filing, except for two Tuhu workshops that are still under inspection by our Fire Safety Consultant, have complied with the applicable fire safety laws, regulations and standards to the extent the required fire safety filing for these Tuhu workshops could be completed and there are no material impediments for these Tuhu workshops to complete the required fire safety filing upon submission of applications and all the requisite documents, (v) it is unlikely that we will be required to close or relocate a significant number of Tuhu workshops by the relevant authorities at the same time, considering these Tuhu workshops are geographically dispersed, (vi) we have a list of potential Tuhu workshop locations and believe we will be able to relocate a number of Tuhu workshops to new locations if we are required to do so, (vii) the total estimated costs to relocate all of the other non-compliant self-operated Tuhu workshops would be approximately RMB2 million, which

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## BUSINESS

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account for less than 0.02% of our total revenues in 2022, (viii) we have enhanced our internal control measures and procedures as recommended by our independent internal control consultant, and (ix) we are actively working on advancing our fire safety filings with the relevant regulatory authorities.

### *Motor Vehicle Maintenance*

As of the date of this prospectus, there were three Tuhu workshops operated by us as of 31 March 2023 for which we failed to complete the filings with the relevant local administrative authorities with regard to the motor vehicle maintenance business for record due to the requirements of the local administrative authorities for such filings may vary among various geographic locations. We have prepared and plan to submit the motor vehicle maintenance filings for the four stores within the next six months. However, we cannot assure you that we will be able to effectively complete the filings in an efficient, cost-effective and timely manner, or at all. If we cannot complete such filings, we may be subject to potential fines from RMB5,000 to RMB20,000 for each self-operated workshop in the event that we fail to remediate after receiving notice from relevant governmental authorities. As advised by our PRC Legal Advisor, pursuant to the Provisions on Automotive Maintenance and Repair, if we are not able to complete the filings for these three Tuhu workshops, our maximum penalty will be approximately RMB60,000. During the Track Record Period and as of the Latest Practicable Date, neither the Company nor the PRC Legal Advisor was aware of any penalties or fines imposed on the three Tuhu workshops that failed to complete the motor vehicle maintenance filings during the Track Record Period, and if we fail to complete such filings before the expiration of each lease agreement of these three Tuhu workshops, we would have to close or relocate such self-operated Tuhu workshops.

For the years ended 31 December 2019, 2020, 2021, 2022 and the three months ended 31 March 2023, there were 94, 84, five, four and three self-operated Tuhu workshops that failed to complete the necessary motor vehicle maintenance business filings. The revenue attributable to the these self-operated Tuhu workshops was RMB158.1 million, RMB124.9 million, RMB6.7 million, RMB3.2 million and RMB1.2 million, respectively.

### *Franchised Tuhu Workshops*

For the years ended 31 December 2019, 2020, 2021, 2022 and the three months ended 31 March 2023, there were 108, 293, 504, 627 and 638 franchised Tuhu workshops that failed to complete the necessary fire safety filings, and revenue attributable to these franchised Tuhu workshops was RMB71.7 million, RMB162.5 million, RMB363.0 million, RMB505.7 million and RMB154.4 million, respectively.

For the years ended 31 December 2019, 2020, 2021, 2022 and the three months ended 31 March 2023, there were 960, 1,281, 755, 1,201 and 966 franchised Tuhu workshops that failed to complete the necessary motor vehicle maintenance business filings, and the revenue attributable to these franchised Tuhu workshops was RMB560.5 million, RMB826.3 million, RMB340.4 million, RMB697.3 million and RMB182.8 million, respectively.

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## BUSINESS

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Our Directors believe that such non-compliance would not have a material and adverse effect on our business and results of operations, considering that: (i) as advised by our PRC Legal Adviser, we bear no legal liabilities for the non-compliance arising from the franchisees' business operations, (ii) pursuant to the franchise agreement, franchisees should ensure their stores comply with all the regulatory requirements and are solely responsible for any penalties imposed by governmental authorities, (iii) pursuant to the franchise agreement, we are entitled to terminate franchisee agreement and claim damages caused by such regulatory non-compliance and franchisees has no right to require us to indemnify them for any penalties imposed on franchised Tuhu workshops operated by them due to the non-compliance of relevant regulatory filing requirements, and (iv) the risk that we will be required to close or relocate a significant number of franchised Tuhu workshops by the relevant authorities at the same time is relatively remote, considering these franchised Tuhu workshops are geographically dispersed.

### *List of Classified Management for Environmental Impact Assessment of Construction Projects*

For the years ended 31 December 2019, 2020, 2021, 2022 and the three months ended 31 March 2023, there were 63, 80, nil, nil and nil self-operated Tuhu workshops that failed to fill out the registration form in respect of environmental impact required under the then-applicable version of the List, and revenue attributable to these self-operated Tuhu workshops was RMB84.5 million, RMB113.7 million, nil, nil and nil, respectively. For the years ended 31 December 2019, 2020, 2021, 2022 and the three months ended 31 March 2023, there were 1,023, 1,469, nil, nil and nil franchised Tuhu workshops that failed to fill out the registration form in respect of environmental impact required under the then-applicable version of the List, and revenue attributable to these franchised Tuhu workshops was RMB645.2 million, RMB1,089.6 million, nil, nil and nil, respectively.

We believe the historical non-compliance of the older version of the List will not, individually or in the aggregate, have a material impact on our overall business operation and financial conditions for the following reasons: (i) such registration form filing requirement for auto maintenance or car washing workshops under the older version of the List has been cancelled by the 2021 version of the List, which became effective on 1 January 2021. Under the 2021 version of the List, none of the Tuhu workshops is required to complete such filing; (ii) the Company has not been subjected to any material fines or other penalties as a result of any material violations of the older version of the List during the Track Record Period and up to the Latest Practicable Date; (iii) as advised by our PRC Legal Advisor, the likelihood that we will be penalised retrospectively for failure to fill out the registration form of environmental impact required under the older version of the List is remote given that the older version is no longer applicable to our Tuhu workshops, which has also been confirmed by competent government authorities in certain regions that have Tuhu Workshops in operation; and (iv) we bear no responsibilities for the noncompliance of the business operations of franchised Tuhu workshops, which constitute the majority of the Company's Tuhu workshops.

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## BUSINESS

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### Licences, Approvals and Permits

In the opinion of CM Law Firm, our PRC Legal Advisor, during the Track Record Period and up to the Latest Practicable Date, we had obtained all requisite licences, approvals and permits from relevant regulatory authorities that are material to our operations in China, and that as at the Latest Practicable Date, these licences and approvals remained valid and in effect to the extent required for their main business operations.

We renew all such material permits and licences from time to time to comply in all material aspects with the relevant laws and regulations.

The following table sets out a list of material licences and permits currently held by us:

<u>Licence / Permit</u>	<u>Entity Holding the Licence / Permit</u>	<u>Expiration Date</u>
Registration of Commercial Franchise Licence (商業特許經營備案證明)	Shanghai Lantu Information Technology Co., Ltd.	N/A
Foreign Investment in Value-added Telecommunications Services Filing (外商投資經營增值電信業務試點批復)	Shanghai Mengfan Trade Co., Ltd	11 March 2025
Shanghai Single-use Commercial Prepaid <sup>(1)</sup> Card Filing (上海市單用途商業預付卡備案)	Shanghai Lantu Information Technology Co., Ltd.	N/A

*Note:*

- (1) We have made this filing as required under the Administrative Measures on Single-Purpose Commercial Prepaid Cards (Trial Implementation) (《單用途商業預付卡管理辦法(試行)》) for issuing Tuhu E-card (“途虎E卡”), which is an unregistered prepaid certificate. Customers who bought such prepaid certificate can use it to pay for products or services in our Tuhu Automotive Service app. Tuhu E-card is a supplementary payment method to provide more flexibility and convenience to our customers but not a revenue generating channel of the Company. The revenue generated from issuing such certificate was less than 0.1% of our total revenue and the gross profit contribution from Tuhu E-card was immaterial during the Track Record Period.

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## BUSINESS

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### **Awards and Recognition**

We have received recognition for the quality and popularity of our products and services. Some of the significant awards and recognition we have received are set forth below.

<u>Award/Recognition</u>	<u>Award Year</u>	<u>Awarding Institution/Authority</u>
National E-commerce Model Enterprise	2017-2018	Ministry of Commerce of the People's Republic of China
Top 100 Franchises in China	2018-2022	China Chain Store & Franchise Association
High and New-Technology Enterprise	2019-2022	The Science and Technology Commission of Shanghai Municipality
Top 100 Shanghai Software and Information Technology Services Enterprises	2020-2022	Shanghai Municipal Commission of Economy and Informatization
Headquarters of Private Companies Certification	2020	Shanghai Municipal Commission of Commerce
Trade-based Headquarters Certification	2020	Shanghai Municipal Commission of Commerce
Civilized Unit in Minhang District	2022	Minhang District Government Authorities
Pilot Enterprise for Integration of Industry and Education in Shanghai	2022	Shanghai Municipal Development and Reform Commission

### **Risk Management and Internal Control**

We have devoted ourselves to establishing and maintaining risk management and internal control systems consisting of policies and procedures that we consider to be appropriate for our business operations, and we are dedicated to continuously improving these systems.

#### ***Finance Reporting Risk Management***

We have in place a set of accounting policies, including financial management policy, fixed asset management policy, treasury management policy and budget management policies. We have various procedures in place to implement accounting policies, and our finance department is responsible for preparing our management accounts based on such procedures. We also provide trainings to our finance department staff to ensure that they understand the latest changes in the statutory financial accounting policies and our financial management and accounting policies, and implement them in our daily operations.

#### ***Internal Control Risk Management***

We have designed and adopted strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations. Our internal control team works closely with our legal, finance and business departments to perform risk assessments and advise risk management strategies to improve business process efficiency.



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## BUSINESS

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Our government relations department works with relevant business departments to obtain requisite governmental approvals or consents, including preparing and submitting all necessary documents for filing with relevant government authorities within the prescribed regulatory timelines.

### *Intellectual Property Rights Risk Management*

We have devoted ourselves to establishing and maintaining intellectual property rights risk management and internal control procedures to protect our intellectual property rights and prevent liabilities resulting from infringement of third-party intellectual property rights. Only authorised applications and software can be downloaded to our company-provided devices and our IT back office monitors the download and use of unauthorised software to minimise the intellectual property rights violations. Our legal team is responsible for reviewing and approving contracts, protecting our legal rights, including intellectual property rights, monitoring updates and changes in laws and regulations in the PRC and ensuring the ongoing compliance of our operations with these laws and regulations. Our legal department also assists our business department in ensuring that all necessary applications or filings for trademark, copyright and patent registrations have been timely made to the competent authorities, and that our intellectual properties are under the protection of relevant laws and regulations.

### *Information System Risk Management*

We pay close attention to risk management relating to our information system as sufficient maintenance, storage and protection of user data and other related information is critical to our success. We have designed and adopted strict internal procedures to ensure that our data is protected and that leakage and loss of such data are avoided.

We have a dedicated data security team that is responsible for (i) monitoring suspicious data extraction and transmission activities or violations of our internal rules relating to data protection, (ii) advising on data protection issues identified in the course of monitoring and reporting to company management for attention, and (iii) enhancing our data protection system in accordance with changes in regulatory requirements and technological developments. We anonymise, desensitise and encrypt confidential personal information and take other technological measures to help ensure the secure processing, transmission and usage of data. We have developed a company-wide policy on data security to preserve individual personal information and privacy, such as Provisions on Administration of Data Security (《數據安全管理規定》), Data Classified and Categorised Protection Guidelines (《數據分類分級指引》) and Office Security Management Procedures (《辦公安全管理制度》).

We also have a data back-up system through which data is encrypted and stored on servers in different locations regularly to reduce the risk of data loss. In addition, we perform back-up recovery tests regularly to examine the status of the back-up system. See “— Data Privacy” in this section for more information about our efforts and measures in personal data and cybersecurity risk management. We will continue to monitor the effectiveness of our data protection system and the

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## BUSINESS

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evolving regulatory framework for privacy issues to minimise the risk of data leakage and ensure we remain in compliance with applicable data-related regulations.

During the Track Record Period and up to the Latest Practicable Date, (i) we had not experienced any material data or personal information leakage or loss, infringement of data or personal information, or information security incident; (ii) we had not received any cybersecurity, data security and personal data protection related administrative penalties or other sanctions by any relevant regulatory authorities; (iii) we had not been subject to or involved in any official inquiry, examination, material warning, interview or sanction in relation to cybersecurity or data privacy or any cybersecurity review from the CAC or any other relevant government authority; (iv) we had not been notified by any PRC government authorities of being classified as a critical information infrastructure operator; and (v) we had not been involved in any service, product or data processing activities that might give rise to national security risks based on the factors set out in Article 10 of the Cybersecurity Review Measures and have not been inquired, investigated, warned or penalized by any PRC authorities in this respect. In addition, we are committed to protecting personal information. We have implemented company-wide policies that set data protection and security standard. See “Business—Data Privacy” for details. Moreover, we will (a) closely monitor and assess any regulatory development in relation to cybersecurity and data protection; (b) adjust and optimise our practices in data protection in a timely manner to comply with the new requirements imposed by any new laws and regulations; (c) continuously improve our data security protection technologies and internal control procedures and engage external professional parties to advise us on cybersecurity and data protection requirements, if needed; and (d) proactively maintain communications with the relevant PRC regulators.

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

### ***Human Resources Risk Management***

We have in place an employee handbook and a code of conduct which is distributed to all our employees. The handbook contains internal rules and guidelines regarding work ethics and principles. Our code of conduct includes policies regarding fraud prevention mechanisms, negligence and corruption. In addition to trainings and guidance provided to our technicians through Blue Tiger, we provide regular trainings to our employees on work ethics, working procedures, internal policies,

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## BUSINESS

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management, technical skills and other aspects that are relevant to their day-to-day work, and specialised training tailored to the needs of our employees in different departments. Through these training sessions, we ensure that our staff's skill sets and knowledge level of our anti-bribery and anticorruption policy remain up-to-date, enabling them to better comply with applicable laws and regulations in the course of conducting business.

We also have a rigorous background check process when hiring key personnel and conduct periodic performance assessment of our employees. The demand in our industry for skilled employees is intense and we may be adversely affected by the departure of any key employees. See "Risk Factors — Risks Related to Our Business and Industry — Our success depends on the continuing efforts of our senior management and key employees." Each of our executive officers and key employees has entered into an employment agreement with confidentiality, intellectual property and non-competition provisions with us.

### ***Regulatory Compliance and Legal Risk Management***

We have designed and adopted strict internal rules and procedures to ensure the compliance of our business operations with relevant laws, rules and regulations. We have implemented an anti-bribery and corruption policy forbidding our management and employees from receiving any kickback from our suppliers. Our in-house legal department conducts regular reviews to ensure that we have obtained all material requisite licences, permits and approvals for our business operation and monitors the status and effectiveness of those licences and approvals. In addition, to comply with the rapidly evolving laws and regulations, our in-house legal department enforce our strict internal procedures including: (i) reviewing and approving contracts; (ii) monitoring updates to and changes in laws and regulations applicable to our business and operations; (iii) conducting relevant researches and studies; (iv) monitoring instructions and requirements issued by the regulatory authorities and communicating with relevant authorities to obtain further instructions when necessary; (v) collecting external professional opinions on any new laws and regulations; and (vi) issuing appropriate plans of compliance for our products and services, carrying out supervision, inspection and feedback on the implementation.

### ***Investment Risk Management***

We may from time to time invest in or acquire businesses that are complementary to our business, such as businesses that can expand the services we offer and strengthen our research and development capabilities. In addition, to support our franchisees to develop their businesses, we selectively make minority investment in stores that demonstrate higher growth potential. In general, we intend to hold our investments for the long term.

Our investment department is responsible for investment project sourcing, screening, execution and portfolio management. The department sources investment projects in accordance with our business strategy, and conducts thorough pre-investment due diligence with finance department and in-house legal department to assess the risks and potential of the investment projects.

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## BUSINESS

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### *Anti-bribery and corruption management*

We have in place an anti-bribery and corruption policy to safeguard against any corruption within our Company. The policy explains potential bribery and corruption conduct and our anti-bribery and corruption measures. We make our internal reporting channel open and available for our employees to report any bribery and corruption acts, and our employees can also make anonymous reports to our internal audit committee. Our internal control team is responsible for investigating the reported incidents and taking appropriate measures in response to the relevant incidents.

### *Board Oversight*

Our Board of Directors is responsible and has the general power to supervise the operations of our business, and is in charge of managing the overall risks of our company. Our Board of Directors is responsible for considering, reviewing and approving any significant business decision involving material risk exposures. Our Board of Directors will monitor the ongoing implementation of our risk management policies and corporate governance measures. Our audit committee comprises three members, namely Ms. Yan Huiping, Mr. Feng Wei and Mr. Wang Jingbo. Ms. Yan Huiping, being our independent non-executive Director, is the chairwoman of the committee and is the director appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules. For the professional qualifications and experiences of the members of our audit committee, see the section headed “Directors and Senior Management” in this prospectus.