
FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See “Business — Our Strategies” in this document for a detailed description of our future plans.

USE OF PROCEEDS

Assuming an Offer Price of HK\$29.50 per Share (being the mid-point of the Offer Price Range of between HK\$28.00 and HK\$31.00 per Share), we estimate that we will receive net proceeds of HK\$1,091 million from the Global Offering after deducting the underwriting commissions and other estimated offering expenses paid and payable by us in connection with the Global Offering and assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised, or HK\$1,466 million if the Offer Size Adjustment Option and the Over-allotment Option are exercised in full. In line with our strategies, we intend to use our proceeds from the Global Offering for the purposes and in the amounts set forth below:

- Approximately 35% (approximately HK\$382 million) of the net proceeds is expected to be used over the next three years for the enhancement of our supply chain capability. For more details, see “Business — Our Strategies — Further improve fulfilment capabilities.” The detailed breakdown of the net proceeds to be allocated is as follows:
 - i. Approximately 20% (approximately HK\$218 million) of the net proceeds is expected to be used to upgrade our core RDCs through the installation of advanced equipment, including robotic picking and packaging, storage, and goods-to-person systems and equipment. We also plan to acquire land parcels in some cities to develop full automation technologies to further improve our fulfilment efficiency.
 - ii. Approximately 10% (approximately HK\$109 million) of the net proceeds is expected to be used to expand and optimise our warehouse coverage, including RDCs and FDCs. As of 31 March 2023, we operated 39 RDCs and 267 FDCs, and we plan to increase our RDCs to 43 and our FDCs to 391 by end of 2025. Particularly, we plan to increase warehouses in tier 2 and below cities and counties to support the geographical expansion of our Tuhu workshops.

The following table sets forth the detailed plan of our new RDCs and FDCs for the periods indicated to support our expansion plan.

	<u>Year ending 31 December</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
RDCs			
Tier 1 and New Tier 1 cities	0	1	0
Tier 2 and below cities and counties	0	1	2
FDCs			
Tier 1 and New Tier 1 cities	5	0	0
Tier 2 and below cities and counties	20	50	50

FUTURE PLANS AND USE OF PROCEEDS

- iii. Approximately 5% (approximately HK\$55 million) of the net proceeds is expected to be used to upgrade our freight network. We plan to increase the number of routes to ensure timely replenishment of our RDCs and FDCs inventory and support the expansion of our business. We will also continue to optimise our route planning to improve our fulfillment capacity.

- Approximately 20% (approximately HK\$218 million) of the net proceeds is expected to be used over the next three years for research and development to advance our data analytics technologies and further enhance our operating efficiency. We will continue to recruit and retain research and development talents. We plan to recruit 15, 15 and 15 additional research and development personnel in 2023, 2024 and 2025, respectively, and continue to invest in our data analytic and algorithm capabilities. For more details, see “Business — Our Strategies — Continue to invest in technology.”

Specifically, the detailed breakdown of the net proceeds to be allocated is as follows:

- i. Approximately 5% (approximately HK\$55 million) of the net proceeds is expected to be used to upgrade our platform, including improving the stability of our core systems, upgrading our ERP system to further integrate supply chain and financial management, and enhancing our cyber security. With an upgraded platform, we can further improve our customer online ordering experience and foster an engaging online car owner community.

- ii. Approximately 10% (approximately HK\$108 million) of the net proceeds is expected to be used to further develop our data analytic and algorithm capabilities, which are at the core of our intelligent product recommendation and inventory prediction technologies that differentiate us from our competitors. We plan to continue to invest in such technologies to improve our operational efficiency. In addition, leveraging our well-developed in-house data analytic capabilities and large customer base, we plan to continue to collaborate and strengthen our partnership with brand owners to develop more exclusive products that cater to our customers’ diversified needs. For more details, see “Business – Our Strategies – Partner with more auto part suppliers and further build proprietary brands.”

- iii. Approximately 5% (approximately HK\$55 million) of the net proceeds is expected to be used to invest in servers and bandwidth to maintain the quality of our user experience while sustaining the growth of our user base.

FUTURE PLANS AND USE OF PROCEEDS

- Approximately 15% (approximately HK\$164 million) of the net proceeds is expected to be used over the next three years for expanding our store network and franchisee base, especially in the tier 2 and below cities and counties, enlarging our operations and supporting team, and further tightening our relationship with franchisees. Specifically, we plan to:
 - i. continue to expand geographical coverage of Tuhu workshop. According to the CIC Report, vehicle ownership per thousand capita differs greatly across different city tiers; particularly, ample growth opportunities exist in tier 2 and below cities and counties. We have historically focused on expansion in tier-1 and new tier-1 cities, where we have established a strong presence in terms of both number of stores and number of franchisees.

The number of Tuhu workshops per a million car is 13 in tier-2 and below cities and counties, compared with 48 and 27, respectively, in tier-1 and new tier-1 cities, implying ample opportunities to further penetrate into lower tier cities.

	Car parc ¹ (mm)	No. of Tuhu workshops ¹	No. of Tuhu workshops per 1mn car ²
Tier-1 cities	16.5	790	48
New Tier-1 cities	50.7	1,354	27
Tier-2 and below cities and counties	208.0	2,626	13

Notes:

1. As of 31 March 2023.
2. Calculated by dividing number of Tuhu workshops by car parc.

In the future, we will maintain stable expansion in upper-tier cities while expanding our footprint in tier 2 and below cities and counties. Our data analytics capabilities help us and our franchisees to better serve the demand in each city as we expand into lower tier cities. The location of each of our stores is carefully selected through a disciplined, data-driven site-selection process, taking into consideration nearby traffic as well as the potential cannibalisation effect of our existing stores to ensure strong performance of sales growth after store opening. The following table sets forth the expansion plan of our Tuhu workshops for the periods indicated. However, we will adjust our store expansion plan dynamically according to the general economic conditions and automotive service market development in cities in different tiers. For detailed discussion of market demand for our products and services, see “Industry Overview.”

FUTURE PLANS AND USE OF PROCEEDS

Tuhu workshops	Year ending 31 December		
	2023	2024	2025
Tier 1	68	61	60
New Tier-1	260	250	240
Tier 2 and below cities and counties	872	1,139	1,400

In addition, we plan to continue to cooperate with our partner stores, particularly in cities currently not covered by Tuhu workshops, to provide installation service for orders placed through our online interfaces. With increased store coverage and density, our customers will have more flexibility when choosing our locations to fulfill their orders, which further improves our customer experience. For more details, see “Business — Our Strategies — Expand the scale of platform.”

- ii. expand our operations and supporting team. Our operations and supporting team, which is mainly responsible for business and franchisee development, offline store supporting and products and services quality monitoring, is indispensable to our business operation. We plan to expand our operations and supporting team to approximately 2,200 personnel by the end of 2025. By expanding our operations and supporting team, we will be able to better serve our franchisees and other store owners, tailor solutions for them and provide necessary financial support during difficult times, and achieve win-win result with our franchisees. As our franchisees generate promising economic returns, they often open more than one Tuhu workshops. In addition, we will continue to expand our network of franchisees to support our store expansion plan. We plan to increase our franchisees to approximately 3,300 by the end of 2025.
- iii. continue to explore specialised store types to meet more customer needs. We have been constantly exploring new store types to increase the engagement of our users, including those providing services to NEV owners in cooperation with NEV brands. For more details, see section headed “Business – Our Strategies – Partner with NEV brands to provide dedicated services to the NEV market” in this prospectus.
- iv. invest more in marketing efforts to enhance our brand awareness. As we penetrate into the tier 2 and below cities and counties, investment spending are required to promote our brand.
- Approximately 20% (approximately HK\$218 million) of the net proceeds is expected to be used over the next three years to fund investment related to automotive services for NEV owners as well as investment in tools and equipment related to these services. Specifically, we plan to:
 - i. invest in NEV automotive services. In order to take advantage of the rapid growth opportunities in the NEV sector, we plan to (a) recruit more talents with relevant

FUTURE PLANS AND USE OF PROCEEDS

industry experience in order to provide automotive services for NEV owners; (b) partner with NEV brands to collaboratively explore new business opportunities, which will require initial capital expenditures; and

- ii. invest in tools and equipment. In order to capture business opportunities with the rapid penetration of electric vehicles, we plan to invest more in battery-related diagnostic tools and equipment.
- Approximately 10% (approximately HK\$109 million) of the net proceeds is expected to be used for working capital and general corporate purposes.

In the event that the Offer Price is fixed at the high or low end of the indicative Offer Price range, the net proceeds of the Global Offering will increase or decrease by approximately HK\$59 million, respectively. If we make an upward or downward offer price adjustment to set the final Offer Price to be above or below the mid-point of the Offer Price Range, we will increase or decrease the allocation of the net proceeds to the above purposes on a pro rata basis.

The additional net proceeds that we would receive if the Offer Size Adjustment Option and the Over-allotment Option were exercised in full would be (i) HK\$394 million (assuming an Offer Price of HK\$31.00 per Share, being the Maximum Offer Price), (ii) HK\$375 million (assuming an Offer Price of HK\$29.5 per Share, being the mid-point of the Offer Price Range) and (iii) HK\$356 million (assuming an Offer Price of HK\$28.00 per Share, being the Minimum Offer Price).

To the extent that the net proceeds from the Global Offering (including the net proceeds from the exercise of the Offer Size Adjustment Option and the Over-allotment Option) are either more or less than expected, we may adjust our allocation of the net proceeds for the above purposes on a pro rata basis.

To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes or if we are unable to put into effect any part of our plan as intended, we will hold such unused funds in short-term deposits in licensed banks and/or authorised financial institutions (as defined under the SFO and/or applicable laws and regulations in relevant jurisdictions) so long as it is deemed to be in the best interests of the Company. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.