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You should read the following discussion and analysis in conjunction with consolidated financial statements, including the notes thereto set out in “Appendix I – Accountants’ Report” to this Document and the selected historical financial information presented elsewhere in this Document. Our consolidated financial statements were prepared in accordance with IFRSs.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis that we make considering our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed in “Risk Factors,” “Forward-Looking Statements” and elsewhere in this Document.

OVERVIEW

We are a mobility service company in China primarily offering ride-hailing services. In 2021, 2022 and 2023, our revenue from ride-hailing services accounted for 99.2%, 91.0% and 83.9% of our total revenue, respectively. According to Frost & Sullivan, our mobility services ranked second in the Greater Bay Area with a market share of 5.6% in terms of GTV in 2023. We serve and connect various participants of the mobility industry including the riders, drivers, automobile OEMs, vehicle service providers and autonomous driving solution providers. We offer (i) mobility services; (ii) technology services, primarily AI data and model solutions, and high-definition (HD) maps; and (iii) fleet sale and maintenance where we offer a full suite of support for drivers and car partners. We have derived the most revenue from providing ride-hailing services since our establishment, and after years of dedication to quality services, we have established a broad and expanding user base and extensive invaluable use case information, benefiting the development of other business segments. The extensive rider base and behavior data accumulated in our ride-hailing services provide a wealth of use case information for our technology services. In 2022, we started to provide fleet sale and maintenance, where we leverage our integrated industry resources to provide a full suite of vehicle and driver support solutions.

We are dedicated to delivering efficient and high-quality services in a broad geographic region. As of December 31, 2021, 2022 and 2023, the number of cities where we operated were six, 18 and 24, respectively. As of the same dates, the number of foothold cities were five, seven and nine, respectively, the majority of which are in the Greater Bay Area. Our mobility service GTV increased from RMB1,347.4 million in 2021 to RMB1,795.6 million in 2022, and further to RMB2,741.0 million in 2023, representing a CAGR of 42.6%. We plan to continuously expand our operations into other cities outside the Greater Bay Area through the implementation of our geographical expansion strategy.

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We experienced robust growth during the Track Record Period. Our revenue increased by 35.0% from RMB1,013.5 million in 2021 to RMB1,368.4 million in 2022 and further increased by 57.9% to RMB2,161.1 million in 2023.

BASIS OF PRESENTATION

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on April 30, 2019. Our historical financial information has been prepared in accordance with the IFRSs issued by the IASB and is presented in Renminbi. Our historical financial information has been prepared under the historical cost basis, except for the financial assets measured at fair value through profit or loss, which have been measured at fair value.

During the Track Record Period, certain of our Group’s businesses were conducted through Qichen Technology and its subsidiaries. On July 10, 2019, Chenqi Mobility, an indirect wholly-owned subsidiary of our Company (the “WFOE”), entered into a series of contractual arrangements with Qichen Technology and its registered shareholders (the “**Contractual Arrangements**”). The details of the Contractual Arrangements are set out under the section headed “Contractual Arrangements” of the document. The Contractual Arrangements, taken as a whole, enable the WFOE to have effective control over Qichen Technology and obtain substantially all of the economic benefits of Qichen Technology. Accordingly, Qichen Technology and its subsidiaries were regarded as controlled subsidiaries of our Group and the financial position and results of operations of Qichen Technology and its subsidiaries were consolidated into the historical financial information of our Group during the Track Record Period.

The preparation of historical financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires our management to exercise their judgment in the process of applying our accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates were significant to our historical financial information, were disclosed in Notes 2 and 3 to the Accountants’ Report included in Appendix I to this document.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, materially affected by a number of factors, some of which are outside of our control. These factors include, but are not limited to, the following:

General Factors Affecting Our Results of Operations

General Economic Conditions and Market Trends

With the growth of China’s economy, there are enormous opportunities and continual growth potential in the smart mobility market, autonomous driving technology service market and smart mobility fleet sale and maintenance market in China. For example, according to Frost & Sullivan, the size of the smart mobility market in China reached RMB319.4 billion in 2023, which is expected to further increase to RMB1,535.2 billion in 2030, representing a

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CAGR of 17.1% from 2023 to 2030. Our results of operations are largely affected by various factors affecting these markets in China, particularly in the Greater Bay Area, where we have a strong business presence. Such factors include the overall condition of the economy, changes in mobility demands and preferences of riders, technology advancement (such as big data analytics, IoT and AI technologies) and the evolving regulatory environment. Changes in such factors may result in the growth or decline of the demands in the markets where we are exploring more business opportunities. Our ability to anticipate and respond to potential changes in the industry trends will have a considerable impact on our future performance.

Regulatory Environment

Our business and results of operations are affected by policies and laws and regulations applicable to the industry in which we operate. In recent years, the governments in China at various levels have been focusing on the orderly development of the mobility service market and implemented a series of policies, laws and regulations to regulate the industry. For example, in July 2016, the MOT, together with other relevant authorities, jointly promulgated the Interim Measures for the Management of Online Ride-Hailing Operation and Service (《網絡預約出租汽車經營服務管理暫行辦法》) (the “**Online Ride-Hailing Measures**”), which regulates the business activities of ride-hailing services to ensure the safety of passengers by establishing a regulatory system for the mobility platforms, vehicles and drivers engaged in ride-hailing services. In addition, in February 2022, the MOT, together with other relevant authorities, jointly promulgated the Notice on the Joint Regulation of the Whole Chain and Process for the Online Ride-Hailing Industry (《關於加強網絡預約出租汽車行業事前事中事後全鏈條聯合監管有關工作的通知》), which further strengthened the supervision jointly conducted by different government departments at various levels in China. See “Regulatory Overview.” New laws and regulations issued by the governments in China may increase our compliance costs and impact our business and results of operations.

Competition

The smart mobility market is highly competitive in China, featuring rapid technological advancements, constantly evolving user preferences and frequent introduction of new services that better cater to riders’ needs. To maintain our competitive position, we must scale up our operations by retaining and attracting riders, through providing superior rider experience, and enhancing our safety control mechanisms. Our ability to maintain competitive reputation, popularity, price, performance and reliability in comparison to our competitors will also impact our market position. As we expand our business and increase market share, competitors with greater resources or strategic advantages pose a significant challenge to our sustainable growth. Our competitors may have greater financial, technical, marketing, research and development and other resources, stronger brand recognition, longer operating history or a larger user base than we do in the markets where we operate. They may be able to invest greater resources in promotion and marketing for their services, expanding their offerings and offering more rider and driver incentives, which could adversely affect our competitiveness. We expect competition to continue, both from current well-established competitors and from new entrants into the market, who may become significant competitors in the future.

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Impact of COVID-19

The outbreak of COVID-19 severely impacted China and the world from early 2020 onwards. In order to contain the virus, precautionary and control measures such as business and workplace closures, travel restrictions, social distancing measures and emergency quarantines were implemented in regions affected by the pandemic. As a result, the COVID-19 pandemic posed an unprecedented challenge for mobility service companies in China, with the outbreak adversely affecting the demand for mobility services. Our mobility services were particularly affected by the COVID-19 pandemic in 2021 and 2022. In 2022, resurgences of the pandemic occurred sporadically across China, including the Greater Bay Area where we primarily operate our business. Notwithstanding the impact of the COVID-19 pandemic in 2022, we managed to record growth from our ride-hailing services, primarily attributable to: (i) we experienced a period of rapid business expansion; in particular, we commenced operations in more cities in the middle and second half of 2021, which contributed to our solid revenue growth in 2022; (ii) our active expansion into new cities to extend our rider base; (iii) our commitment to improving service quality, such as ensuring our drivers comply with relevant health requirements, which enhanced customer trust; and (iv) the decrease in incentives to customers per order, attributable to our more prudent customer incentive policy.

Save for the above-mentioned business disruptions, we did not encounter any other material adverse impact on our business operations caused by the COVID-19 pandemic during the Track Record Period. As a technology company, most of our core functions can be performed remotely. Our employees may work from home using computers to perform their tasks and communicate with each other via conference calls and other instant communication means.

We expect that our business will not be severely disrupted in the long run. Following the lift of restrictive measures in China in December 2022, economic activities have begun to recover and returned to normal nationwide since January 2023. As a result, the demand and supply of mobility services have gradually recovered. According to Frost & Sullivan, the overall market conditions of mobility services in China have returned to pre-COVID-19 level in terms of demand and supply. The daily average order volume of ride-hailing services in China were approximately 21.0 million in 2019, which reached 24.9 million in 2023, according to the same source. In 2023, benefiting from our established brand recognition in our existing markets and our loyal user base, our ride-hailing business has resumed normalcy. The GTV of our ride-hailing services increased by 54.5% from RMB1,756.9 million in 2022 to RMB2,714.0 million in 2023, and the order volume of our ride-hailing services increased by 47.6% from 66.0 million in 2022 to 97.3 million in 2023.

Based on the foregoing, our Directors are of the view that the COVID-19 pandemic did not have any material adverse impact on our business and results of operations during the Track Record Period and up to the Latest Practicable Date. However, we cannot be entirely certain as to when the impact of the COVID-19 pandemic will be completely alleviated. Any prolonged outbreak of the COVID-19 may adversely affect our business and financial performance. We are closely monitoring the development of the COVID-19 pandemic, as well as other health pandemics, natural disasters and extraordinary events, and continuously evaluate any potential impact on our business, results of operations and financial condition. See “Risk Factors – Risks Relating to Our Business and Industry – Our business could be adversely affected by natural disasters, public health crises such as the COVID-19 pandemic, political crises, economic downturns or other unexpected events.”

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Specific Factors Affecting Our Results of Operations

In addition to the general factors, we believe the following specific factors also have a significant impact on our results of operations.

Our Ability to Retain and Attract Users on Our Platforms

During the Track Record Period, the majority of our revenue was generated from ride-hailing services. In 2021, 2022 and 2023, revenue from ride-hailing services accounted for 99.2%, 91.0% and 83.9% of our total revenue, respectively. The revenue scale of our mobility services largely depends on the GTV and order volume of our ride-hailing services, which are mainly related to the scale of our user base that primarily comprises riders and drivers. As such, our ability to retain and attract users on our platforms is pivotal to our business growth. In 2021, 2022 and 2023, the number of the average monthly active riders of our mobility services amounted to 1,031.7 thousand, 1,203.8 thousand and 1,047.3 thousand, respectively. The decrease of the number of the average monthly active riders of our mobility services from 2022 to 2023 is primarily due to the significantly increasing number of orders from third-party mobility service platforms from 18.7 million in 2022 to 57.0 million in 2023, during which service costs of third-party mobility service platforms have been recognized in cost of revenue and we continuously optimized our cost structure, where we strategically reduced promotion and marketing expenses and incentives to riders with the aim of retaining a customer base that values the quality of our services, which resulted in an reduction of price-sensitive users on our platform. See “Business — Relationship with Industry Partners — Third-Party Mobility Service Platforms — Third-Party User Traffic Cooperation” for reasons of the increase in orders from third-party mobility service platforms. To attract riders and cultivate their stickiness and loyalty, we endeavor to improve our service quality and operational efficiency, expand our geographic coverage by extending our footprint into more cities, and conduct various promotional activities, including provision of rider incentives, encouragement of rider referrals, cross-industry promotional campaigns and on-the-ground promotional activities in commercial districts and transportation hubs to enhance our brand awareness.

Apart from retaining and attracting riders, we also attach importance to establishing and expanding our service fleet. With an adequate service fleet, we are able to maintain and steadily improve the response rate of our mobility services, which attracts more riders to place orders on our platforms. To maintain and expand our service fleet, we provide transparent and holistic platform service to our drivers, which helps them achieve a more stable income and reduce vehicle maintenance costs. See “Business – Our Strengths – High-Quality Mobility Services.”

We provide incentives as a means of attracting new users from time to time. Incentives to riders for ride-hailing services are granted in the form of order discounts, which are net off from our revenue recorded thereunder. Incentives to drivers are granted upon completion of corresponding rides on our platforms, which are included in drivers’ service fee recognized as our cost of revenue. Moreover, we also grant incentives to riders for using our hitch services and referring our mobility services to new riders, which are recorded as referral incentives recognized as our selling and marketing expenses. See “— Material Accounting Policy Information, Judgments and Estimates – Revenue – Mobility Services Business – Incentives.” Going forward, we may strategically adjust our marketing approach based on our business performance and needs from time to time.

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Our Ability to Diversify Our Revenue Sources

We endeavor to explore and diversify our revenue sources by leveraging our experience and resources accumulated through the operation of our mobility service platform, which we believe is crucial to our business growth. Since the commencement of our ride-hailing service in 2019, we have been dedicated to expanding our service offerings. Leveraging our core competencies as a mobility service provider, we launched the demonstrative commercialized hybrid operation of manned ride-hailing and Robotaxi services in 2022. In addition to mobility services, we also generated revenue from provision of technology services to our enterprise customers during the Track Record Period. Furthermore, in 2022, we tapped into the fleet sale and maintenance business, which covered sales of vehicles and spare parts, maintenance and repair.

During the Track Record Period, we primarily generated revenue from provision of mobility services, which comprised ride-hailing services and others. We also generated revenue from (i) technology services, primarily including AI data and model solutions, and high-definition (HD) maps, and (ii) fleet sale and maintenance, where we offer a full suite of support for drivers and car partners. Going forward, we plan to further expand our service offerings and improve our ability to diversify our business operations, thereby benefiting from the synergies between our different business segments and achieving sustained business growth. We expect to further promote the commercialization of Robotaxi. We also expect to diversify and monetize our offering of technology services, including AI data and model solutions, HD maps and others. As of the Latest Practicable Date, we had secured contracts for our technology services with a total contract value of RMB57.9 million. Furthermore, we aspire to build a one-stop standardized automobile service platform and create an industry network with various industry partners, riders and drivers.

Our Ability to Manage Costs and Expenses

Our ability to effectively manage costs and expenses is crucial to our sustained business growth and results of operations.

Our cost of revenue amounted to RMB1,258.6 million, RMB1,514.3 million and RMB2,311.5 million in 2021, 2022 and 2023, accounting for 124.2%, 110.7% and 107.0% of our total revenue for the same periods, respectively. For example, from a driver’s standpoint, leveraging the high-quality user traffic on our own platform and our diverse third-party mobility service platform partners, together with our scientific and balanced algorithms and dispatch mechanism, we offer drivers the opportunities to secure abundant trip orders, allowing them to harvest stable incomes. Moreover, we have developed a data analytical system that shows the order density heat map to drivers and suggests drivers to stay close to the area with more orders, which will help drivers by reducing the travel time to pickup location and order waiting time and will increase our response rate. Our response rate was 81.5%, 84.8% and 88.9% in 2021, 2022 and 2023, respectively, which is higher than the industry average, according to Frost & Sullivan. In addition, our fleet sale and maintenance provide drivers a full suite of services at lower price, such as vehicle purchase, vehicle maintenance and repair services, helping them to manage and optimize their cost structure which means drivers can keep their vehicles in good condition and reduce downtime, which might otherwise lead to a loss of income. The comprehensive support and services offered by us build trust among

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drivers, and when they feel supported and valued, they are more likely to remain active on our platform, leading to more consistent earnings. As a result of the aforementioned reasons, we have been able to enhance driver stickiness and control the offering of incentives to drivers. The incentives per order to registered drivers providing ride-hailing services decreased from RMB2.87 in 2021 to RMB1.71 in 2022, and further decreased to RMB1.46 in 2023, which is lower than the industry average, according to Frost & Sullivan. According to Frost & Sullivan, with the similar competitive landscapes in the existing and target new cities, our better-than-industry-average response rate and incentives per order paid to registered drivers demonstrate our ability to attract and retain drivers at more competitive costs, both in existing cities we operate and target new cities we plan to operate.

Our selling and marketing expenses amounted to RMB264.7 million, RMB231.4 million and RMB218.9 million in 2021, 2022 and 2023, accounting for 26.1%, 16.9% and 10.1% of our total revenue for the same periods, respectively. Our selling and marketing expenses decreased as a percentage of revenue throughout the Track Record Period, mainly because we continued enhancing our brand awareness. Through our geographical expansion strategy, we were able to enable the sustainable and effective expansion of our mobility services, facilitating our expansion from Guangzhou to the wider Greater Bay Area, and further to the neighboring regions. In addition, our premium service also helped us attract more riders by word-of-mouth reputation.

Our general and administrative expenses amounted to RMB99.9 million, RMB106.8 million and RMB155.0 million in 2021, 2022 and 2023, accounting for 9.9%, 7.8% and 7.2% of our total revenue for the same periods, respectively. Our general and administrative expenses generally decreased as a percentage of our total revenue during the Track Record Period, primarily because we endeavored to refine our operation to achieve effective control over operations costs while improving operational efficiency.

Our results of operations and long-term growth prospects also depend on our ability to keep abreast of cutting-edge technologies and develop our platforms. Over the years, we have devoted a large amount of resources in the development and enhancement of technologies, core function modules of our platforms and our internal operation systems, which enable us to improve service quality, increase user stickiness and improve our operation efficiency. We believe our enhanced brand awareness, dedication in implementing our geographical expansion strategy, as well as the synergies across different business segments can help us better manage costs and expenses and improve operational efficiency.

Seasonality

We experienced seasonality in the operation of our mobility services during the Track Record Period, with typically lower levels of order volume in the first quarter due to the relatively less demand for mobility services in the cities where we operate during the Chinese New Year holidays as people have traveled back to their hometowns. We usually experience spikes in order volume in summer and winter during which seasons individuals typically have stronger demands for ride-hailing services. We expect this seasonal trend to continue in the future and our revenue to continue to fluctuate based on the seasonal factors that affect the mobility service market.

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MATERIAL ACCOUNTING POLICY INFORMATION, JUDGMENTS AND ESTIMATES

We prepare our financial statements in accordance with IFRSs, which require us to make judgments, estimates and assumptions. The judgments we make and estimates and assumptions we use in applying our accounting policies have a significant impact on our financial position and operational results. Our management continuously evaluates such judgments, estimates and assumptions based on the most recent available information, past experience and other factors, including industry practices and expectations of future events which are deemed to be reasonable under the circumstances. There has not been any material deviation from our management's estimates or assumptions and actual results during the Track Record Period. We do not expect any material changes to these estimates and assumptions in the foreseeable future.

Set forth below are accounting policies, judgments and estimates which we believe are of critical importance to us in the preparation of our financial statements. Our material accounting policy information, judgments and estimates, which are important for understanding our financial condition and results of operations, are set forth in further detail in Notes 2 and 3 to the Accountants' Report included in Appendix I to this document.

Revenue

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

Revenue is recognized when control over the service or good is transferred to the customer, at the amount of promised consideration to which our Group is expected to be entitled, excluding those amounts collected on behalf of third parties. In particular, revenue excludes value added tax and is after deduction of any trade discounts and sales rebates.

When another party is involved in providing services or goods to a customer, our Group determines whether the nature of its promise is a performance obligation to provide the specified services or goods itself (i.e., our Group is a principal) or to arrange for those services or goods to be provided by the other party (i.e., our Group is an agent). This determination is made by identifying each specified service or good promised to the customer in the contract and evaluating whether the entity obtains control of the specified service or good before it is transferred to the customer.

Our Group is a principal if it controls the right to the specified service that will be performed by another party, which gives our Group the ability to direct that party to provide the service on our Group's behalf, or obtains control of a good from another party that it then transfers to the customer.

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Our Group is an agent if its performance obligation is to arrange for the provision of the specified service or good by another party. In this case, our Group does not control the specified service or good provided by another party before that service or good is transferred to the customer. When our Group acts as an agent, it recognizes revenue on a net basis in the amount of any fee or commission to which it expects to be entitled, which is the net amount of consideration that the entity retains after paying other parties.

Further details of our Group’s income recognition policies are as follows:

Mobility Services Business

Ride-Hailing Services

Our Group provides ride-hailing services to riders by engaging our registered drivers via our own mobility service platform and cooperative third-party mobility service platforms where their riders can choose to place orders to us. See “Business — Access to Our Platform.” Our Group has determined that our Group is the principal and views the riders as our customers in these ride-hailing services because our Group controls the services provided to riders. Among other things, our Group has control over the promised services before they are provided to the riders as it has the discretion to accept and reject orders from riders; our Group has the ability to assign and direct our registered drivers to deliver services on behalf of our Group; our Group sets the service standards and rules with which the registered drivers are obligated to comply when providing the services; our Group evaluates the performance of our registered drivers regularly against such standards and rules; our Group has the discretion in establishing the prices for the services and the fees to our registered drivers separately; and our Group is the party primarily responsible for fulfilling the services in accordance with the relevant regulations in the PRC and the service agreements.

Our Group recognizes revenue on a gross basis at the amount of ride service fees to which our Group is expected to be entitled upon the completion of the ride services. Service costs of third-party mobility service platforms, through which their riders placed orders to us, are recognized as cost of revenue.

Our Group also provides services to facilitate matching third-party ride-hailing service providers with ride orders received on our own mobility service platform. Under this scenario, our riders can choose to send orders to cooperative third-party platforms. See “Business — Mobility Service — Ride Hailing.” Our Group has determined that our Group is the agent for these services and views the third-party ride-hailing service providers as the customers, as our Group does not have the ability to assign and direct the drivers from third-party ride-hailing service providers to deliver the ride services. Our Group recognizes the service fee income at the amount charged to the third-party ride-hailing service providers. Our Group recognizes these service fee income at the point in time upon the completion of a ride order.

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Robotaxi Services

Our Group also provides ride-hailing services to riders as a principal through our own autonomous vehicles, Robotaxis. Our Group recognizes revenue on a gross basis at the amount of ride service fees to which our Group is expected to be entitled upon the completion of the ride services.

Hitch Services

Our Group provides hitch services to facilitate matching private car owners with riders via our own mobility service platform and connecting to other hitch platforms. Our Group has determined that our Group is the agent for such services, as our Group does not have the ability to assign and direct the private car owners. Our Group recognizes revenue from these hitch services on a net basis. Our Group earns information service fees from private car owners, which our Group views as the customers and recognizes the information service fees upon the completion of a hitch trip.

Incentives

Our Group provides various types of incentives to riders and drivers, including discount coupons, direct payment deduction and discounts on services. The accounting policy for major incentives is described as follows.

Incentives to Customers

Our Group records incentives to riders using ride-hailing services and private car owners providing hitch services, who are regarded as the customers of our Group, as a deduction of revenue, to the extent of the fees collected from the customers, as our Group does not receive a distinct service in exchange for the payment. When the amount of these incentives exceeds the revenue earned on an order by order basis, the excess is recorded in cost of revenue.

Incentives to Registered Drivers Providing Ride-Hailing Services

The incentives to registered drivers providing ride-hailing services are recognized as cost of revenue as they are part of our Group’s fulfillment costs for completing the performance obligation under the ride-hailing services.

Incentives to Riders When Our Group Acts as an Agent

Our Group records incentives to riders in the services to facilitate matching third-party ride-hailing service providers with ride orders received or hitch services as selling and marketing expenses at the time they are redeemed by the riders.

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User Referrals

Incentives earned by riders and drivers for referring new users to our Group are paid in exchange for a distinct service and are accounted for as customer acquisition costs. Our Group records such customer acquisition costs as selling and marketing expenses when incurred.

The following table sets forth the amount of incentives we offered during the periods indicated:

	Year ended December 31,		
	2021	2022	2023
	<i>(RMB in thousands)</i>		
	<i>(unaudited)</i>		
Incentives to customers	265,769	370,680	513,909
Incentives to registered drivers providing ride-hailing services	132,187	112,813	142,299
Incentives to riders when our Group act as an agent	8,337	865	397
User referrals	14,121	12,343	11,033

Our incentives to customers were RMB265.8 million, RMB370.7 million and RMB513.9 million in 2021, 2022 and 2023, with incentives per order at RMB5.78, RMB5.62 and RMB5.28 for the same periods, respectively. Our incentives to customers per order demonstrated a general decreasing trend throughout the Track Record Period, primarily because we have been increasingly prudent in offering rider incentives, as we achieved penetration rate through enhancement of brand awareness and the implementation of our geographical expansion strategy. In addition, our enhanced cooperation with third-party mobility service platforms during the Track Record Period has enabled us to access a broader customer base, which in turn has decreased our user acquisition costs. In 2021, 2022 and 2023, incentives to customers represented 20.3%, 21.1% and 18.9%, respectively, of the GTV from our ride-hailing services during the same year, which is generally a downward trend, with a slight increase in 2022 primarily attributable to the impact of our geographic expansion.

Our incentives to registered drivers providing ride-hailing services were RMB132.2 million, RMB112.8 million and RMB142.3 million in 2021, 2022 and 2023, with incentives per order at RMB2.87, RMB1.71 and RMB1.46 for the same periods, respectively. The incentives to registered drivers providing ride-hailing services per order has decreased since 2021, primarily because we established and maintained a stable and robust driver fleet as we increased drivers’ stickiness with us through our refined operations and dedication to offering drivers a variety of assistance and supports, which rendered us less reliant on incentives to attract and retain drivers.

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Our incentives to riders when our Group act as an agent mainly related to our hitch services. Our incentives to riders when our Group act as an agent decreased from RMB8.3 million in 2021 to RMB0.9 million in 2022, and decreased to RMB0.4 million in 2023, primarily due to our strategic adjustment to our mobility services.

Our user referrals remained relatively stable at RMB14.1 million, RMB12.3 million and RMB11.0 million in 2021, 2022 and 2023, respectively.

During the Track Record Period, we achieved robust revenue growth and rapid expansion of business scale, benefiting from our strategies to offer abovementioned incentives. In the future, with our enhanced brand awareness and considerable penetration rate in markets where we operate, we expect to maintain a wide and loyal rider base and a professional service fleet, meanwhile we expect to control the growth of incentives and reduce the incentives as a percentage of revenue and cost, which will help us implement strategies to improve gross margin and achieve profitability in future. See “Business — Path to Profitability.”

Technology Services Business

Technology services mainly include development of software, smart transportation solutions and other technical services during the Track Record Period. When the outcome of the contract can be reasonably measured, revenue from the contract is recognized over time during the development process based on the proportion of the actual costs incurred relative to the estimated total costs to provide a faithful depiction of the transfer of the service.

Fleet Sale and Maintenance Business

Fleet sale and maintenance business mainly includes sales of vehicles and spare parts, and provision of repair and maintenance services.

Sales of Vehicles and Spare Parts

Revenue arising from the sale of goods is recognized when control of the goods has transferred according to respective agreed terms of delivery.

Repair and Maintenance Services

Revenue arising from repair and maintenance services is recognized as and when the service is rendered.

Practical Expedients

Our Group has taken advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component as the period of financing is 12 months or less.

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Our Group has also applied the practical expedient of not disclosing the information related to the aggregated amount of the transaction price allocated to the remaining performance obligations for contracts that had an original expected duration of one year or less in accordance with paragraph 121(a) of IFRS 15.

Our Group has also applied the practical expedient in accordance with paragraph 94 of IFRS 15 and expenses customer acquisition costs as incurred because the amortization period would be one year or less.

Share-Based Payments

Our Group operates certain equity-settled share-based compensation plans, under which our Group receives services from employees as consideration for equity instruments of our Group.

The fair value of share awards granted to employees is recognized as an employee cost with a corresponding increase in the share-based payment reserve. The fair value is measured at grant date, taking into account the terms and conditions upon which the share awards were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share awards, the total estimated fair value of the share awards is spread over the vesting period, taking into account the probability that the share awards will vest.

During the vesting period, the number of share awards that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognized in prior years is charged/credited to the profit or loss for the period of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share-based payment reserve. On vesting date, the amount recognized as an expense is adjusted to reflect the actual number of share awards that vest (with a corresponding adjustment to equity). The equity amount of share options is recognized in the capital reserve until either the option is exercised (when it is included in the amount recognized in share capital for the shares issued) or the option expires (when it is released directly to retained profits). The equity amount of restricted share units is recognized in the capital reserve until the share award is vested.

If new share awards are granted to employees and, on the date when those new share awards are granted, the entity identifies the new share awards granted as replacement share awards for the cancelled share awards, the entity shall account for the granting of replacement share awards in the same way as a modification of the original grant of share awards.

If a modification increases the fair value of the equity instruments granted, the incremental fair value granted is included in the measurement of the amount recognized for the services received over the remainder of the vesting period. If a modification reduces the fair value of the equity instruments granted, or is not otherwise beneficial to the employee, the Group continues to recognize the services received as a minimum measured at the original grant date fair value of the equity instruments granted (unless those equity instruments are forfeited) as if that modification had not occurred.

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Convertible Redeemable Preferred Shares

Convertible redeemable preferred shares give rise to financial liabilities as they are redeemable upon the occurrence of certain triggering events which are beyond the control of both our Group and the preferred shareholders.

At initial recognition, the redemption liabilities resulting from the convertible redeemable preferred shares are measured at the present value of the redemption amount. Subsequent changes in the carrying amount of the redemption liabilities are recognized in profit or loss.

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

Warrants and Related Loans

During the Track Record Period, our Company issued warrants to certain investors which give them the right to subscribe for the convertible redeemable preferred shares of our Company. In connection with the issuance of the warrants, the investors simultaneously provided loans to a subsidiary of our Group. Subject to completion of certain specified events, our Group shall repay the loans to the investors and the investors shall exercise the warrants and subscribe for the convertible redeemable preferred shares of our Company.

In the consolidated financial statements, the warrants and related loans are aggregated and treated as a single financial instrument when there are sufficient indicators that the issuance of the warrants and related loans results, in substance, in a single financial instrument. The warrants and related loans, as a single financial instrument, give rise to financial liabilities as they are redeemable upon the occurrence of certain triggering events that are beyond the control of both our Group and the investors. At initial recognition, the redemption liabilities resulting from the warrants and related loans are measured at the present value of the redemption amount. Difference between the present value of the redemption amount and the consideration received for the issuance of warrants and related loans is recognized in equity. Subsequent changes in the carrying amount of the redemption liabilities are recognized in profit or loss.

Provision for Expected Credit Losses on Trade and Other Receivables

Our Group uses a provision matrix to calculate ECLs for trade and other receivables. The provision matrix is initially based on our Group’s historical observed default rates. At the end of each of the reporting periods, the historical observed default rates are checked to determine whether they need to be updated and the changes to the forward-looking estimates are analyzed.

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The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. Our Group’s historical credit loss experience and forecast of economic conditions may also not be representative of customers’ actual default in the future.

Recognition of Deferred Tax Assets

Deferred tax assets in respect of tax losses and deductible temporary differences can only be recognized to the extent that it is probable that future taxable profits will be available against which the tax losses and deductible temporary differences can be utilized. Therefore, our judgment is required to assess the probability of future taxable profits. Our assessment is revised as necessary and additional deferred tax assets are recognized if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

Control Assessment over Qichen Technology through Contractual Arrangements

As disclosed in note 2(c)(ii) to the Accountants’ Report set out in Appendix I, our Directors have determined that our Group has control over Qichen Technology through the Contractual Arrangements notwithstanding that our Group does not have direct or indirect legal ownership in equity of Qichen Technology. Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing our Group with direct control over Qichen Technology and uncertainties in the present legal system in the PRC could limit our Group’s ability to enforce the Contractual Arrangements. Our Directors, based on the advice of our PRC Legal Advisor, consider that the Contractual Arrangements with Qichen Technology are legal, valid and binding under PRC laws. Accordingly, Qichen Technology and its subsidiaries were accounted for as controlled subsidiaries during the Track Record Period.

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CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The following table sets forth a summary of our consolidated statements of profit or loss for the periods indicated:

	Year ended December 31,		
	2021	2022	2023
	<i>(RMB in thousands)</i>		
Revenue	1,013,529	1,368,359	2,161,063
Cost of revenue	<u>(1,258,646)</u>	<u>(1,514,269)</u>	<u>(2,311,508)</u>
Gross loss	(245,117)	(145,910)	(150,445)
Other income	47,455	31,750	54,315
Selling and marketing expenses	(264,667)	(231,354)	(218,895)
General and administrative expenses	(99,860)	(106,772)	(154,979)
Research and development expenses	(116,623)	(105,401)	(118,943)
Credit loss on trade and other receivables	(872)	(3,905)	(2,203)
Other net loss	<u>(3,791)</u>	<u>(47)</u>	<u>(2,703)</u>
Loss from operations	(683,475)	(561,639)	(593,853)
Finance costs	(1,152)	(2,640)	(2,615)
Changes in the carrying amount of convertible redeemable preferred shares	–	(10,407)	(64,502)
Changes in the carrying amount of other financial liabilities issued to investors	<u>–</u>	<u>(52,097)</u>	<u>(31,824)</u>
Loss before taxation	(684,627)	(626,783)	(692,794)
Income tax	<u>–</u>	<u>–</u>	<u>–</u>
Loss for the year	<u>(684,627)</u>	<u>(626,783)</u>	<u>(692,794)</u>

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NON-IFRS MEASURE

To supplement our consolidated financial statements, which are presented in accordance with IFRSs, we also use adjusted net loss (non-IFRS measure) as an additional financial measure, which is not required by, or presented in accordance with, IFRSs. We believe this non-IFRS measure facilitates comparisons of operating performance from period to period and company to company by eliminating potential impacts of certain items.

We believe adjusted net loss (non-IFRS measure) provides useful information to investors and others in understanding and evaluating our results of operations in the same manner as they help our management. However, our presentation of adjusted net loss (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under IFRSs.

We define adjusted net loss (non-IFRS measure) as net loss for the year adjusted by adding back changes in the carrying amount of convertible redeemable preferred shares, changes in the carrying amount of other financial liabilities issued to investors, equity-settled share-based payments and [REDACTED] expenses related to the [REDACTED].

The following table reconciles our adjusted net loss (non-IFRS measure) for the periods presented in accordance with IFRSs, which is loss for the year:

	Year ended December 31,		
	2021	2022	2023
	<i>(RMB in thousands)</i>		
Reconciliation of loss for the year to adjusted net loss (non-IFRS measure):			
Loss for the year	<u>(684,627)</u>	<u>(626,783)</u>	<u>(692,794)</u>
Add:			
– Changes in the carrying amount of convertible redeemable preferred shares ⁽¹⁾	–	10,407	64,502
– Changes in the carrying amount of other financial liabilities issued to investors ⁽²⁾	–	52,097	31,824
– Equity-settled share-based payments ⁽³⁾	16,009	33,166	26,386
– [REDACTED] ⁽⁴⁾	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Adjusted net loss (non-IFRS measure)	<u>(668,618)</u>	<u>(531,113)</u>	<u>(541,216)</u>

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Notes:

- (1) Changes in the carrying amount of convertible redeemable preferred shares mainly represent changes in the carrying amount of certain preferred shares we issued to investors pursuant to the financing agreements. All the convertible redeemable preferred shares will be re-designated from financial liabilities to equity as a result of the automatic conversion into our Shares upon the [REDACTED].
- (2) Changes in the carrying amount of other financial liabilities issued to investors mainly represent changes in the carrying amount of the warrants we issued to certain investors for the right to the subscription of our convertible redeemable preferred shares and related loans provided by the investors.
- (3) Equity-settled share-based payments are non-cash employee benefit expenses incurred in connection with our award to key employees. Such expenses in any specific period are not expected to result in future cash payments.
- (4) [REDACTED].

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

During the Track Record Period, we generated revenue primarily from provision of mobility services, which comprise ride-hailing services and others. We also generated revenue from (i) technology services, and (ii) fleet sale and maintenance. We generated all of our revenue from the PRC during the Track Record Period.

The following table sets forth a breakdown of our revenue by business segments in amounts and as percentages of our total revenue for the periods indicated:

	Year ended December 31,					
	2021		2022		2023	
	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>					
Mobility services	1,012,464	99.9	1,249,768	91.3	1,814,133	84.0
– Ride-hailing services	1,005,188	99.2	1,244,956	91.0	1,812,133	83.9
– Others ⁽¹⁾	7,276	0.7	4,812	0.3	2,000	0.1
Technology services	1,065	0.1	–	–	26,545	1.2
Fleet sale and maintenance	–	–	118,591	8.7	320,385	14.8
Total	<u>1,013,529</u>	<u>100.0</u>	<u>1,368,359</u>	<u>100.0</u>	<u>2,161,063</u>	<u>100.0</u>

Note:

- (1) Others primarily consist of (i) Robotaxi services, (ii) hitch services, and (iii) marketing and promotion services.

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Mobility Services

Our mobility services primarily comprise ride-hailing services, which contributed the most to our revenue from mobility services during the Track Record Period. Revenue from ride-hailing services is primarily derived from the ride fees we charge riders for using our ride-hailing services. The increase in the revenue of our ride-hailing services during the Track Record Period was primarily due to the significant increases in our ride-hailing GTV, which was mainly driven by our loyal and expanding rider base and the increased order volume.

From 2021 to 2022, we recorded an increase in the number of monthly active riders and order volume mainly because of (i) the growth of our business scale along with the expanding geographic coverage and increasing penetration rate in the existing markets as a result of the dedicated implementation of our geographical expansion strategy, (ii) our quality services and enhanced brand awareness, and (iii) a variety of promotion and marketing activities carried out by us to encourage interactions with existing and new riders.

From 2022 to 2023, we recorded an increase in order volume, particularly an increase in the number of orders from third-party mobility service platforms from 18.7 million in 2022 to 57.0 million in 2023, resulting from (i) the mutual-beneficial relationships between third-party mobility service platforms and us, under which third-party mobility service platforms prefer to allocate more orders to service providers with competent and compliant service fleet, allowing them to achieve higher response rate and enhance rider experience, while we benefit from additional order volume and GTV, amplifying our brand awareness and providing our drivers with more orders and better income, especially in cities where we strive to enhance our presence. As a result, both third-party mobility service platforms and ourselves have been committed to deepening the cooperation to fulfill more orders generated under this model; and (ii) an increase in the number of third-party mobility service platforms with which we cooperated during the Track Record Period, particularly in the second half of 2022, during which we were granted greater access to the user traffic associated with these platforms, resulting a significant increment in the number of orders from third-party mobility service platforms. According to Frost & Sullivan, such increases are in line with the trend during recent years that ride-hailing service providers have been cooperating more closely with each other by fulfilling orders placed through other platforms. In addition, third-party mobility service platforms tend to prioritize their collaboration with service providers with better compliant record and competent driver fleet.

As of December 31, 2023, we have established mutually beneficial cooperations with 20 third-party mobility service platforms. As of December 31, 2021, 2022 and 2023, the number of foothold cities where we focused our operation were five, seven and nine, respectively, the majority of which were in the Greater Bay Area. Benefiting from the abovementioned measures, we were able to maintain a loyal user base.

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Our other mobility services mainly comprise (i) Robotaxi services, (ii) hitch services, and (iii) marketing and promotion services. We expanded into hitch services in 2020 and started to commercialize Robotaxi operations in 2022. Our promotion and marketing services mainly focus on providing online advertising services to advertisers on our mobile apps and *Weixin* Mini Program. During the Track Record Period, revenue from other mobility services was primarily derived from one promotion and marketing project, which was completed in 2021. As such, revenue from other mobility services amounted to RMB7.3 million, RMB4.8 million and RMB2.0 million in 2021, 2022 and 2023, respectively, accounting for 0.7%, 0.3% and 0.1% of our total revenue for the same periods, respectively.

Technology Services

Our technology services are categorized into (i) AI data and model solutions, (ii) HD maps, and (iii) other technology services, primarily including smart transportation solutions. Revenue from technology services amounted to RMB1.1 million, nil and RMB26.5 million in 2021, 2022 and 2023, respectively. We experienced fluctuations in revenue from our technology services during the Track Record Period, primarily due to (i) our operational strategy for technology services in 2021 and 2022 focusing on R&D to enhance our technological capabilities and competitive standing; (ii) the provision of technology services is project-based and driven by customer demand; and (iii) in 2023 we began to enhance our efforts in selling and marketing for technology services. We have accumulated technology and analytical capabilities in offering ride-hailing services, which we believe could help to address the needs of autonomous driving solution providers during their R&D and testing process. During the Track Record Period, we did not generate significant revenue from technology services as this business was at its early stage. We introduced our technology services mainly to the leading autonomous driving solution providers in China to strengthen our cooperation with them. With the fast growth of our mobility service business, we believe our technology capabilities would enable us to develop and expand our presence in this business area, thus securing more contracts under this segment. As of the Latest Practicable Date, we had secured contracts for our technology services with a total contract value of RMB57.9 million.

Fleet Sale and Maintenance

We started to provide our fleet sale and maintenance in April 2022 and we mainly derived revenue from the sales of vehicles and the service fees we charged for our maintenance and repair services provided under this segment. Revenue from fleet sale and maintenance amounted to nil, RMB118.6 million and RMB320.4 million in 2021, 2022 and 2023, respectively representing nil, 8.7% and 14.8% of total revenue during the same periods, mainly as we just started our fleet sale and maintenance in April 2022 and achieved rapid growth in 2023.

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Cost of Revenue

Our cost of revenue primarily consists of (i) drivers’ service fee, which mainly represents driver earnings and incentives provided to drivers for completing orders, (ii) car leasing costs, (iii) management fees paid to car partners, which mainly represent fees paid to our car partners for the driver management services provided by them, (iv) IT service fees, which mainly represent service fees paid to providers for the operation and maintenance of data storage and servers, (v) cost of technology services, (vi) payment processing costs, (vii) service costs of third-party mobility service platforms, (viii) incentives to drivers for hitch services, (ix) depreciation and amortization, and (x) cost of auto service center, which mainly include procurement costs of vehicles related to our fleet sale and maintenance. The following table sets forth a breakdown of our cost of revenue by nature and as percentages of our total cost of revenue for the periods indicated:

	Year ended December 31,					
	2021		2022		2023	
	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>					
Drivers’ service fee	1,177,283	93.5	1,289,603	85.2	1,794,833	77.6
Car leasing costs	588	0.0	144	0.0	30	0.0
Management fees paid to car partners	38,441	3.1	40,466	2.7	38,455	1.7
IT service fees	15,834	1.3	30,757	2.0	37,150	1.6
Cost of technology services	938	0.1	–	–	21,880	1.0
Payment processing costs	6,102	0.5	6,176	0.4	10,205	0.4
Service costs of third-party mobility service platform	6,910	0.5	26,894	1.8	95,517	4.1
Incentives to drivers for hitch services	6,534	0.5	–	–	–	–
Depreciation and amortization	3,859	0.3	6,661	0.4	6,059	0.3
Cost of auto service center	–	–	112,393	7.4	306,389	13.3
Others	2,157	0.2	1,175	0.1	990	0.0
Total	<u>1,258,646</u>	<u>100.0</u>	<u>1,514,269</u>	<u>100.0</u>	<u>2,311,508</u>	<u>100.0</u>

During the Track Record Period, the largest component of our cost of revenue was drivers’ service fee. Drivers’ service fee increased during the Track Record Period, which was in line with the expansion of our business scale. Drivers’ service fee decreased as a percentage of cost of revenue from 93.5% in 2021 to 85.2% in 2022, and further decreased to 77.6% in 2023, primarily due to (i) the decrease in incentives provided to drivers because of enhanced drivers’ stickiness, which results from (a) the stable income leveraged by our abundant order resources and advanced matching algorithms, and (b) a range of vehicle purchase, maintenance, and repair services provided under fleet sale and maintenance, helping them to optimise their cost structure and strengthen their trust in our platform; and (ii) the increase in cost of auto service center in absolute amount and as a percentage of cost of revenue in the respective periods, resulting from the increased vehicle procurement costs of vehicles following the commencement of fleet sale and maintenance in 2022.

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We recorded insignificant amounts of car leasing costs in 2021, 2022 and 2023, which were mainly related to other car leasing services we offered to enterprise customers. As of the Latest Practicable Date, we had ceased offering such car leasing services.

Management fees paid to car partners as a percentage of our total cost of revenue decreased during the Track Record Period, primarily due to the improved cost management and operational efficiency of our car partners. The average rate of management fees paid to our car partners remained stable at 3.5% in 2021 and 2022, and then decreased to 2.4% in 2023. See “Business – Relationship with Industry Partners – Car Partners.” To improve our operational efficiency alongside the expansion of business scale of our mobility services, we developed our proprietary vehicle and driver management system and provided access to our car partners for free. In addition, we provided training to our car partners from time to time, assisting them to improve operating efficiency. Moreover, the vehicle sales and maintenance services offered under our fleet sale and maintenance helped our car partners reduce costs. Leveraging our unique industry resources and close relationships with automobile manufacturers, including GAC Group, we undertake centralized vehicle procurement for our car partners and drivers. We consolidate the demands of our car partners and drivers, and negotiate directly with automobile manufacturers for a collective deal, which is typically priced at a discount from prevailing market prices. We provide standardized maintenance and repair services and ancillary services, such as car wash and EV charging, to our car partners and certain individual car owners. See “Business – Our Service Offering – Fleet Sale and Maintenance.”

IT service fees mainly represent service fees paid to providers for the operation and maintenance of data storage and servers. IT service fees increased from RMB15.8 million in 2021 to RMB30.8 million in 2022, and further increased to RMB37.2 million in 2023, mainly for the expansion of our business scale.

Cost of technology services represents cost of offering our technology services. Cost of technology services fluctuated during the Track Record Period, which was in line with the fluctuations in the revenue from technology services.

Payment processing costs mainly represent service fees that third-party payment processors charge us (i) for orders placed by individual riders through our platforms, including mobile apps and Weixin Mini Program, and (ii) for orders placed through the third-party mobility service platforms with whom we agree to bear the payment processing costs. We do not bear payment processing costs for orders placed through the third-party mobility service platforms with whom we do not have such agreement. Payment processing costs are generally determined based on the payment amounts multiplied by the fee rates charged by third-party payment processors. During each year of the Track Record Period, the fee rates charged by third-party payment processors remained the same at 0.6%. In 2022, our revenue from mobility services increased by 23.4% from RMB1,012.5 million in 2021 to RMB1,249.8 million in 2022, whilst the payment processing costs remained relatively stable at RMB6.1 million and RMB6.2 million in 2021 and 2022, respectively, primarily because of the following reasons: (i) the increase in the revenue generated from the orders of ride-hailing services placed through third-party mobility service platforms for which we did not bear payment processing costs from RMB50.4 million in 2021 to RMB228.9 million in 2022; and (ii) the revenue generated from the orders of ride-hailing services for which we should bear payment processing costs remained relatively stable at RMB941.2 million and RMB970.7 million in 2021 and 2022, respectively.

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Our revenue from mobility services increased by 45.2% from RMB1,249.8 million in 2022 to RMB1,814.1 million in 2023, with the payment processing costs increased from RMB6.2 million in 2022 to RMB10.2 million in 2023, primarily due to an increase by 40.5% in the revenue generated from the orders of ride-hailing services for which we should bear payment processing costs from RMB970.7 million in 2022 to RMB1,363.9 million in 2023.

Service costs of third-party mobility service platforms mainly represent the service fees payable to our cooperative third-party mobility service platforms through which their riders placed orders and such orders are fulfilled by us. During the Track Record Period, fee charged by these third-party mobility service platforms to us under such collaborations ranged from 2% to 15% of the fee paid by riders, which is in line with the prevailing market rate. Our services have been accessible to most of the mainstream third-party mobility service platforms. See “Business — Relationship with Industry Partners – Third-Party Mobility Service Platforms.” Service costs of third-party mobility service platforms increased during the Track Record Period, primarily due to the increased volume of orders placed through our cooperative third-party mobility service platforms to us.

Incentives to drivers for hitch services mainly represent incentives we provide to drivers who provide hitch services on our platform. As we commenced hitch services in 2020, we recorded RMB6.5 million of incentives to drivers for hitch services, mainly to attract drivers to provide hit services on our platform. Benefiting from the increased driver stickiness with us, we reduced such incentives subsequently.

Gross Loss and Gross Margin

The following table sets forth our gross (loss)/profit and gross margin by business segment for the periods indicated:

	Year ended December 31,					
	2021		2022		2023	
	Gross (loss)/ profit	Gross profit (%)	Gross (loss)/ profit	Gross profit (%)	Gross (loss)/ profit	Gross profit (%)
	<i>(RMB in thousands, except for percentages)</i>					
Mobility services	(245,244)	(24.2)	(152,108)	(12.2)	(169,106)	(9.3)
Technology services	127	11.9	–	–	4,665	17.6
Fleet sale and maintenance	–	–	6,198	5.2	13,996	4.4
Total	<u>(245,117)</u>	<u>(24.2)</u>	<u>(145,910)</u>	<u>(10.7)</u>	<u>(150,445)</u>	<u>(7.0)</u>

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Note:

- (1) A further breakdown of gross (loss)/profit and gross margin by business sub-segment is unavailable, mainly because (i) it is inaccurate to allocate certain cost of revenue, such as IT service fees, by different types of services under mobility services as all three services offered by us share the same IT service fees; and (ii) during the Track Record Period, our ride-hailing services contributed to substantially all of our total revenue, and the gross margins of the other business segments and sub-segments had no material impact on our overall gross margins.

While we experienced significant growth during the Track Record Period, we incurred gross losses throughout the Track Record Period, primarily due to high cost of revenue in the early stage of business development during which we were in the process of expanding our geographical coverage and acquiring new users. For the years ended December 31, 2021, 2022 and 2023, our gross loss was RMB245.1 million, RMB145.9 million and RMB150.4 million, respectively; for the same periods, our gross loss margin was -24.2%, -10.7% and -7.0%, respectively. The gross loss margin of our mobility services had improved since 2021, primarily because (i) we granted less rider incentives per order, as we achieved higher rider stickiness and penetration rate through the enhancement of brand awareness and the implementation of our geographical expansion strategy, and (ii) we continuously improved our operational efficiency. In addition, our technology services and fleet sale and maintenance were in the early stage of business development, and their respective gross profit margins fluctuated during the Track Record Period. In particular, as we delivered technology services on a project basis and the prices of such services were negotiated on a case-by-case basis, the gross profit margins varied across the Track Record Period. Moreover, we recorded gross profit margin of 5.2% and 4.4% of fleet sale and maintenance in 2022 and 2023, primarily because the maintenance services carry higher and stable margins in nature.

Other Income

Our other income primarily consists of (i) government grants, and (ii) interest income from bank deposits.

In 2021, 2022 and 2023, our other income amounted to RMB47.5 million, RMB31.8 million and RMB54.3 million, respectively.

Government grants mainly represent cash awards granted to certain subsidiaries of our Group by the local governments. Government grants primarily include subsidies related to economic contribution, R&D and operating expenses of our mobility services. Government grants decreased from RMB36.7 million in 2021 to RMB19.2 million in 2022 and further increased to RMB39.7 million in 2023. We recorded such fluctuations mainly because (i) we received a special government fund of RMB14.5 million in 2021, which was an one-off cash reward for our business development and contribution to local economy, and we did not receive such cash award in 2022; and (ii) we received subsidies in 2023 under a subsidized project of Guangzhou Development District Management Committee to promote the development of smart mobility platform enterprises. We expect that we would continue to be eligible to apply for subsidies of similar natures in the future.

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Selling and Marketing Expenses

Our selling and marketing expenses primarily consist of (i) promotion and marketing expenses, (ii) staff expenses, and (iii) outsourcing expenses for customer services. The following table sets forth a breakdown of the major components of our selling and marketing expenses for the periods indicated:

	Year ended December 31,					
	2021		2022		2023	
	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>					
Promotion and marketing expenses	221,602	83.8	162,393	70.1	143,980	65.8
– Advertisement and ground promotion fees	181,235	68.7	133,966	57.9	122,739	56.1
– Brand promotion service fees	16,733	6.3	14,182	6.1	8,566	3.9
– Incentives to users for referring our ride-hailing services to new riders	14,121	5.3	12,343	5.3	11,033	5.0
– Incentives to riders for using our hitch services	8,337	3.1	865	0.4	397	0.2
– Other promotion and marketing expenses	1,176	0.4	1,037	0.4	1,245	0.6
Staff expenses	30,950	11.7	54,485	23.6	56,164	25.7
Outsourcing expenses for customer services	6,477	2.4	8,244	3.6	10,598	4.8
Others ⁽¹⁾	5,638	2.1	6,232	2.7	8,153	3.7
Total	264,667	100.0	231,354	100.0	218,895	100.0

Note:

(1) Others mainly include depreciation and amortization expenses and telecommunications expenses.

Our selling and marketing expenses decreased as a percentage of our revenue from 26.1% in 2021 to 16.9% in 2022 and further decreased to 10.1% in 2023. Such decrease was primarily because (i) we continued enhancing our brand awareness; (ii) we achieved the sustainable and effective expansion of our mobility services through our geographical expansion strategy; and (iii) we attract more riders by word-of-mouth reputation, benefiting from our premium service.

During the Track Record Period, promotion and marketing expenses accounted for a substantial portion of our selling and marketing expenses, which mainly included (i) fees incurred for performance-based advertising and ground promotion, (ii) brand promotion service fees, mainly for brand marketing activities and projects to enhance brand awareness,

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(iii) incentives to users for referring our ride-hailing services to new riders, and (iv) incentives to riders for using our hitch service. Advertisement and ground promotion fees accounted for the majority of our marketing expenses during the Track Record Period. Advertisement and ground promotion fees decreased from RMB181.2 million in 2021 to RMB134.0 million in 2022 and further to RMB122.7 million in 2023, primarily because we optimized our promotion and marketing expenses following our successful establishment of user base.

General and Administrative Expenses

Our general and administrative expenses primarily consist of (i) staff expenses, (ii) depreciation and amortization, (iii) professional service fees, which mainly represent fees payable to professional parties we engage for our financing activities, (iv) office-related expenses, (v) lease and property management fees, (vi) recruitment expenses, (vii) IT service fees, (viii) taxes surcharges, and (ix) others. The following table sets forth a breakdown of the components of our general and administrative expenses for the periods indicated:

	Year ended December 31,					
	2021		2022		2023	
	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>					
Staff expenses	67,584	67.6	71,762	67.2	77,506	50.0
Depreciation and amortization	9,347	9.4	10,755	10.1	17,272	11.1
Professional service fees	7,573	7.6	4,670	4.4	32,141	20.7
Office-related expenses	3,786	3.8	4,189	3.9	5,859	3.8
Lease and property management fees	2,215	2.2	2,794	2.6	2,971	1.9
Recruitment expenses	1,222	1.2	2,134	2.0	1,359	0.9
IT service fees	4,068	4.1	8,267	7.7	6,611	4.3
Taxes surcharges	2,762	2.8	767	0.7	8,212	5.3
Others ⁽¹⁾	1,303	1.3	1,434	1.4	3,048	2.0
Total	99,860	100.0	106,772	100.0	154,979	100.0

Note:

(1) Others mainly include non-deductible input VAT and network rental fees.

Our general and administrative expenses amounted to RMB99.9 million, RMB106.8 million and RMB155.0 million in 2021, 2022 and 2023, respectively, accounting for 9.9%, 7.8% and 7.2% of our total revenue for the same periods, respectively. From 2021 to 2023, our general and administrative expenses decreased as a percentage of our revenue, which was primarily due to the benefit from economies of scale as a result of our business expansion and our efforts in improving operation efficiency.

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R&D Expenses

Our R&D expenses primarily comprise (i) staff expenses for our R&D personnel, (ii) outsourcing expenses for R&D, (iii) depreciation and amortization, (iv) services cost of Robotaxi test drivers, and (v) others. The following table sets forth a breakdown of the components of our R&D expenses for the periods indicated:

	Year ended December 31,					
	2021		2022		2023	
	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>					
Staff expenses	41,884	35.9	68,553	65.0	77,760	65.4
Outsourcing expenses for R&D	73,442	63.0	34,758	33.0	24,811	20.9
Depreciation and amortization expenses	1,092	0.9	1,534	1.5	9,270	7.8
Service cost of Robotaxi test drivers	–	–	–	–	5,850	4.9
Others ⁽¹⁾	205	0.2	556	0.5	1,252	1.0
Total	<u>116,623</u>	<u>100.0</u>	<u>105,401</u>	<u>100.0</u>	<u>118,943</u>	<u>100.0</u>

Note:

- (1) Others mainly include charging and insurance fee in relation to Robotaxi testing and office-related expenses.

Our R&D expenses amounted to RMB116.6 million, RMB105.4 million and RMB118.9 million in 2021, 2022 and 2023, respectively, accounting for 11.5%, 7.7% and 5.5% of our revenue for the same periods, respectively. We recorded relatively higher R&D expenses in 2021, primarily because we incurred higher R&D outsourcing expenses that year as a supplement to our in-house R&D force as we increased R&D activities for the upgrade of our mobility apps, the development of our open platform to grant access to third-party platforms, and the development of smart operation systems, among others. The engagement of outsourced R&D services allowed our own R&D team to focus on the development and optimization of our proprietary core technologies. See “Business – Our Service Offerings – Mobility Services – Robotaxi” and “Business – Our Service Offerings – Fleet Sale and Maintenance” for details of our R&D activities during the Track Record Period.

Credit Loss on Trade and Other Receivables

Credit loss on trade and other receivables represents provisions of impairment of trade and other receivables. We recorded credit loss on trade and other receivables of RMB0.9 million, RMB3.9 million and RMB2.2 million in 2021, 2022 and 2023, respectively.

FINANCIAL INFORMATION

Other Net Loss

Our other net loss primarily consists of (i) net loss on disposal of property, plant and equipment, (ii) exchange losses, (iii) penalty expenses, (iv) compensation income, and (v) others.

The following table sets forth a breakdown of other net loss for the periods indicated:

	Year ended December 31,		
	2021	2022	2023
	<i>(RMB in thousands)</i>		
Net loss on disposal of property, plant and equipment	(3,324)	–	–
Exchange losses	–	–	(3,413)
Penalty expenses	(821)	(775)	(1,133)
Compensation income	83	298	112
Others	271	430	1,731
	<u>271</u>	<u>430</u>	<u>1,731</u>
Total	<u><u>(3,791)</u></u>	<u><u>(47)</u></u>	<u><u>(2,703)</u></u>

Penalty expenses mainly represent the historical administrative penalties we paid for the unlicensed vehicles and drivers that serviced on our platform. Penalty expenses remained relatively stable at RMB0.8 million, RMB0.8 million and RMB1.1 million in 2021, 2022 and 2023, respectively.

Compensation income mainly represent (i) compensations from drivers resulted from their violation of disciplines set out in the service agreement with us and our policies, (ii) compensation resulted from litigations related to certain users’ dishonest use of our ride-hailing services. During the Track Record Period, drivers’ violation of disciplines set out in the service agreement with us and our policies mainly included (i) creating fraudulent orders to unlawfully obtain incentives; (ii) cancelling the orders we assigned to them without valid excuses; (iii) maliciously and significantly deviating from the planned route; and (iv) having severe conflict with the riders in ill-mannered behaviour. In addition, during the Track Record Period, some of the users maliciously registered fraudulent accounts on our platform. Such users placed orders through their fraudulent accounts for other riders and charged such riders for the trips without making payments to us. According to Frost & Sullivan, these illegal actions are not exceptional cases in the industry. We identified these fraudulent accounts through our routine internal control measures and obtained such compensations through settlements or court judgments. Compensation income increased from RMB0.1 million in 2021 to RMB0.3 million in 2022 and further decrease to RMB0.1 million in 2023, primarily because (i) we obtained the compensation in relation to the abovementioned users’ dishonest use of our ride-hailing services through settlements or court judgments in 2022, (ii) we did not receive such compensation in 2023, and (iii) we received a relative limited amount of compensation related to our marketing partners failed to meet the prescribed marketing results.

FINANCIAL INFORMATION

Finance Costs

Our finance costs primarily comprise interest on interest-bearing and other borrowings and interest on lease liabilities. Our finance costs amounted to RMB1.2 million, RMB2.6 million and RMB2.6 million in 2021, 2022 and 2023, respectively.

Changes in the Carrying Amount of Convertible Redeemable Preferred Shares

We issued convertible redeemable preferred shares to Series A investors in 2022. As such, we recorded a loss of RMB10.4 million and RMB64.5 million from the changes in the carrying amount of convertible redeemable preferred shares in 2022 and 2023, respectively. See Note 26 to the Accountants’ Report in Appendix I to this document.

Changes in the Carrying Amount of Other Financial Liabilities Issued to Investors

We recorded a loss of RMB52.1 million and a loss of RMB31.8 million in 2022 and 2023, respectively, from the changes in the carrying amount of other financial liabilities issued to investors primarily due to the changes in redemption amount of the warrants and related loans to Series A investors and Series B investors. See Note 27 to the Accountants’ Report in Appendix I to this document.

Income Tax

We are subject to income tax on an entity basis on profits arising in or derived from tax jurisdictions in which our members are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands, we, being an exempted company with limited liability incorporated under the Cayman Companies Act, are exempted from Cayman Islands income tax.

Our income taxation in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof. We are subject to a statutory PRC EIT rate of 25%.

Our Hong Kong subsidiary is subject to Hong Kong Profits Tax at the rate of 16.5% on its taxable income generated from the operations in Hong Kong. A two-tiered profits tax rates regime was introduced in 2018 where the first HKD2.0 million of assessable profits earned by a company will be taxed at half of the current tax rate (8.25%) whilst the remaining profits will continue to be taxed at 16.5%.

During the Track Record Period and up to the Latest Practicable Date, we had paid all relevant taxes in accordance with tax regulations and do not have any disputes or unresolved tax issues with the relevant tax authorities.

FINANCIAL INFORMATION

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

Revenue

Our total revenue increased by 57.9% from RMB1,368.4 million in 2022 to RMB2,161.1 million in 2023, primarily due to (i) the increase in the revenue from mobility services, and (ii) the increase in the revenue from fleet sale and maintenance.

Revenue from our mobility services increased by 45.2% from RMB1,249.8 million in 2022 to RMB1,814.1 million in 2023, primarily due to the increased revenue of ride-hailing services, which increased by 45.6% from RMB1,245.0 million in 2022 to RMB1,812.1 million in 2023. The increase was primarily attributable to the increase in our ride-hailing GTV from RMB1,756.9 million in 2022 to RMB2,714.0 million in 2023, which was mainly due to (i) the increases in the average GTV per order from RMB26.6 in 2022 to RMB27.9 in 2023, and (ii) the increase in order volume from 66.0 million in 2022 to 97.3 million in 2023, including the increase in the number of orders from third-party mobility service platforms from 18.7 million in 2022 to 57.0 million in 2023. The increases in our average GTV per order of our ride-hailing services were mainly attributable to our stronger capabilities to obtain more long-distance trip orders, attributable to our enhanced brand awareness and premium services. The increase in the number of orders from third-party mobility service platforms from 2022 to 2023 is primarily attributable to (i) the mutual-beneficial relationships between third-party mobility service platforms and us, under which third-party mobility service platforms prefer to allocate more orders to service providers with competent and compliant service fleet, allowing them to achieve higher response rate and enhance rider experience, while we benefit from additional order volume and GTV, amplifying our brand awareness and providing our drivers with more orders and better income, especially in cities where we strive to enhance our presence. As a result, both third-party mobility service platforms and ourselves have been committed to deepening the cooperation to fulfill more orders generated under this model; and (ii) an increase in the number of third-party mobility service platforms with which we cooperated during the Track Record Period, particularly in the second half of 2022, during which we were granted greater access to the user traffic associated with these platforms, resulting a significant increment in the number of orders from third-party mobility service platforms.

The revenue from fleet sale and maintenance increased from RMB118.6 million in 2022 to RMB320.4 million in 2023, as we just started our fleet sale and maintenance in April 2022 and achieved rapid growth in 2023. Revenue from our technology services amounted to nil and RMB26.5 million in 2022 and 2023, respectively, primarily due to our operational strategy for technology services in 2022 focusing on R&D to enhance our technological capabilities and competitive standing, while in 2023 we have started to enhance our efforts in selling and marketing for technology services.

FINANCIAL INFORMATION

Cost of Revenue

Our cost of revenue increased by 52.6% from RMB1,514.3 million in 2022 to RMB2,311.5 million in 2023, primarily due to (i) an increase in drivers’ service fee, which was in line with the growth of our ride-hailing business, (ii) an increase in cost of auto service center, resulting from increased vehicle procurement costs related to our fleet sale and maintenance, and (iii) an increase in third-party mobility service platform costs, which was attributable to the increased service fees payable to our cooperative third-party mobility service platforms, resulting from the increase in the volume of orders placed through our cooperative third-party mobility service platforms to us.

Gross Loss and Gross Margins

Our gross loss increased by 3.1% from RMB145.9 million in 2022 to RMB150.4 million in 2023, and our gross margin improved from -10.7% in 2022 to -7.0% in 2023. We achieved further improvement in gross margin notwithstanding the intensifying competition in the mobility market in China, primarily because (i) we recorded increases in the revenue from our fleet sale and maintenance and technology services, of which the gross margins are higher than ride-hailing business in nature, and (ii) the improvement of gross loss margin of our mobility services, primarily due to (a) the decrease in our incentives to customers per order from RMB5.62 in 2022 to RMB5.28 in 2023, attributable to our more prudent customer incentive policy after effectively increasing penetration rate; (b) the decrease of incentives to drivers per order from RMB1.71 in 2022 to RMB1.46 in 2023, attributable to that our fleet sale and maintenance provide drivers a range of vehicle purchase, maintenance and repair services, helping them to optimize their cost structure and strengthen their trust with our platform, and an uptick in user traffic has led to an increase in order volume, ensuring that the income generated from orders is adequate to satisfy the drivers’ income expectations, thereby negating the necessity for additional incentives to drivers; and (c) the decrease of average management fee per order we paid to car partner from RMB0.61 in 2022 to RMB0.40 in 2023, attributable to the free access to our proprietary vehicle and driver management systems provided to our car partners and training provided to our car partners, improving their efficiency and enhancing cost management.

Other Income

Our other income amounted to RMB31.8 million and RMB54.3 million in 2022 and 2023, respectively.

Selling and Marketing Expenses

Due to our stronger brand awareness brought by our commitment to the implementation of our geographical expansion strategy, we were able to achieve decrease in selling and marketing expenses at RMB231.4 million and RMB218.9 million in 2022 and 2023 to achieve a stable revenue growth during the same periods, respectively.

FINANCIAL INFORMATION

General and Administrative Expenses

Our general and administrative expenses increased by 45.1% from RMB106.8 million in 2022 to RMB155.0 million in 2023, primarily due to (i) an increase in professional service fees we incurred for the [REDACTED], (ii) an increase in staff expenses, mainly resulting from the increased number of administrative personnel and compensation level, and (iii) an increase in taxes surcharges, which were charged based on payment of VAT, as the ride-hailing services were subject to VAT rate of 3% in 2023 instead of VAT exemption in 2022.

R&D Expenses

Our R&D expenses increased by 12.8% from RMB105.4 million in 2022 to RMB118.9 million in 2023, primarily due to (i) an increase in the staff expenses resulting from the recruitment of new R&D staff to enhance our R&D capabilities and (ii) an increase in depreciation and amortization expenses of RMB7.4 million related to the Robotaxis vehicles and related software we purchased in 2023 and an increase in service cost of Robotaxi test drivers of RMB5.9 million, which were attributable to R&D activities.

Credit Loss on Trade and Other Receivables

Our credit loss on trade and other receivables decreased from RMB3.9 million in 2022 to RMB2.2 million in 2023, primarily due to (i) the increase of 40.6% in trade receivables in 2023 compared to that of 2022 is significantly lower than the increase of 141.2% in trade receivables in 2022 compared to that of 2021, and (ii) the increase of 16.5% in prepayments, deposits and other receivables in 2023 compared to that of 2022 is significantly lower than the increase of 474.0% in prepayments, deposits and other receivables in 2022 compared to that of 2021. See “— Discussion of certain key balance sheet items — Trade receivables” and — “Prepayments, Deposits and Other Receivables.”

Other Net Loss

Our other net loss increased from RMB0.05 million in 2022 to RMB2.7 million in 2023, primarily due to the exchange losses of RMB3.4 million we recorded in 2023 resulting from the depreciation of USD against RMB in relation to the exchange of USD deposits into RMB in January 2023.

Finance Costs

Our finance costs remained relatively stable at RMB2.6 million and RMB2.6 million in 2022 and 2023, respectively.

FINANCIAL INFORMATION

Changes in the Carrying Amount of Convertible Redeemable Preferred Shares

We recorded a loss of RMB10.4 million and a loss of RMB64.5 million in 2022 and 2023, respectively, from the changes in the carrying amount of convertible redeemable preferred shares, primarily due to the changes in redemption amount of the convertible redeemable preferred shares we issued to Series A investors. See Note 26 to the Accountants’ Report in Appendix I to this document.

Changes in the Carrying Amount of Other Financial Liabilities Issued to Investors

We recorded a loss of RMB52.1 million and a loss of RMB31.8 million in 2022 and 2023, respectively, from the changes in the carrying amount of other financial liabilities issued to investors, primarily due to the changes in redemption amount of the warrants and related loans to Series A investors and Series B investors. See Note 27 to the Accountants’ Report in Appendix I to this document.

Loss for the Year

As a result of the foregoing, our net loss increased by 10.5% from RMB626.8 million in 2022 to RMB692.8 million in 2023.

Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

Revenue

Our total revenue increased by 35.0% from RMB1,013.5 million in 2021 to RMB1,368.4 million in 2022, primarily due to the increase in the revenue from mobility services and, to a lesser extent, the revenue from fleet sale and maintenance, which we commenced in 2022.

Revenue from our mobility services increased by 23.4% from RMB1,012.5 million in 2021 to RMB1,249.8 million in 2022, primarily due to the increased revenue of ride-hailing services, which increased by 23.9% from RMB1,005.2 million in 2021 to RMB1,245.0 million in 2022. The increase was primarily attributable to the increase in our ride-hailing GTV from RMB1,310.5 million in 2021 to RMB1,756.9 million in 2022, which was mainly driven by (i) the expansion of our rider base, with the average monthly active riders of our ride-hailing services increasing from 980.0 thousand in 2021 to 1,160.7 thousand in 2022, and (ii) the increase in the order volume of our ride-hailing services from 46.0 million in 2021 to 66.0 million in 2022. We achieved rider base expansion and the increase in order volume of ride-hailing services, mainly because (i) we expanded our geographic coverage with foothold cities increasing from five in 2021 to seven in 2022, (ii) we continued to improve our service quality and enhancing our brand awareness, and (iii) we continued increasing penetration rate in the existing markets where we had established presence and achieving higher rider stickiness, benefiting from our geographical expansion strategy. Notwithstanding the impact of the COVID-19 pandemic in 2022, we managed to record growth in revenue of our mobility services, which grew at a slower pace in 2022 compared to 2021.

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We started to provide our fleet sale and maintenance in April 2022. The revenue from fleet sale and maintenance amounted to RMB118.6 million in 2022. Revenue from our technology service amounted to RMB1.1 million and nil in 2021 and 2022, respectively. Revenue from our technology services amounted to RMB1.1 million and nil in 2021 and 2022, respectively. See “— Description of Major Components of Our Results of Operations – Revenue.”

Cost of Revenue

Our cost of revenue increased by 20.3% from RMB1,258.6 million in 2021 to RMB1,514.3 million in 2022, primarily driven by (i) the cost of auto service center of RMB112.4 million we recorded in 2022, which mainly included procurement costs of vehicles following the commencement of our fleet sale and maintenance in the same year, and (ii) the increased drivers’ service fee resulting from our increased order volume of our ride-hailing services and ride-hailing GTV along with our business expansion.

Gross Loss and Gross Margin

Our gross loss decreased by 40.5% from RMB245.1 million in 2021 to RMB145.9 million in 2022, and our gross margin improved from -24.2% in 2021 to -10.7% in 2022, primarily due to (i) the decrease in our incentives to customers per order from RMB5.78 in 2021 to RMB5.62 in 2022, attributable to our more prudent customer incentive policy after effectively increasing customer stickiness and penetration rate and the resurgence of COVID-19 in 2022; (ii) the decrease of incentives to drivers per order from RMB2.87 in 2021 to RMB1.71 in 2022, attributable to our fleet sale and maintenance helping drivers to optimize their cost structure and increased user traffic ensuring drivers’ income expectations are satisfied; and (iii) the decrease of average management fee per order we paid to car partner from RMB0.84 in 2021 to RMB0.61 in 2022, attributable to our proprietary vehicle and driver management systems and training improving car partners’ efficiency and cost management.

Other Income

Our other income decreased by 33.1% from RMB47.5 million in 2021 to RMB31.8 million in 2022, primarily due to a decrease in government grants. We received a large amount of special government fund for promoting economic development in 2021, which was an one-off cash reward for our business development and contribution to local economy. We did not receive such cash award in 2022. The decrease in government grants was partially offset by an increase in interest income from bank deposits, which was mainly due to the increase in cash balance benefiting from our financing activities.

Selling and Marketing Expenses

We strove to achieve revenue growth at 35.0% in 2022, while we decreased our selling and marketing expenses by 12.6% from RMB264.7 million in 2021 to RMB231.4 million in 2022, benefiting from (i) more effective rider acquisition because of our stronger brand awareness and the persistent implementation of our geographical expansion strategy in our existing and new markets, and (ii) our loyal rider base and higher customer stickiness attributable to our efforts in improving our services and traveling experiences.

FINANCIAL INFORMATION

General and Administrative Expenses

Our general and administrative expenses increased by 6.9% from RMB99.9 million in 2021 to RMB106.8 million in 2022, primarily due to (i) an increase in IT service fees to support our expanded business scale, and (ii) an increase in staff expenses, mainly resulting from (a) the increased number of administrative personnel along with our business expansion, and (b) an increase in equity-settled share-based payment for our administrative personnel.

R&D Expenses

Our R&D expenses remained relatively stable at RMB116.6 million and RMB105.4 million in 2021 and 2022, respectively. We incurred more outsourcing expenses for R&D activities in 2021 and did not incur such outsourcing expense in 2022; such decrease was offset by an increase in staff expenses, mainly due to the expansion of our R&D team demonstrating our continuous efforts in the development of our key proprietary technologies.

Credit Loss on Trade and Other Receivables

Our credit loss on trade and other receivables increased by 347.8% from RMB0.9 million in 2021 to RMB3.9 million in 2022, primarily due to the increased trade receivables, which was mainly attributable to (i) the expanded scale of our ride-hailing services, and (ii) the commencement of our fleet sale and maintenance in 2022 under which we grant some credit terms to relevant customers.

Other Net Loss

We recorded an other net loss of RMB3.8 million in 2021 as a result of the early termination of the lease of an office building in 2021. We did not make a similar disposal in 2022.

Finance Costs

Our finance costs increased by 129.2% from RMB1.2 million in 2021 to RMB2.6 million in 2022, respectively, primarily due to an increase in bank borrowings to supplement our working capital for operations, which led to an increase in interest on bank loans and other borrowings.

Changes in the Carrying Amount of Convertible Redeemable Preferred Shares

We recorded a loss of RMB10.4 million in 2022 from the changes in the carrying amount of convertible redeemable preferred shares, which were issued to several investors in 2022. See Note 26 to the Accountants’ Report in Appendix I to this document.

Changes in the Carrying Amount of Other Financial Liabilities Issued to Investors

We recorded a loss of RMB52.1 million in 2022 from the changes in the carrying amount of other financial liabilities issued to investors, which were in relation to the warrants and related loans. See Note 27 to the Accountants’ Report in Appendix I to this document.

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Loss for the Year

As a result of the foregoing, our net loss decreased by 8.4% from RMB684.6 million in 2021 to RMB626.8 million in 2022.

DISCUSSION OF CERTAIN KEY BALANCE SHEET ITEMS

Net Current Liabilities

The following table sets forth our current assets and liabilities as of the dates indicated:

	As of December 31,			As of
	2021	2022	2023	April 30,
	<i>(RMB in thousands)</i>			2024
				<i>(unaudited)</i>
Current assets				
Inventories	–	7,142	18,311	2,037
Trade receivables	5,913	14,261	20,044	24,464
Prepayments, deposits and other receivables	18,620	106,876	124,549	176,694
Restricted cash	18,725	987	–	–
Cash and cash equivalents	86,981	553,666	612,858	423,894
Total current assets	<u>130,239</u>	<u>682,932</u>	<u>775,762</u>	<u>627,089</u>
Current liabilities				
Trade and bills payables	52,845	58,070	78,168	68,618
Accruals and other payables	232,139	424,400	153,043	173,531
Loans and borrowings	10,000	23,011	14,033	25,104
Contract liabilities	1,292	2,140	2,837	2,335
Lease liabilities	9,854	11,535	31,007	7,578
Convertible redeemable preferred shares	–	247,973	1,161,283	2,101,867
Other financial liabilities issued to investors	–	726,813	888,913	–
Total current liabilities	<u>306,130</u>	<u>1,493,942</u>	<u>2,329,284</u>	<u>2,379,033</u>
Net current liabilities	<u>(175,891)</u>	<u>(811,010)</u>	<u>(1,553,522)</u>	<u>(1,751,944)</u>
Net liabilities	<u>(151,738)</u>	<u>(749,640)</u>	<u>(1,430,164)</u>	<u>(1,623,622)</u>

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Our net current liabilities increased from RMB1,553.5 million as of December 31, 2023 to RMB1,751.9 million as of April 30, 2024, primarily due to a decrease in cash and cash equivalents of RMB189.0 million, primarily related to net cash used in operating activities resulting from the expansion of our business.

Our net current liabilities increased from RMB811.0 million as of December 31, 2022 to RMB1,553.5 million as of December 31, 2023, primarily due to (i) an increase of RMB913.3 million in convertible redeemable preferred shares, primarily related to (a) additional issuance of Series A Preferred Shares, and (b) the conversion from other financial liabilities issued to Series A investors to convertible redeemable preferred shares, following the exercise of Series A warrants by the Series A investors to subscribe Series A Preferred Shares of our Company, and (ii) an increase of RMB162.1 million in other financial liabilities issued to investors, which was the net effect of additional warrants and related loans we issued to the investors with respect to Series B Preferred Shares of our Company and conversion of other financial liabilities issued to investors to convertible redeemable preferred shares upon the exercise of Series A warrants by the Series A investors, partially offset by (i) an increase of RMB59.2 million in cash and cash equivalents primarily as a result of the completion of the Series A financing and Series B financing in 2023, and (ii) a decrease of RMB271.4 million in accruals and other payables, primarily due to a decrease of advance payments from investors from RMB249.9 million in 2022 to nil in 2023, resulting from the completion of the Series B financing in 2023.

Our net current liabilities increased from RMB175.9 million as of December 31, 2021 to RMB811.0 million as of December 31, 2022, primarily due to (i) an increase of RMB726.8 million in other financial liabilities issued to investors, attributable to the warrants and related loans we issued to certain investors with respect to Series A Preferred Shares of our Company, (ii) an increase of RMB248.0 million in convertible redeemable preferred shares, and (iii) an increase of RMB192.3 million in accruals and other payables, primarily due to an increase in advance payments from Series B investors, partially offset by (i) an increase of RMB466.7 million in cash and cash equivalents, and (ii) an increase of RMB88.3 million in prepayments, deposits and other receivables.

Our net liabilities increased from RMB151.7 million as of December 31, 2021 to RMB749.6 million as of December 31, 2022, primarily due to the loss for 2022 of RMB626.8 million, partially offset by (i) the equity-settled share-based transactions of RMB33.2 million, and (ii) the waiver of payment of expenses and costs by a shareholder of RMB1.4 million. Our net liabilities increased from RMB749.6 million as of December 31, 2022 to RMB1,430.2 million as of December 31, 2023, primarily due to the loss in 2023 of RMB692.8 million, partially offset by (i) the equity-settled share-based transactions of RMB26.4 million, (ii) the deemed contribution from investors of RMB12.5 million, and (iii) the waiver of payment of expenses and costs by a shareholder of RMB2.6 million. The waiver of payment of expenses and costs by a shareholder during the Track Record Period represents the waiver of payment of marketing and promotional expense and platform service cost, which was provided by a shareholder in support of us at the initial stage of our business development. See Note 20(e) to Accountants’ Report in Appendix I to this document. As of the Latest Practicable Date, we did not have any other similar arrangement with such a shareholder. However, in the future, we may discuss and reach other cooperations of similar nature with them.

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We recorded net liabilities of RMB1,430.2 million as of December 31, 2023, primarily attributable to the convertible redeemable preferred shares of RMB1,161.3 million and other financial liabilities issued to investors of RMB888.9 million as of December 31, 2023. As of the Latest Practicable Date, all other financial liabilities issued to investors with respect to Series B warrants have been converted into convertible redeemable preferred shares upon exercise of Series B warrants. We expected that the continual fluctuations in the carrying amount of our convertible redeemable preferred shares will affect our financial position until the [REDACTED]. All the convertible redeemable preferred shares will be re-classified from financial liabilities to equity as a result of the automatic conversion into our Shares upon the [REDACTED] such that the net liability position turn into a net asset position. To the extent we need to remeasure the redeemable convertible preferred shares and other financial liabilities issued to investors prior to the completion of the [REDACTED], any change in the redemption amount of these redeemable convertible preferred shares and other financial liabilities issued to investors may materially and adversely affect our financial condition and results of operations.

In addition, we intend to further improve our net current liabilities position through various measures, for example:

- (i) We plan to improve our operating cash flows and reduce the net cash used in our operating activities. Specifically, we expect to solidify our working capital and cash position as we implement the strategies and measures to turn around from loss to profit making in future. Furthermore, we plan to maintain stable relationships with banks to leverage financial instruments such as bank acceptance bills;
- (ii) We expect to enhance our bargaining power over our suppliers as we scale up our business, and we plan to negotiate better credit terms with our suppliers for extended payment cycles. For example, we plan to leverage our relationship with GAIG and strive for more favorable credit terms and payment terms in relation to vehicles procurement for our fleet sale and maintenance. In addition, we expect to negotiate with suppliers of selling and marketing services for credit terms and commercial terms more favorable to us;
- (iii) We expect to continue procuring vehicles based on the orders received and optimize inventory levels. In addition, we receive payments from our customers in advance of vehicle deliveries, which also improve our cash position; and
- (iv) We plan to continue implementing effective evaluation system and stringent measures to enhance our trade receivables management and maintain the robust collection of trade receivables. During the Track Record Period, our trade receivables turnover days remained stable at three days in 2021, 2022 and 2023.

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Inventories

Our inventories mainly comprise vehicles that we procure for the sales to customers under fleet sale and maintenance business. The following table sets forth an aging analysis of our inventories as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	<i>(RMB in thousands)</i>		
1 to 90 days	–	4,740	18,289
91 days to 180 days	–	2,395	18
181 days to 365 days	–	4	4
Over 1 year	–	3	–
	<u>–</u>	<u>3</u>	<u>–</u>
Total	<u>–</u>	<u>7,142</u>	<u>18,311</u>

As of April 30, 2024, RMB17.2 million, or 93.9%, of our inventories as of December 31, 2023 had been sold or utilized. According to our inventory management policy, we periodically assess the value of our inventories to determine whether to recognize provisions for impairment. We believe that there is no recoverability issue for inventories, taking into account (i) a substantial portion of the inventories as of December 31, 2023 were aged less than 90 days; (ii) the subsequent sale or utilization; (iii) that our inventories are procured based on the orders received; and (iv) that the cost of our inventories are lower than the net realizable value. Therefore, no provision was made during the Track Record Period.

Trade Receivables

During the Track Record Period, our trade receivables mainly related to the amounts due from (i) individual riders who willfully delayed payment after completion of rides, (ii) enterprise customers of our enterprise solutions under mobility services, (iii) customers of our technology services, and (iv) customers of our maintenance services under fleet sale and maintenance business. The following table sets forth a breakdown of our trade receivables as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	<i>(RMB in thousands)</i>		
Trade receivables	12,012	22,672	30,151
Less: loss allowance	<u>(6,099)</u>	<u>(8,411)</u>	<u>(10,107)</u>
Total	<u>5,913</u>	<u>14,261</u>	<u>20,044</u>

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Our trade receivables increased from RMB5.9 million as of December 31, 2021 to RMB14.3 million as of December 31, 2022, primarily attributable to (i) the prolonged settlement process between our enterprise customers of our ride-hailing services and us during the COVID-19 resurgence in Guangzhou in late 2022, and (ii) the commencement of maintenance services under our fleet sale and maintenance business in 2022, for which we granted credit periods of 20 to 30 days to customers. Our trade receivables increased from RMB14.3 million as of December 31, 2022 to RMB20.0 million as of December 31, 2023, primarily attributable to an increase in trade receivables of mobility services business, which was generally in line with the revenue growth of ride-hailing services.

The following table sets forth an aging analysis of trade receivables, based on the invoice date and net of loss allowance as of the dates indicated.

	As of December 31,		
	2021	2022	2023
	<i>(RMB in thousands)</i>		
0 to 30 days	3,821	6,465	12,798
31 to 60 days	1,089	2,154	4,660
61 to 180 days	723	5,628	2,000
over 180 days	280	14	586
	<u>5,913</u>	<u>14,261</u>	<u>20,044</u>
Total	<u>5,913</u>	<u>14,261</u>	<u>20,044</u>

The following table sets forth the turnover days of our trade receivables for the periods indicated:

	Year ended December 31,		
	2021	2022	2023
	<i>(days)</i>		
Trade receivables turnover days ⁽¹⁾	<u>3</u>	<u>3</u>	<u>3</u>

Note:

- (1) Calculated using the average of opening balance and closing balance of the trade receivables for such years divided by revenue for the relevant years and multiplied by the number of days during such years (i.e., 365 days for one fiscal year).

Our trade receivables turnover days remained stable at three days in 2021, 2022 and 2023.

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We believe that we have implemented effective credit evaluation system and policies under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer’s past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. For mobility services business, trade receivables are mainly due from individual riders and enterprise customers. For individual riders, we request immediate settlement when the trip is completed. For enterprise customers, we usually grant a credit period within 30 days. For fleet sale and maintenance business, we normally request advance payment for sale of vehicles before the delivery of goods and grants a credit period of 20 to 30 days for provision of repair and maintenance services. Normally, we do not obtain collateral from customers.

We also have implemented trade receivables management policies to monitor trade receivables management in the ordinary course of business and accelerate the collection of trade receivables. For example, we established a risk management team in 2021 to improve receivables management, and we have launched a quick payment function in our mobile app, which allows users to make payment without a password, thereby facilitating and expediting payment settlement. We measure loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. We segment our trade receivables based on type of customers, due to different loss patterns experienced in different customer segments. See Note 31 to the Accountants’ Report in Appendix I to this document. Based on the foregoing, we believe there is no material recoverability issue for our trade receivable balance and sufficient provision has been made.

As of April 30, 2024, RMB16.9 million, or 84.3%, of our trade receivables as of December 31, 2023 had been settled.

Prepayments, Deposits and Other Receivables

Our prepayments, deposits and other receivables primarily comprise: (i) prepayments, mainly for the procurement of vehicles, vehicle parts for maintenance services, internet traffic for dash cams, technology services (such as services for risk management inquiry and the operation and maintenance of our office automation and client service systems), promotion and advertising services and others. We are generally required by relevant suppliers to make prepayments, either partial or in full, for the procurement of vehicles; (ii) value-added tax recoverable; (iii) deposits, mainly for the leases of office premises; (iv) receivables due from on-line payment platforms; and (v) receivables of ride service fees due from third-party mobility service platforms which collected payments on our behalf, mainly representing the ride service fee we typically charge riders for the orders placed on our cooperative third-party mobility service platforms and completed by us.

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The following table sets forth our prepayments, deposits and other receivables as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	<i>(RMB in thousands)</i>		
Prepayments	2,417	81,461	62,869
Value-added tax recoverable	411	6,123	12,048
Deposits	3,328	4,169	6,895
Receivables due from on-line payment platforms	4,542	3,616	6,415
Receivables of ride service fees due from third-party mobility service platforms which collected on our Group’s behalf	7,764	10,031	17,087
Receivables of purchase rebates due from vehicle suppliers	–	–	17,675
Others	158	1,476	1,560
Total	<u>18,620</u>	<u>106,876</u>	<u>124,549</u>

Our prepayments, deposits and other receivables increased from RMB18.6 million as of December 31, 2021 to RMB106.9 million as of December 31, 2022, primarily due to (i) an increase in prepayments, mainly relating to the procurement for vehicles as we started to provide fleet sale and maintenance in 2022. As of December 31, 2022, there were 641 units of vehicles awaiting delivery, for which we had made prepayments of RMB77.9 million as of the same date; and (ii) an increase in value-added tax recoverable, which mainly represented the tax credit relating to the vehicles that we procured and had not sold.

Our prepayments, deposits and other receivables increased from RMB106.9 million as of December 31, 2022 to RMB124.5 million as of December 31, 2023, primarily due to an increase in receivables of purchase rebates due from vehicle suppliers, resulting from the expanded scale of our fleet & management services.

As of April 30, 2024, RMB81.2 million, or 65.2%, of our prepayments, deposits and other receivables as of December 31, 2023 had been settled.

Trade and Bills Payables

Our trade payables primarily consisted of (i) drivers’ service fee, (ii) amounts payable to car partners for driver management services, (iii) procurement costs for car interiors and (iv) payables related to technology services. During the Track Record Period, our bills payables mainly related to the procurement of vehicles under our fleet sale and maintenance business.

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Our trade and bills payables increased from RMB52.8 million as of December 31, 2021 to RMB58.1 million as of December 31, 2022. Such increase was generally in line with our revenue growth. Our trade and bills payables increased from RMB58.1 million as of December 31, 2022 to RMB78.2 million as of December 31, 2023, mainly due to an increase in trade payables mainly relating to our technology services and ride-hailing services, partially offset by a decrease in bills payable, resulting from the settlement of payables relating to the vehicles we procured in late 2022.

The following table sets forth the turnover days of our trade and bills payables for the periods indicated:

	Year ended December 31,		
	2021	2022	2023
	<i>(days)</i>		
Trade and bills payables turnover days ⁽¹⁾	<u>11</u>	<u>13</u>	<u>11</u>

Note:

- (1) Calculated using the average of opening balance and closing balance of the trade and bills payables for such years divided by cost of revenue for the relevant years and multiplied by the number of days during such years (i.e., 365 days for one fiscal year).

Our trade and bills payables turnover days increased from 11 days in 2021 to 13 days in 2022, primarily due to the increased number of car partners we engaged to manage drivers in 2021. Our trade and bills payables turnover days decreased from 13 days in 2022 to 11 days in 2023, primarily due to the settlement of payables relating to the vehicles we procured in late 2022.

As of April 30, 2024, RMB73.1 million, or 93.5%, of our trade and bills payables as of December 31, 2023 had been settled.

Accruals and Other Payables

Our accruals and other payables primarily comprise (i) payables related to promotion and marketing expenses, (ii) accrued payroll and benefits, (iii) payables related to R&D expenses, (iv) deposits from platform users, (v) payables related to information technology service expenses, (vi) deposits from enterprise customers, (vii) other taxes payable, (viii) payables on behalf of end-users, which represent the payables that we shall pay on behalf of the riders for the orders placed through our platform and fulfilled by third-party mobility service platforms, and (ix) advance payments from investors.

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The following table sets forth a breakdown of our accruals and other payables as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	<i>(RMB in thousands)</i>		
Payables related to promotion and marketing expenses	82,841	36,102	35,446
Accrued payroll and benefits	19,612	26,970	27,426
Payables related to R&D expenses	73,165	48,253	14,976
Deposits from platform users	3,146	5,404	4,833
Payables related to information technology service expenses	11,764	18,924	9,702
Deposits from enterprise customers	2,634	3,072	2,776
Other taxes payable	6,693	1,603	7,267
Payables on behalf of end-users	9,670	17,460	10,316
Advance payments from investors	–	249,924	–
Payable related to [REDACTED] expenses	–	–	10,720
Others	22,614	16,688	29,581
	<u>22,614</u>	<u>16,688</u>	<u>29,581</u>
Total	<u>232,139</u>	<u>424,400</u>	<u>153,043</u>

Our accruals and other payables increased from RMB232.1 million as of December 31, 2021 to RMB424.4 million as of December 31, 2022, primarily due to an increase in advance payments from Series B investors, partially offset by (i) a decrease in payables related to promotion and marketing expenses, mainly due to the decreased investment in promotion and marketing as we benefited from our enhanced brand awareness and our geographical expansion strategy to acquire and retain riders more cost efficiently, and (ii) a decrease in payables related to R&D expenses, mainly because we reduced outsourcing expenses for R&D in 2022.

Our accruals and other payables decreased from RMB424.4 million as of December 31, 2022 to RMB153.0 million as of December 31, 2023, primarily due to (i) a decrease of advance payments from investors from RMB249.9 million in 2022 to nil in 2023, resulting from the completion of the Series B financing in 2023 and the warrants we issued to Series B investors, and (ii) a decrease in payables related to R&D expenses, mainly because we reduced outsourcing expenses for R&D in 2023.

As of April 30, 2024, RMB84.0 million, or 54.9%, of our accruals and other payables as of December 31, 2023 had been settled or derecognized, including accruals and other payables related to third-party mobility service platforms, [REDACTED] expenses, promotion and marketing expenses and staff expenses.

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Contract Liabilities

Our contract liabilities primarily represented the advance payments from customers for ride-hailing services, vehicles and spare parts and maintenance. Our contract liabilities amounted to RMB1.3 million, RMB2.1 million and RMB2.8 million as of December 31, 2021, 2022 and 2023, respectively. Our contract liabilities increased from RMB2.1 million as of December 31, 2022 to RMB2.8 million as of December 31, 2023, primarily due to the increased advance payment for the sales of vehicles under our fleet sale and maintenance business.

As of April 30, 2024, RMB1.0 million, or 34.0%, of our contract liabilities as of December 31, 2023 had been recognized as revenue.

Property, plant and equipment, right of use assets and intangible assets

Our property, plant and equipment primarily comprise (i) office equipment and furniture, (ii) operating equipment, (iii) leasehold improvements, and (iv) vehicles. As of December 31, 2021, 2022 and 2023, our property, plant and equipment amounted to RMB28.3 million, RMB28.2 million and RMB63.8 million, respectively.

Our right of use assets primarily comprise leased properties and vehicles. As of December 31, 2021, 2022 and 2023, our right of use assets amounted to RMB22.2 million, RMB15.2 million and RMB45.4 million, respectively.

Our intangible assets primarily comprise software. As of December 31, 2021, 2022 and 2023, our intangible assets amounted to RMB4.4 million, RMB11.7 million and RMB29.3 million, respectively.

Our Directors assessed any indication of impairment for property, plant and equipment, right of use assets and intangible assets at the end of each reporting period, and, where any such indication exists, determined the recoverable amounts, which are the higher of fair value less costs of disposal and the value in use. Based on our assessment, we did not make any impairment for property, plant and equipment, right of use assets or intangible assets as of December 31, 2021, 2022 and 2023.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2023, we had RMB612.9 million in cash and cash equivalents. Our primary use of cash is to fund our working capital requirements and other recurring expenses. During the Track Record Period, we had financed our operations primarily through cash generated from our operating activities and equity financing activities. In the foreseeable future, we believe that our liquidity requirements will be satisfied with a combination of cash flow generated from our operating activities, the net [REDACTED] received from the [REDACTED], and other funds raised from the capital markets from time to time. We will closely monitor the level of our working capital, and diligently review future cash flow requirements and adjust our operation and expansion plans, if necessary, to ensure that we maintain sufficient working capital to support our business operations.

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The following table sets forth our cash flows for the periods indicated:

	Year ended December 31,		
	2021	2022	2023
	<i>(RMB in thousands)</i>		
Loss before taxation	(684,627)	(626,783)	(692,794)
Adjustment for non-cash and non-operating items	24,295	108,573	148,117
Changes in working capital	217,356	(147,609)	(38,450)
Income tax paid	—	—	—
	<u> </u>	<u> </u>	<u> </u>
Net cash used in operating activities	(442,976)	(665,819)	(583,127)
Net cash used in investing activities	(10,165)	(37,608)	(27,188)
Net cash generated from financing activities	4,525	1,159,160	673,006
	<u> </u>	<u> </u>	<u> </u>
Net (decrease)/increase in cash and cash equivalents	(448,616)	455,733	62,691
Cash and cash equivalent at the beginning of the year	535,597	86,981	553,666
Effect of movements in exchange rates on cash held	—	10,952	(3,499)
	<u> </u>	<u> </u>	<u> </u>
Cash and cash equivalents at the end of year	<u>86,981</u>	<u>553,666</u>	<u>612,858</u>

Net Cash Used in Operating Activities

In 2023, we had net cash used in our operating activities of RMB583.1 million. Our net cash used in operating activities is attributable to our loss before taxation of RMB692.8 million, as adjusted by non-cash and non-operating items of RMB148.1 million, and further adjusted by working capital changes mainly comprising (i) a decrease in accruals and other payables of RMB34.2 million, and (ii) an increase in inventories of RMB11.2 million, partially offset by an increase in trade and bills payables of RMB20.1 million.

In 2022, we had net cash used in our operating activities of RMB665.8 million. Our net cash used in operating activities is attributable to our loss before taxation of RMB626.8 million, as adjusted by non-cash and non-operating items of RMB108.6 million, and further adjusted by working capital changes mainly comprising (i) an increase in prepayments, deposits and other receivables of RMB91.7 million, (ii) a decrease in accruals and other payables of RMB45.9 million, and (iii) a decrease in deferred income of RMB18.3 million, partially offset by a decrease in restricted cash of RMB17.7 million.

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In 2021, we had net cash used in our operating activities of RMB443.0 million. Our net cash used in operating activities is attributable to our loss before taxation of RMB684.6 million, as adjusted by non-cash and non-operating items of RMB24.3 million, and further adjusted by working capital changes mainly comprising (i) an increase in accruals and other payables of RMB175.0 million, (ii) an increase in trade and bills payables of RMB31.9 million, and (iii) a decrease in restricted cash of RMB12.7 million, partially offset by a decrease in trade receivables of RMB2.8 million.

We expect our net operating cash outflows position to improve concurrently with our results of operations, mainly through: (i) growing our customer base and enhancing user engagement, (ii) expanding our geographical coverage with fewer costs and expenses by improving our operational efficiency, (iii) continuously improving the quality of our services and solutions to increase customers’ willingness to pay for the premium experience, (iv) establishing and optimizing our fleet sale and maintenance that assist drivers with reducing their expenses on charging and maintaining cars, thereby enhancing drivers’ engagement with our platforms while allowing us to reduce drivers’ service fee as a percentage of our revenue, (v) improving promotion and marketing efficiency by leveraging AI analytical technologies, (vi) enhancing our cooperation with social media platforms and other apps and websites to reduce customer acquisition cost, and (vii) enhancing and diversifying monetization opportunities by optimizing the prices for our services and expanding our service offerings.

Net Cash Used in Investing Activities

In 2023, we had net cash used in investing activities of RMB27.2 million, primarily due to (i) payment for purchase of property, plant and equipment of RMB20.3 million, and (ii) payment for purchase of intangible assets of RMB21.4 million, partially offset by interest received of RMB14.5 million.

In 2022, we had net cash used in investing activities of RMB37.6 million, primarily due to (i) payment for purchase of property, plant and equipment of RMB38.3 million, and (ii) payment for purchase of intangible assets of RMB11.6 million, partially offset by interest received of RMB12.3 million.

In 2021, we had net cash used in investing activities of RMB10.2 million, primarily due to (i) payment for purchase of property, plant and equipment of RMB17.4 million, and (ii) payment for purchase of intangible assets of RMB3.6 million, partially offset by interest received of RMB10.9 million.

Net Cash Generated from Financing Activities

In 2023, our net cash generated from financing activities was RMB673.0 million, primarily due to (i) proceeds from exercise of warrants of RMB680.0 million, (ii) proceeds from issuance of other financial liabilities to investors of RMB468.6 million, and (iii) proceeds from advance payments from investors of RMB125.0 million, partially offset by repayment of other financial liabilities to investors of RMB667.5 million.

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In 2022, our net cash generated from financing activities was RMB1,159.2 million, primarily due to (i) proceeds from issuance of other financial liabilities to investors of RMB667.5 million, (ii) proceeds from advance payments from investors of RMB249.9 million, and (iii) proceeds from issuance of convertible redeemable preferred shares of RMB226.2 million, partially offset by (i) repayment of loans and borrowings of RMB10.0 million, and (ii) capital element of rental paid of RMB9.6 million.

In 2021, our net cash generated from financing activities was RMB4.5 million, primarily due to proceeds from loans and borrowings of RMB10.0 million, partially offset by (i) capital element of rental paid of RMB4.2 million, and (ii) interest element of rental paid of RMB1.0 million.

Working Capital Sufficiency

We had negative operating cash flows during the Track Record Period. We may continue to record negative cash flows from operating activities in the future, in which case our working capital may be limited and our business, financial condition, results of operations and prospects may be materially and adversely affected. See “Risk Factors – Risks Related to Our Business and Industry – We had gross loss, net losses and net cash outflow during the Track Record Period, and may continue to incur gross loss, net losses or have net cash outflow in the future.”

Although we had negative operating cash flows during the Track Record Period, we believe we have sufficient working capital required for our operations based on our financial capabilities, including the investments from our Shareholders as well as loans and bank borrowings.

Our Directors are of the opinion that, and the Joint Sponsors concur, taking into account the net [REDACTED] from the [REDACTED] and the financial resources available to us, including cash and cash equivalents, we have sufficient working capital for our present requirements, that is for at least 12 months from the date of this document.

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INDEBTEDNESS

The following table sets forth the details of our indebtedness as of the dates indicated:

	As of December 31,			As of
	2021	2022	2023	April 30, 2024
	<i>(RMB in thousands)</i>			<i>(unaudited)</i>
Current				
Loans and borrowings	10,000	23,011	14,033	25,104
Lease liabilities	9,854	11,535	31,007	7,578
Convertible redeemable preferred shares	–	247,973	1,161,283	2,101,867
Other financial liabilities issued to investors	–	726,813	888,913	–
Non-current				
Loans and borrowings	–	17,027	13,000	–
Lease liabilities	15,816	6,211	10,916	13,695
Total	<u>35,670</u>	<u>1,032,570</u>	<u>2,119,152</u>	<u>2,148,244</u>

Loans and Borrowings

As of December 31, 2021, 2022 and 2023, we had loans and borrowings of RMB10.0 million, RMB40.0 million and RMB27.0 million, respectively. We primarily used the funds for replenishment of working capital. As of December 31, 2021, the bank borrowings were unsecured at a fixed rate of 3.85% per annum and were fully repaid in September 2022. As of December 31, 2022, we had two short-term unsecured loans of RMB20.0 million with interest rates of 3.7% and 3.65% per annum, respectively, repayable within one year. As of December 31, 2022, we obtained a long-term unsecured borrowing from a PRC bank of RMB20.0 million. The fixed interest rate was 4.35% per annum, and the borrowing was repayable in installments within three years. As of December 31, 2023, we had one long-term unsecured bank borrowing of RMB17.0 million, with a fixed interest rate of 4.2% per annum; as of the same date, we had one short-term unsecured bank borrowings of RMB10.0 million in total with interest rates of 3.65% per annum, respectively. As of April 30, 2024, we had unutilized bank facilities of RMB50.0 million. See Note 23 to the Accountants’ Report in Appendix I to this document.

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Lease Liabilities

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the term of the lease. We recognized lease liabilities of RMB25.7 million, RMB17.7 million and RMB41.9 million as of December 31, 2021, 2022 and 2023, respectively. Our lease liabilities decreased from RMB25.7 million as of December 31, 2021 to RMB17.7 million as of December 31, 2022, primarily due to the increased number of long-term leases that matured towards the end of 2022. Our lease liabilities increased from RMB17.7 million as of December 31, 2022 to RMB41.9 million as of December 31, 2023, primarily due to an increase in current portion of lease liability of RMB19.5 million, mainly in relating to the lease of Robotaxi vehicles to further develop our Robotaxi Services.

Contingent Liabilities

We did not have any material contingent liabilities as of December 31, 2021, 2022 and 2023.

Indebtedness Statement

Our Directors confirm that as of the Latest Practicable Date, there was no material covenant on any of our outstanding debt and there was no breach of any covenant during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that our Group did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

Except as disclosed above, as of the Latest Practicable Date, we did not have any bank loans or borrowings or other bank facilities on a consolidated basis. Our Directors have confirmed that there is no material change in our indebtedness since December 31, 2023 and up to the Latest Practicable Date.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios for the periods indicated:

	Year ended December 31,		
	2021	2022	2023
Period-to-period revenue growth (%)	150.9	35.0	57.9
Gross margin ⁽¹⁾	(24.2)	(10.7)	(7.0)
Adjusted net margin (non-IFRS measure) (%) ⁽²⁾	(66.0)	(38.8)	(25.0)

Notes:

- (1) Gross margin equals gross profit divided by revenues for the period and multiplied by 100%.
- (2) Adjusted net margin (non-IFRS measure) equals adjusted net loss (non-IFRS measure) divided by revenues for the period and multiplied by 100%. For the reconciliation of net loss and adjusted net loss (non-IFRS measure), see “— Non-IFRS Measure.”

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See “— Period-to-Period Comparison of Results of Operations” in this section for a discussion of the factors affecting our results of operations during the respective periods.

CAPITAL EXPENDITURES

During the Track Record Period, our capital expenditures primarily consisted of purchases of property, plant and equipment as well as purchases of intangible assets. The vehicles recognized as our property, plant and equipment represented our own Robotaxis. The following table sets forth our capital expenditures for the periods indicated:

	Year ended December 31,		
	2021	2022	2023
	<i>(RMB in thousands)</i>		
Purchase of property, plant and equipment	17,433	38,262	20,303
Purchase of intangible assets	3,582	11,606	21,382
Total	<u>21,015</u>	<u>49,868</u>	<u>41,685</u>

Our capital expenditures amounted to RMB21.0 million, RMB49.9 million and RMB41.7 million, in 2021, 2022 and 2023, respectively. We expect to incur additional capital expenditures in 2024 primarily for purchases of property, plant and equipment. We expect to finance such capital expenditures through operating cash flows. We may adjust our capital expenditures for any given period according to our development plans or in light of market conditions and other factors we believe to be appropriate.

CAPITAL COMMITMENTS

The following table sets forth the outstanding capital commitments as of the dates indicated:

	Year ended December 31,		
	2021	2022	2023
	<i>(RMB in thousands)</i>		
Contracted purchase of software	1,461	8,009	425
Contracted purchases of property, plant and equipment	4,549	13,789	7,411
Total	<u>6,010</u>	<u>21,798</u>	<u>7,836</u>

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MATERIAL RELATED PARTY TRANSACTIONS

During the Track Record Period, we entered into various related party transactions. The following table sets forth our material related party transactions for the periods indicated:

	Year ended December 31,		
	2021	2022	2023
	<i>(RMB in thousands)</i>		
Purchases of services and goods	126,186	106,314	337,174
Lease of vehicles from a related party	307	57	–
Provision of services and sales of goods	5,020	19,982	114,138
Expenses paid on our Group’s behalf	1,343	1,372	2
Others ⁽¹⁾	460	127	1,691

Note:

- (1) Others mainly includes lease of vehicles to a related party, deposits received from related parties and deposits paid to related parties.

For more details about our material related party transactions, see “Connected Transactions” and Note 33 to the Accountants’ Report included in Appendix I to this document.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we did not have any material off-balance sheet commitments or arrangements.

FINANCIAL RISKS DISCLOSURE

We are exposed to credit, liquidity, interest rate and currency risks arising in the normal course of our Group’s business. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit Risk

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

For details, see Note 31(a) to the Accountants’ Report included in Appendix I to this document.

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Liquidity Risk

Individual operating entities within our Group are responsible for their own cash management, including the raising of loans to cover expected cash demands, subject to approval by our Company’s board when the borrowings exceed certain predetermined levels of authority. Our Group’s policy is to regularly monitor its liquidity requirements, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

See Note 31(b) to the Accountants’ Report included in Appendix I to this document for more details about the contractual maturities of our financial liabilities.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Our Group does not account for any fixed-rate financial instruments at fair value through profit or loss at the end of each reporting periods. Therefore, interest-bearing financial instruments at fixed rates do not expose our Group to fair value interest rate risk. Our Group’s interest rate risk arises primarily from cash at banks at variable rates, which exposes our Group to cash flow interest rate risk.

See Note 31(c) to the Accounts’ Report included in Appendix I to this document.

Currency Risk

Our Group is exposed to currency risk primarily through transactions or recognized monetary assets and liabilities that are denominated in a currency other than the functional currency of the operations to which the transactions relate. Our transactions in the PRC are mainly denominated in RMB. Our Company and our subsidiaries in other geographical locations normally adopt the local currency as the functional currency and normally conduct transactions in that local currency. As a result, the directors do not expect that there was any significant foreign exchange exposure which may arise as a currency risk for us during the Track Record Period. Our Group was mainly exposed to the currency risk relating to the cash balances that are denominated in a foreign currency during the Track Record Period. The cash balances denominated in foreign currency at the end of each reporting periods were insignificant.

Fair Value Measurement

The carrying amounts of our Group’s financial instruments carried at amortized cost are not materially different from their fair values as of December 31, 2021, 2022 and 2023.

FINANCIAL INFORMATION

DIVIDENDS

During the Track Record Period, we did not declare or distribute any dividend.

According to our Articles of Association and applicable laws and regulations, the decision on whether to pay dividends will be made at the discretion of our Directors and will depend upon, among others, the financial results, cash flow, business conditions and strategies, future operations and earnings, capital requirements and expenditure plans, any restrictions on payment of dividends and other factors that our Directors may consider relevant. We do not have a predetermined dividend payout ratio. We will evaluate our dividend policy in light of our financial condition and the prevailing economic environment.

Subject to the Cayman Companies Act, through a general meeting, we may declare dividends, but no dividend may be declared unless out of either profit or share premium account and no dividend shall exceed the amount recommended by our Board. Any declaration of dividends will be at the absolute discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial conditions, contractual restrictions and other factors that our Directors consider relevant. Our Board may also from time to time pay interim dividends as our Board believes to be justified by the profits of our Company, as well as special dividends on shares of any class of such amounts and on such dates as it deems fit. We cannot guarantee in what form dividends will be paid in the future. As advised by our legal advisor on Cayman Islands law, under the Cayman Companies Act, a position of accumulated losses does not necessarily restrict us from declaring and paying dividends to our Shareholders as dividends may be declared and paid out of our share premium account, provided that immediately after the date on which the dividend is proposed to be paid, we will be able to pay our debts as they fall due in the ordinary course of business.

As we are a holding company, our ability to declare and pay dividends will also depend on the availability of dividends received from our subsidiaries, including our PRC companies. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles. PRC laws also require foreign invested enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses, or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

DISTRIBUTABLE RESERVES

As of December 31, 2023, we did not have any distributable reserves.

FINANCIAL INFORMATION

[REDACTED]

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since December 31, 2023, being the end date of our latest audited financial statements, and there has been no event since December 31, 2023 that would materially affect the information shown in the Accountants’ Report included in Appendix I to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that as of the Latest Practicable Date, there are no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.