

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

**FORM 20-F
(Amendment No. 2)**

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Date of event requiring this shell company report June 10, 2022
Commission file number 001-38235

NaaS Technology Inc.

(Exact Name of Registrant as Specified in Its Charter)

N/A

(Translation of Registrant's Name into English)

Cayman Islands

(Jurisdiction of Incorporation or Organization)

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(Name, Telephone, Email and/or Facsimile Number and Address of Company
Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
American depositary shares, each representing 10 Class A ordinary shares, par value US\$0.01 per share Class A ordinary shares, par value US\$0.01 per share*	NAAS	Nasdaq Capital Market

* Not for trading, but only in connection with the listing of American depositary shares on the Nasdaq Capital market.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None
(Title of Class)

Indicate the number of outstanding shares of each of the Company's classes of capital or common stock as of the close of the period covered by the annual report: 494,048,037 Class A ordinary shares, par value US\$0.01 per share, 248,888,073 Class B ordinary shares, par value US\$0.01 per share, and 1,398,659,699 Class C ordinary shares, par value US\$0.01 per share, as of June 16, 2022.

Indicate by check mark if the registrant is a well-known seasoned Company, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Note—Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

(APPLICABLE ONLY TO COMPANIES INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13, or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

TABLE OF CONTENTS

PART I	2
Item 4. Information on the Company	2
PART III	19
Item 19. Exhibits	19
INDEX TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF RISE EDUCATION CAYMAN LTD	F-1
INDEX TO AUDITED COMBINED FINANCIAL STATEMENTS OF NAAS	F-1
INDEX TO PRO FORMA CONDENSED COMBINED STATEMENT	P-4

EXPLANATORY NOTE

NaaS Technology Inc. (the “Company”) is filing this Amendment No. 2 to Shell Company Report on Form 20-F (this “Amendment No. 2”) to amend its Shell Company Report on Form 20-F as filed with the Securities and Exchange Commission (the “SEC”) on June 16, 2022 (the “Original Filing”) and amended on March 27, 2023 (the “Amendment No. 1”). This Amendment No. 2 is being filed to:

1. amend and restate Note 1, by providing additional explanations on the restatement adjustments included in the Amendment No. 1, to the combined financial statements of NaaS (as defined in the Amendment No. 1) as of and for the years ended December 31, 2020, and 2021 (such financial statements of NaaS as filed with the Original Filing and the Amendment No. 1, the “Prior Financial Statements”); and
2. in connection with the amendment and restatement as described in paragraph 1, include disclosures relating to the NaaS’ VIP membership program for end-users under “Item 4. Information on the Company—B. Business Overview—Sales and Marketing” and amends the list of exhibits in “Item 19. Exhibits” to reflect the filing of consent of the relevant auditors.

For more information on the amendment and restatement of the Prior Financial Statements, see the restated combined financial statements of NaaS as of and for the years ended December 31, 2020, and 2021, together with the notes thereto, included in this Amendment No. 2. In light of the restatement, readers should not rely on the Prior Financial Statements.

Other than as set forth herein, the Company has not modified or updated any other disclosures and has made no changes to the items or sections in the Original Filing as amended by the Amendment No. 1. Other than as expressly stated in this Amendment No. 2, this Amendment No. 2 does not, and does not purport to, amend, update or restate the information in any part of the Original Filing as amended by the Amendment No. 1 or reflect any events that have occurred after the filing of the Original Filing on June 16, 2022. The filing of this Amendment No. 2 should not be understood to mean that any other statements contained in the Original Filing as amended by the Amendment No. 1 are true and complete as of any date subsequent to June 16, 2022. Accordingly, this Amendment No. 2 should be read in conjunction with the Original Filing and the Amendment No. 1 and the documents filed with or furnished to the SEC by the Company subsequent to June 16, 2022, including any amendments to such documents, as information in such documents may update or supersede certain information contained in this Amendment No. 2.

PART I

Item 4. Information on the Company

B. Business Overview

Overview

We are one of the largest and fastest growing EV charging service providers in China. Our vision is to power the world with carbon neutral energy. NaaS' EV charging services began in 2019, and we have established and maintain the largest EV charging network in China in terms of the charging volume transacted through our charging network for third-party charging station operators, and in terms of the number of public DCFCs connected to our network, according to CIC. We believe we are capable of maintaining our leadership position in the booming Chinese market and we are well positioned to capitalize on our sustainable first mover advantages and success in China to become a global leader in EV charging services.

We have adopted an asset-light business model that allows for accelerated expansion and growth. We offer a comprehensive suite of EV charging solutions that mainly serves charging station operators, charger manufacturers, EV OEMs and end-users, and also benefits other stakeholders along the EV charging industry value chain:

- **Online EV Charging Solutions.** We provide an integrated set of online solutions to charging station operators. We offer effective mobility connectivity services through *Kuaidian*, which is operated by a third party service provider, that boosts the visibility of charging stations and charging piles and connects end-users with suitable charging infrastructure. We also provide other online solutions, including SaaS products that digitalize and upgrade key aspects of the operations and the management of charging stations.
 - **Offline EV Charging Solutions.** We offer a wide range of offline services that simplify the daily operations of charging station operators, ranging from hardware procurement, electricity procurement, station maintenance, to customer support and more. We also provide end-to-end supply chain services to station operators, and have proven to be an effective marketing and distribution channel for our partner charger manufacturers, through which hardware sales are made.
 - **Non-Charging Services.** We have pioneered the introduction of non-charging services (such as food and beverage services) to station operators to help them generate diversified revenue streams, and create a new charging experience for end-users.
-

As of June 30, 2022, NaaS' charging solutions have benefited more than 980 charging station operators and over 44,000 charging stations. We have established and we are maintaining the largest charging network in China in terms of the number of public DCFCs, according to CIC. As of June 30, 2022, NaaS' connected chargers had penetrated into 309 cities. More than 80% of the chargers accessible on our network are DCFCs. More than 1,276 GWh of charging volume was transacted through NaaS' network in 2021, including through the *Kuaidian* platform, full station operation and SaaS products. This represents 18% of all charging volume completed through public chargers in China in 2021, according to CIC. NaaS recorded a DCFC coverage rate of 61.8% over all public DCFCs in China in 2021. The total value of all charging pile sold through NaaS' network reached US\$8 million in 2021.

We primarily operate in China which, according to CIC, is the largest EV sales and public charging market in the world, and also one of the fastest growing. China has been at the forefront of electric mobility. It is making a nation-wide transition towards electrification, and the PRC government has offered extensive support and incentives. China's charging network has seen a corresponding rate of growth with the rapid adoption of EVs and is expected to continue to expand as the adoption of EV continues in China. The China EV charging market has certain unique characteristics. In particular, demand for public charging infrastructure is very high relative to other markets due to the scarcity of private or residential charging facilities. The lack of home or private charging infrastructure exists for several reasons:

- **Scarcity of private parking spaces.** China's urban population density is high, especially for the relatively more developed regions of the country, which also tend to have higher EV adoption rates. Private parking spaces are limited, and a home garage is a rarity in these cities, making public charging stations the most viable form of charging available. In addition, according to CIC, less than 50% of all EVs in China were paired with private charging facilities at the end of 2021.
- **Constraints in grid capacity and difficulty in changing infrastructure in residential areas.** The adoption of private charging is also hobbled by governmental restrictions on electricity usage as well as grid limitations. There are also substantial challenges in upgrading or modifying the existing grid system of an existing residential area for EV charging.
- **Community objections to the installation of private charging facilities.** Installation of private charging facilities faces specific challenges in densely populated and residential areas. Communities may express reservations about having private charging infrastructure built in their residential neighborhoods, and the high urban density in China also heightens the safety concerns over the presence of private EV charging and electricity equipment around densely populated residential areas.

These factors make private residential charging less attractive and less achievable in China but in turn create an enormous market for public charging in China. The increasing dominance of public charging also has implications for consumer behavior. As end-users cannot simply park their EVs and leave their EVs completely unattended, end-users in China will tend to wait at the charging station or in the vicinity during the charging session. According to CIC, the average time required for a charging session is approximately 60 to 90 minutes, which corresponds to the average vehicle parking time and the waiting time of end-users at the charging stations. The consequence of this is that the Chinese market has exhibited a general preference towards faster charging so as to reduce the wait time for end-users. As a result, the scale and speed of construction of DCFCs in China have grown rapidly in recent years. The relatively long waiting times for public charging services also provides a potentially substantial opportunity for charging station operators to offer additional and ancillary products and services to end-users, and to transform and enhance the end-user charging experience.

To cater to the unique characteristics of the Chinese market and to address the pain points that have negatively impacted China's EV charging ecosystem, we have developed a comprehensive set of solutions and pioneered a distinct business model that benefits charging station operators, end-users, charger manufacturers, EV OEMs, and other participants along the EV charging industry value chain in China.

We are committed to product and service innovations and have continued to expand our offerings throughout our history. NaaS launched its mobility connectivity services in 2019. Full station operation commenced in June 2020 and non-charging services were launched one month later. NaaS began to provide hardware procurement services in July 2020, and electricity procurement services in October 2020. NaaS further added SaaS products and services targeting EVs and station operation and maintenance to its portfolio of solutions in 2021.

We are committed to decarbonization and the building of a green and sustainable future. We believe in clean energy and we are facilitating the adoption of EVs through the deployment and operation of EV charging infrastructure, allowing for the reduction of greenhouse gas emissions caused by traditional vehicles. As certified by SGS, an independent Swiss testing agency, NaaS helped reduce carbon emissions by approximately 1,848,000 tons in 2022. We will continue our efforts to reduce the carbon footprint of transportation by offering compelling EV charging solutions.

Our EV Charging Solutions

We offer a comprehensive suite of charging solutions – including online and offline management and operational support as well as services related to non-charging services – that are tailored for the unique demands of the Chinese market. Our product and service offerings fall into three main categories:

- online EV charging solutions;
- offline EV charging solutions; and
- services related to non-charging businesses.

As part of our online EV charging solutions, our mobility connectivity services provide effective integrated solutions to charging station operators and connect end-users with suitable charging infrastructure in their vicinity through *Kuaidian* which is operated by a third party service provider. Our other operational solutions primarily service station operators and owners, providing guidance and support through every stage of the station lifecycle. As the largest EV charging service provider in China according to CIC, we are backed by significant operational expertise, knowledge of industry best practices, and experience with standardized charging services. The integration of our online and offline service capabilities ensures that we are capable of providing hardware-integrated operation solutions that synthesizes IoT devices into management software to enable turn-key development for charging stations and automating business processes. We enable charging station operators to intelligently deploy EV charging infrastructure at commercial, retail, and public locations as well as multi-unit residential buildings. Our insights enable charging station operators to optimize their charging network density. In addition, we can assist charging station operators in station design and decoration, and also enable hardware, furniture and fixtures, and electricity procurement with discounted prices. Our services also extend to after the opening of the station, and include management and operational support for charging stations, including maintenance and customer support.

Online EV Charging Solutions

We offer a comprehensive set of online EV charging solutions. Our mobility connectivity services provides integrated online EV charging solutions to charging station operators and enable a frictionless and hassle-free charging experience for end-users through *Kuaidian*. We provide SaaS products to support charging station operators with the management of key aspects of their stations' daily operations. We empower station operators to increase customer acquisition, streamline operational processes and critical business tasks, allowing them to better control operating costs, create new business opportunities and ultimately enhance their overall efficiency and profitability.

Mobility Connectivity Services

Our mobility connectivity services increase the visibility of charging stations and charging piles and provides channels for charging station operators to gain access to end-users through *Kuaidian* which is operated by a third party service provider. At the same time, end-users benefit from the vast number of charging stations and charging piles on our network which support multiple EV brands and models, and charging options.

We provide a centralized and single reliable source of charging station information, where numerous charging stations and charging piles are networked and presented at the fingertip of end-users through *Kuaidian*. This improves user awareness of different stations and provides additional traffic for station operators, while also increasing the utilization rate of their charging facilities. Simultaneously this also enables an easier charging experience for end-users, which in turn also improves EV user satisfaction rates, and potentially increases sales for EV OEMs.

Charging piles and stations can be difficult to locate given their low visibility and the tendency of chargers to be located in less visibly prominent areas. This difficulty is exacerbated when a driver seeks charging facilities in areas that he or she is less familiar with. Even when this first hurdle is overcome and a driver successfully locates a charging pile, often the charger located maybe malfunctioning or non-operational. Identifying a properly working charger with a compatible user interface and back-end software can be difficult, frustrating and time consuming, all of which creates a negative EV user experience. Another complexity in the EV charging market is that different EV brands and models in the Chinese market require different APPs to initiate charging sessions. As a result, different charging station operators are typically accessible only through different APPs, requiring users to download and switch between multiple APPs to be able to access more charging options.

As of June 30, 2022, NaaS had over 980 charging station operators on its network covering 440,000 chargers. More than 80% of the chargers accessible on our network are DCFCs.

As more station operators join our charging network, the additional charging stations will attract a growing number of end-users to our services. The access to more end-users then translates into greater potential for us to create more value for station operators, thereby attracting more station operators to our ecosystem. This creates a positive network effect and fosters a virtuous cycle for the betterment of our mobility connectivity services.

Other Services

We also provide other online solutions, including SaaS products, that extend to traffic support and management, marketing, payment, charging piles management, order management, load management, and membership management. We also provide phone support to both site hosts and end-users.

We are also working with certain EV OEMs to provide functions and applications within the pre-installed software of their EVs, which is expected to further enhance and simplify the charging experience for end-users, helping to generate additional EV sales for partnering EV OEMs by enhancing the charging experience and addressing one of the major pain points of EV owners.

Offline EV Charging Solutions

We support charging station operators with their hardware and electricity procurement, and maintain a comprehensive suite of offline operation solutions that addresses the needs of station operators' daily operations, as well as solutions for the maintenance and upkeep of charging infrastructure, helping station operators improve their operational efficiency and increase profitability.

Hardware Procurement

We help charging station operators with their procurement requirements. We procure suitable chargers at bulk purchase prices from our partner charger manufacturers and re-sells these chargers to charging station operators.

With the rapid increase in the number of EV parks in China, the total number of public EV chargers is expected to grow to meet the corresponding increase in charging demand. As more small and medium-sized charging station operators are expected to enter the market, there will be a growing need for the procurement of new chargers for new station construction or for the replacement of existing chargers. However, small and medium-sized station operators are unable to secure favorable discounts or crucial pre- or post-sales services from charger manufacturers due to their limited scale. Our extensive station operator network allows us to integrate procurement demands for chargers from various operators to make bulk purchases at a lower price and to secure important pre- or post-sales services from charger manufacturers, all for the benefit of station operators. It is also worth noting that there are a vast number of charger manufacturers in China of varying size and quality. These manufacturers also provide different levels of support and different services in connection with the sale of their charging piles. The repertoire of products and services of a given charger manufacturer may be suitable for certain charging station operators but not others, depending on the operator's size, operational environment and other requirements. Specifically, many charger manufacturers do not have the capacity to cater to small and medium-sized station operators that are expected to dominate the EV charging market in China. As a result, station operators, particularly small and medium-sized station operators, face difficulties in finding the right charger manufacturer with the right set of products and services that adequately meets their operational needs. On the other hand, charger manufacturers themselves are faced with intense competition, and may lack adequate sales and marketing channels to reach the right station operators.

Charging station operators that are integrated into our ecosystem are connected with the most suitable charger manufacturers for their specific needs, and this in turn provides a valuable sales channel for our charger manufacturer partners. We have a close working relationship with over 980 different charging station operators and 29 charger manufacturers (most of them are leading charger manufacturers in China (in terms of revenue)), enabling us to better serve our station customers as well as our partnering charger manufacturers. Leveraging the EV charging ecosystem that we have built, and utilizing our deep understanding of both the needs of our charging station partners and the capabilities of our charger manufacturer partners, we have been able to efficiently promote the sales of charger manufacturers and address procurement difficulties for charging station operators.

In relation to our hardware procurement, NaaS had historically limited its participation to the facilitation of sales transactions, generating revenues by charging a take rate on the procurement value. Since 2022, NaaS has begun directly undertaking procurement and sales activities as a part of its offline EV charging solutions.

Other Offline Services

We provide electricity procurement services to charging station operators. Leveraging the vast number of station operators on our network, we are able to aggregate procurement requirements for electricity and negotiate for and secure electricity at favorable prices. This is particularly beneficial to small and medium-sized station operators who often lack the ability to obtain lower prices due to a lack of scale.

To complement our EV charging services, we also provide charging station operators with 24/7 offline operational and management services. Depending on their varying needs, charging station operators can opt for professional operational services from us, including outsourcing to us their daily operations, including the regular maintenance and upkeep of their charging piles and stations. They can also order onsite maintenance and repair services provided by specialized technicians in the event of any equipment failure or hardware downtime.

Non-charging Services

We are able to boost charging station revenues by providing station operators with the ability to provide additional retail services as well as other amenities and ancillary services. The dominant position of public charging in the Chinese market means that the vehicle parking time and the time spent by EV drivers at the charging station will correspond closely to the charging time, which is on average approximately 60 to 90 minutes according to CIC. This long waiting time offers tremendous potential to offer additional retail and ancillary services.

We are a pioneer in packaging non-charging retail and ancillary services into charging stations and have retail resources that are ready for deployment. As of June 30, 2022, NaaS had assisted close to 400 charging stations in delivering more than 8 different kinds of retail and ancillary services, including the sale of food and other merchandise through vending machines, car washing services and massage services. We are also exploring the potential of other retail services. We empower charging station operators with the ability to adopt scenario-specific furniture and fixture or infrastructure designs with a variety of amenities and non-charging services, such as vending machines, massage chairs, and car wash tunnels. We are also assisting charging station operators in station design and decoration, furniture and fixture procurement with discounted prices for non-charging businesses. We have amassed substantial experience and expertise in this area and we are continuing to explore different retail possibilities which will help improve the revenue streams of charging station owners.

In addition, passenger EVs are gradually replacing commercial EVs as the dominant EV models serviced by charging stations in China. As a result, end-users are now selecting their destination for charging based on a different and broader set of criteria. By enabling charging stations to provide non-charging services, we are able to label charging stations on our network based on the amenities and ancillary services they offer. We work with our business partners to realize the full potential of this information by efficiently matching end-users through *Kuaidian* with the right charging stations that offer the right non-charging services, thereby enhancing the end-user experience and increasing traffic for station operators.

Full Station Operation

In addition to providing charging station operators with online and offline EV charging solutions as well as non-charging services, NaaS was also independently and fully operating 73 stations for 11 station owners as of June 30, 2022. Specifically, because of the comprehensiveness of our EV charging solutions, we have been uniquely able to take full control of the day-to-day operations of charging stations and to provide fully outsourced station operations and management to the station owners. Under this model, we obtain the operational rights to the charging station and takes the full responsibility for running the entire operation of the station. We retain all of the revenue, which is accounted for as revenue generated by offline EV charging solutions, after paying a fixed amount of pre-agreed fees to the station owner. This model allows us to capture more revenues derived from our EV charging solutions and fully realize all the potential paths for monetization.

Sales and Marketing

We grow our customer base through marketing activities, branding campaigns, as well as the efforts of our in-house business development teams. We also capitalize on the operating experience, resources and insights of Newlink to acquire new customers.

We adopt different expansion strategies for different charging station operators and owners. Leveraging the market leadership, industry experience and resources of Newlink and of ourselves, our business development team has often been able to identify new charging stations and charging piles at the earliest possible times, which then gives us an advantage in initiating the first contact with the relevant station operators and owners for a potential partnership. Our business development team also constantly monitors and scouts for new charging infrastructure that can potentially partner with our business model, using methods including online searches and offline site visits. After the initial engagement with the station operators and owners, the team then continues to maintain regular contact and will continuously explore potential short-term and long-term opportunities with the station operators and owners through constant relationship building activities, lead generation and market conditioning work, and regular marketing. In addition, we also enter into strategic cooperation with local governments and state-owned entities in China, who are often large-scale station operators and owners. Once a charging station joins our network, our business development team will assign designated personnel to maintain liaison with the station and provide it with comprehensive support.

We also seek to expand our mobility connectivity services through a variety of online and offline activities, including marketing and branding activities and promotions targeting end-users and other users of our EV charging network. As an example, we offer a VIP membership program to registered users on *Kuaidian*. Memberships are offered on a one-month, three-month or twelve-month basis for a fixed non-refundable upfront membership fee. During the validity of the membership, members are able to enjoy benefits including exclusive discount on charging service fees and exclusive membership coupon which are issued on a monthly basis and valid for a 30-day period. As our mobility connectivity services gain greater traction among end-users, these initiatives would also result in more station operators joining our network.

Competition

Competition in this industry is based primarily on the extensiveness of the charging network as determined by the number of charging station operators and charging piles, the variety and quality of EV charging services and products offered, industry supply and value chain integration capabilities, and technology capabilities.

It is expected that the EV charging service market in China will see an increasing penetration of DCFCs. This is because of the strong need to reduce charging time at public charging facilities, which will become the dominant form of charging in China. DCFC is able to boost charging efficiency and optimize user experiences in significant measure, which corresponds closely with the needs of end-users in China.

The success of our mobility connectivity services is largely dependent on the extensiveness of our charging network but also demands effective end-user acquisition and retention. Ongoing engagement with station operators and the effectiveness of our marketing efforts are critically important to our efforts to gain market share in the Chinese market. We also compete on the comprehensiveness of the range of products and services offered to station operators as well as the quality, performance, features, and prices of the products and services. Our industry is generally in an early stage of development and is constantly evolving. New demands and preferences continue to emerge from various industry participants, and in particular from end-users and charging station operators and owners. We will be tested on our ability to forecast and meet shifts in the market and our ability to adapt our product and service offerings in a timely manner.

We believe that we can compete effectively with its competitors on the basis of the following factors:

- the comprehensiveness of our EV charging solutions and strategic focus on DCFC infrastructure, and our ability to continuously upgrade and develop products and services to meet the changing needs, preferences and demands of our customers and end-users;
- the first-mover advantage we have gained and the market leadership that we have fostered in terms of market share and coverage of charging station operators and facilities;
- the adoption of an asset-light business model that allows for accelerated expansion and growth;
- the vision and proven execution capability of our management team; and
- the effectiveness of our sales and marketing strategies.

Regulations

This section summarizes certain laws and regulations that materially affect our business and operations and the key provisions of such laws and regulations.

Regulations Related to Foreign Investment

Investment activities in China by foreign investors are principally governed by the Catalog of Industries for Encouraging Foreign Investment (the “Encouraged Industries Catalog”) and the Special Management Measures (Negative List) for the Access of Foreign Investment (the “Negative List”), which were promulgated and are amended from time to time by the Ministry of Commerce (“MOFCOM”) and the National Development and Reform Commission (the “NDRC”), and together with the PRC Foreign Investment Law (the “FIL”), and their respective implementation rules and ancillary regulations. The Encouraged Industries Catalog and the Negative List lay out the basic framework for foreign investment in China, classifying businesses into three categories in terms of the level of participation permitted to foreign investment: “encouraged,” “restricted” and “prohibited.” Industries not listed in the Encouraged Industries Catalog are generally deemed as falling into a fourth category of “permitted” industries unless specifically restricted by other PRC laws.

On October 26, 2022, MOFCOM and the NDRC released the Encouraged Industries Catalogue (2022 Version), which became effective on January 1, 2023, to replace the then existing Encouraged Industries Catalog. On December 27, 2021, MOFCOM and the

NDRC released Negative List (2021 Version), which became effective on January 1, 2022, to replace the then existing Negative List. The Negative List (2021 Version) sets forth the industries in which foreign investments are restricted or prohibited. Industries that are not listed in the Negative List (2021 Version) are generally permitted to foreign investment unless otherwise specifically restricted by other PRC rules and regulations.

On March 15, 2019, the National People's Congress (the "NPC") promulgated the FIL, which became effective on January 1, 2020 and replaced the main body of laws and regulations then governing foreign investment in China. Pursuant to the FIL, "foreign investments" refer to investment activities conducted by foreign investors directly or indirectly in China, which include any of the following circumstances: (1) foreign investors setting up foreign-invested enterprises in China solely or jointly with other investors, (2) foreign investors obtaining shares, equity interests, interests in property or other similar rights and interests of enterprises within China, (3) foreign investors investing in new projects in China solely or jointly with other investors, and (4) investment by other means as specified in laws, administrative regulations, or as stipulated by the State Council.

According to the FIL, foreign investment shall enjoy pre-entry national treatment, except for those foreign invested entities that operate in industries deemed to be either "restricted" or "prohibited" in the Negative List. The FIL provides that foreign invested entities operating in "restricted" or "prohibited" industries will require entry clearance and other approvals.

On December 26, 2019, the State Council promulgated the Implementing Rules of Foreign Investment Law, which became effective on January 1, 2020. The implementation rules further clarified that the state encourages and promotes foreign investment, protects the lawful rights and interests of foreign investors, regulates foreign investment administration, continues to optimize foreign investment environment, and advances a higher-level of openness.

On December 30, 2019, MOFCOM and the State Administration for Market Regulation (the "SAMR") jointly promulgated the Measures for Information Reporting on Foreign Investment, which became effective on January 1, 2020. Pursuant to the Measures for Information Reporting on Foreign Investment, where a foreign investor carries out investment activities in China directly or indirectly, the foreign investor or the foreign-invested enterprise shall submit information relating to the investment to the competent commerce department.

Regulations Related to Value-Added Telecommunications Services

The Telecommunications Regulations of the PRC (the "Telecommunications Regulations"), which was promulgated by the State Council on September 25, 2000 and most recently amended on February 6, 2016, provides the regulatory framework for telecommunications service providers in China. The Telecommunications Regulations classifies telecommunications services into basic telecommunications services and value-added telecommunications services. Providers of value-added telecommunications services are required to obtain a license for value-added telecommunications services. According to the Catalog of Telecommunications Services, attached to the Telecommunications Regulations and most recently amended by the Ministry of Industry and Information Technology ("MIIT") on June 6, 2019, information services provided via public communication network or the internet are value-added telecommunications services.

The value-added telecommunications services are regulated by the Administrative Measures on Internet Information Services (the "Internet Measures"), which was promulgated by the State Council on September 25, 2000 and most recently amended on January 8, 2011. "Internet information services" is defined as "services that provide information to online users through the internet." The Internet Measures classifies internet information services into non-commercial internet information services and commercial internet information services. Commercial internet information service providers shall obtain a value-added telecommunications business operating license for internet information service (the "ICP License") from appropriate telecommunications authorities. An ICP License has a term of five years and can be renewed 90 days prior to its expiration, according to the Administrative Measures for Telecommunications Businesses Operating Licensing, which was promulgated by MIIT on March 1, 2009 and amended on July 3, 2017 (with such amendment coming into effect on September 1, 2017).

The Regulations for the Administration of Foreign-Invested Telecommunications Enterprises, promulgated by the State Council on December 11, 2001 and most recently amended on March 29, 2022, requires foreign-invested value-added telecommunications enterprises in China to be established as Sino-foreign joint ventures, and foreign investors shall not acquire more than 50% of the equity interest of such enterprises, unless the state stipulates otherwise.

According to the Negative List (2021 Version), the ratio of foreign investments in an entity that is engaged in value-added telecommunications business (except for e-commerce, domestic multi-party communications, storage-forwarding and call centers) shall not exceed 50%. NaaS historically conducted certain value-added telecommunications services through Kuaidian Power Beijing, which services had, as part of the Restructuring, been transferred and are currently carried out by a third party service provider.

Regulations Related to Online Payment

On June 14, 2010, the PBOC issued the Administrative Measures on Non-Financial Institution Payment Service and its implementing rules, which was amended on April 29, 2020 and set forth the basic regulatory requirements for the provision of payment services by non-financial institutions. According to the Administrative Measures on Non-Financial Institution Payment Service, “non-financial institution payment service” means any of the following monetary asset transfer services provided by non-financial institutions as an intermediary between the payor and the payee: (i) online payment; (ii) pre-payment card issuance and receipt; (iii) bank card acceptance; and (iv) other payment services as specified by the PBOC. Pursuant to the Administrative Measures on Non-Financial Institution Payment Service, a non-financial institution that provides payment services shall obtain a payment business license to become a payment institution. No non-financial institution or individual shall engage in payment services, either directly or indirectly, without the PBOC’s approval.

In November 2017, the PBOC published the PBOC Notice, on the investigation and administration of illegal offering of settlement services by financial institutions and third-party payment service providers to unlicensed entities. The PBOC Notice is intended to prevent unlicensed entities from using licensed payment service providers as a conduit for conducting unlicensed payment settlement services, so as to safeguard fund security and information security.

As part of NaaS’ business operation prior to the Restructuring, end-users were required to make prepayments through *Kuaidian* under certain circumstances, including to initiate certain services through *Kuaidian*. This could potentially have constituted issuance of prepaid cards by NaaS under then prevailing PRC laws and regulations and required a payment business license. In line of market practice, NaaS had previously engaged licensed entities such as third-party payment institutions and commercial bank to provide payment settlement services. However, because there were and remain to be uncertainties with respect to the implementation and interpretation of the applicable laws and as these laws continue to evolve, the PBOC and other governmental authorities may find NaaS’ settlement mechanisms to be in violation of the Administrative Measures on Non-Financial Institution Payment Service, the PBOC Notice or other related regulations.

Regulations Related to Mobile Internet Applications Information Services

In addition to the Telecommunications Regulations and other regulations discussed above, mobile internet applications (“Apps”) are specially regulated by the Administrative Provisions on Mobile Internet Applications Information Services (the “App Provisions”), which was promulgated by the Cyberspace Administration of China (“CAC”) on June 28, 2016 and amended on 2022 (with such amendment coming into effect on August 1, 2022). The App Provisions sets forth the relevant requirements applicable to App information service providers and App Store service providers. The CAC and its local branches shall be responsible for the supervision and administration of nationwide and local App information respectively.

App providers shall strictly discharge their responsibilities relating to information security management, and perform the following duties: (1) in accordance with the principles of “real name at background, any name at foreground,” verify identities of registered users through mobile numbers etc.; (2) establish and improve the mechanism for user information security protection, adhere to the principles of “legality, appropriateness and necessity” in the collection and use of personal information, expressly state the purposes and methods of information collection as well as the scope of information collected, and obtain users’ consent; (3) establish and improve the mechanism for the verification and management of information, adopt appropriate sanctions and measures such as warning, restricting functionality, suspending updates, and closing accounts, following any release of illegal information, and maintain records and reports for the submission to or inspection by the competent department; (4) protect and safeguard users’ “rights to know and rights to choose” during the installation or use of Apps in accordance with the law, refrain from collecting geographic locations, reading address books, or using cameras or recordings, without the express notifications to and consent of the users, refrain from turning on functions irrelevant to the services provided and refrain from bundling and installing irrelevant Apps; (5) respect and protect intellectual property rights and refrain from producing or releasing Apps that infringes upon intellectual property rights; and (6) maintain records of user log information for 60 days.

Historically, Kuaidian Power Beijing operated *Kuaidian*. As part of the Restructuring, the ownership of *Kuaidian* as well as the rights to access and use certain data generated by or in the possession of *Kuaidian* have been transferred to a third-party service provider as of the date of this Shell Company Report on Form 20-F. NaaS entered into a business cooperation agreement with the third-party service provider pursuant to which NaaS will receive certain services from such operator in relation to the delivery of EV charging solutions.

Regulations Related to Consumer Protection

According to Law of the PRC on the Protection of Consumer Rights and Interests, which was promulgated by the SCNPC on October 31, 1993 and most recently amended on October 25, 2013, in providing goods or services to consumers, business operators shall fulfill their obligations in accordance with this law and other applicable laws and regulations. Business operators shall fulfill their obligations as agreed with consumers, provided that the agreements with consumers are not in violation of any laws or regulations. In providing goods or services to consumers, business operators shall adhere to social morality, operate business in good faith, and protect the lawful rights and interests of consumers, and shall neither set unfair or unreasonable trading conditions nor force consumers into any transactions. Business operators shall provide consumers with true and complete information regarding the quality, performance, use, and service life or expiration date, among others, of goods and services provided, and shall not conduct any false or misleading promotion. Business operators shall provide true and definitive answers to questions from consumers regarding the quality and use instructions of the goods and services they provide. Business operators shall clearly indicate the price of the goods and services they provide.

Regulations Related to Advertising

On April 24, 2015, the SCNPC enacted the Advertising Law of the People's Republic of China (the "New Advertising Law"), which became effective on September 1, 2015 and most recently amended on April 29, 2021. The New Advertising Law requires that advertisers, advertising operators and advertisement publishers shall abide by the laws and administrative regulations, and the principles of fairness and good faith while engaging in advertising activities.

The Interim Measures for the Administration of Internet Advertising (the "Internet Advertising Measures"), regulating the internet-based advertising activities were adopted by the SAIC on July 4, 2016 and became effective on September 1, 2016. According to the Internet Advertising Measures, internet advertisers are responsible for the authenticity of the advertisements content and all online advertisements must be marked "Advertisement" so that viewers can easily identify them as such. Publishing and circulating advertisements through the internet shall not affect the normal use of the internet by users. It is not allowed to induce users to click on the content of advertisements by any fraudulent means, or to attach advertisements or advertising links in emails without permission. In addition, the following internet advertising activities are prohibited: (i) providing or using any applications or hardware to intercept, filter, cover, fast forward or otherwise restrict any authorized advertisement of other persons, (ii) using network pathways, network equipment or applications to disrupt the normal data transmission of advertisements, alter or block authorized advertisements of other persons or load advertisements without authorization, or (iii) using fraudulent statistical data, transmission effect or matrices relating to online marketing performance to induce incorrect quotations, seek undue interests or harm the interests of others. NaaS is subject to the foregoing regulations on advertising to the extent it helps charging station and station operators attract traffic including as part of its mobility connectivity services.

Regulations Related to Internet Information Security and Privacy And Protection

PRC government authorities have enacted laws and regulations with respect to internet information security and protection of personal information from any abuse or unauthorized disclosure. Internet information in China is regulated and restricted from a national security standpoint. The SCNPC enacted the Decisions on Maintaining Internet Security on December 28, 2000 as amended on August 27, 2009, which imposes criminal liabilities for any act taken to: (i) gain improper entry into a computer or system of strategic importance; (ii) disseminate politically disruptive information; (iii) leak state secrets; (iv) disseminate false commercial information; or (v) infringe on intellectual property rights. The Ministry of Public Security ("MPS") has promulgated measures that prohibit the use of internet in ways which, among other things, result in a leakage of state secrets or a dissemination of socially destabilizing content. If an internet information service provider violates these measures, the MPS and its local branches may shut down its websites and suggest to the relevant authority to revoke its operating license if necessary.

Under the Several Provisions on Regulating the Market Order of Internet Information Services, issued by the MIIT on December 29, 2011 and taking effect on March 15, 2012, an internet information service provider must not collect any personal information from any of its users or provide any such information to third parties without the consent of such user, unless otherwise provided by laws or regulations. Internet information service providers must expressly inform the users of the method for and purpose of the collection and processing of such user's personal information and the content of the personal information so collected and processed, and should only collect or use such information to the extent necessary for the provision of its services. An internet information service provider is also required to properly maintain users' personal information, and in case of any leak or possible leak of such personal information, the Internet information service provider must take immediate remedial measures and, in severe circumstances, make an immediate report to the relevant telecommunications regulatory authority.

In addition, pursuant to the Decision on Strengthening the Protection of Online Information issued by the SCNPC on December 28, 2012 and the Order for the Protection of Telecommunication and Internet User Personal Information issued by the MIIT on July 16, 2013, any collection and use of a user's personal information must be subject to the consent of the user, adhere to the principles of legality, rationality and necessity and be within the specified purposes, methods and scopes. An internet information service provider must also keep such information strictly confidential, and is further prohibited from divulging, tampering with or destroying any such information, or selling or providing such information to other parties. An internet information service provider is required to take technical and other measures to prevent the unauthorized disclosure, damage or loss of any personal information collected.

On November 7, 2016, the SCNPC issued the Cyber Security Law of the PRC (the "Cybersecurity Law"), which took effect on June 1, 2017. The Cybersecurity Law is formulated to maintain the network security, safeguard the cyberspace sovereignty, national security and public interests, and protect the lawful rights and interests of citizens, legal persons and other organizations. Pursuant to the Cybersecurity Law, a network operator, which includes, among others, internet information services providers, must take technical measures and other necessary measures in accordance with applicable laws and regulations as well as mandatory requirements of national and industrial standards to safeguard the safe and stable operation of networks, effectively respond to network security incidents, prevent illegal and criminal activities, and maintain the integrity, confidentiality and availability of network data. The Cybersecurity Law reaffirms the basic principles and requirements as specified in then existing laws and regulations related to personal information protections, such as the requirements on the collection, use, processing, storage and disclosure of personal information, and the requirements that internet service providers should take technical and other necessary measures to ensure the security the personal information they have collected and prevent such personal information from being divulged, damaged or lost. Any violation of the Cybersecurity Law could subject the internet service provider to warnings, fines, confiscation of illegal gains, revocation of licenses, shutdown of websites as well as criminal liabilities.

On January 23, 2019, the Office of the Central Cyberspace Affairs Commission, the MIIT, the MPS, and the SAMR jointly issued the Notice on Special Governance of Illegal Collection and Use of Personal Information via Apps, which restates the requirement of legal collection and use of personal information, encourages App operators to conduct security certifications, and encourages search engines and App stores to clearly mark and recommend those certified apps.

On November 28, 2019, the CAC, MIIT, the MPS and the SAMR jointly issued the Measures to Identify Illegal Collection and Usage of Personal Information by Apps, which describes six types of illegal collection and usage of personal information, including "the failure to publish rules relating to the collection and usage of personal information", "the failure to provide privacy rules", and "the collection or use of personal information without consent".

On May 28, 2020, the NPC adopted the Civil Code of the PRC which became effective on January 1, 2021. According to the Civil Code, individuals have the right of privacy. No organization or individual shall process any individual's private information or infringe on an individual's right of privacy, unless otherwise prescribed by law or with the consent of such individual or such individual's guardian. The Civil Code also offers protection to personal information and provides that the processing of personal information shall be subject to the principles of legitimacy, legality and necessity. An information processor must not divulge or falsify the personal information collected and stored by it, or provide the personal information of an individual to others without the consent of such individual. On March 12, 2021, the CAC, the MIIT, the MPS and the SAMR jointly issued the Rules on the Scope of Necessary Personal Information for Common Types of Mobile Internet Applications (the "Necessary Personal Information Rules"), which came into effect on May 1, 2021. According to the Necessary Personal Information Rules, mobile App operators shall not deny a user' access to the basic functions and services of an App on the basis that such user refuses to provide his or her personal information which is not necessary for such use. The Necessary Personal Information Rules further stipulates the relevant scopes of necessary personal information for different types of mobile Apps.

On June 10, 2021, the SCNPC promulgated the Data Security Law, which took effect on September 1, 2021. The Data Security Law sets out a national data security review system, under which data processing activities that affect or may affect national security are subject to review. In addition, it clarifies the obligations to protect data security applicable to organizations and individuals who carry out data activities and discharges data security protection responsibilities. Data processors shall establish and improve a whole-process data security management system in accordance with the provisions of laws and regulations, organize and implement data security trainings as well as take appropriate technical measures and other necessary measures to protect data security. If the processing of any organization or personal data violate the Data Security Law, the responsible party shall bear the corresponding civil, administrative or criminal liabilities.

On July 30, 2021, the State Council promulgated the Regulation on Protecting the Security of Critical Information Infrastructure (“CII Regulations”), effective on September 1, 2021. According to the CII Regulations, “critical information infrastructure” has the meaning of an important network facility and information system in important industries such as, among others, public communications and information services, energy, transport, water conservation, finance, public services, e-government affairs and national defense science, as well as other important network facilities and information systems that may seriously endanger national security, the national economy, the people’s livelihood, or the public interests in the event of damage, loss of function, or data leakage. The competent governmental authorities as well as the supervisory and administrative authorities of the aforementioned important industries and sectors will be responsible for (i) organizing for the identification of critical information infrastructures in their respective industries in accordance with certain identification rules, and (ii) promptly notifying the operators so identified and the public security department of the State Council of the results of identification. As of the date of this Shell Company Report on Form 20-F, NaaS has not received any notification from any PRC governmental authority that it is operating any “critical information infrastructure.”

On August 20, 2021, the SCNPC promulgated the Personal Information Protection Law, effective on November 1, 2021. The Personal Information Protection Law requires, among others, that (i) the processing of personal information should have a clear and reasonable purpose which should be directly related to the purpose of the processing activity, in a method that has the least impact on personal rights and interests, and (ii) the collection of personal information should be limited to the minimum scope necessary to achieve the purpose of the processing activity to avoid the excessive collection of personal information. Different types of personal information and personal information processing will be subject to different rules on consent requirement, transfer, and security. Entities that process personal information shall bear responsibilities for the activities they conduct relating to such personal information, and shall adopt necessary measures to safeguard the security of the personal information that they process. Otherwise, such entities could be ordered to correct, suspend or terminate the provision of their services, and face confiscation of illegal income, fines or other penalties.

On November 14, 2021, the CAC published a discussion draft of the Data Security Regulations, which provides that the undertaking of the following activities shall be subject to a cybersecurity review: (i) the merger, reorganization or separation of network platform operators that have gathered and mastered a large number of data resources related to national security, economic development or public interests affects, which may affect national security; (ii) overseas listing of data processors processing the personal information of over one million users; (iii) the listing in Hong Kong of data processors processing conducting data processing activities which affect or may affect national security; (iv) other data processing activities that affect or may affect national security. The Draft Data Security Regulations also provides that operators of large internet platforms that set up headquarters, operation centers or research and development centers overseas shall report to the national cyberspace administration and other competent authorities. The Draft Data Security Regulations also states that data processors processing important data or listing overseas shall conduct an annual data security assessment by themselves or by engaging a data security service institution, and shall submit the assessment report of a given year to the relevant CAC municipal office before January 31, of the following year. In addition, the Draft Data Security Regulations also requires network platform operators to enact platform rules, privacy policies and algorithm strategies related to data, and to solicit public comments on their official websites for no less than 30 working days when they formulate such platform rules or privacy policies or makes any amendments that may have a significant impact on users’ rights and interests. Further, platform rules and privacy policies formulated by operators of large internet platforms with more than 100 million daily active users, or amendments thereto that may have significant impacts on users’ rights and interests shall be evaluated by a third-party organization designated by the CAC and submitted to relevant CAC provincial office for approval. As of the date of this Shell Company Report on Form 20-F, the Draft Administrative Regulation on Network Data Security has not come into effect yet.

On December 31, 2021, the CAC together with other regulatory authorities published the Administrative Provisions on Algorithm Recommendation for Internet Information Services, which took effect on March 1, 2022. The Administrative Provisions on Algorithm Recommendation for Internet Information Services provides, among others, that algorithm recommendation service providers shall (i) establish and improve the management systems and technical measures for algorithm mechanism and principle review, scientific and technological ethics review, user registration, information release review, data security and personal information protection, anti-telecommunications and internet fraud, security assessment and monitoring, and security incident emergency response, formulate and disclose the relevant rules for algorithm recommendation services, and employ appropriate professional staff and technical support considering the scale of the algorithm recommendation service provided; (ii) regularly review, evaluate and verify the principle, models, data and application results of algorithm mechanisms, (iii) strengthen information security management, establish and improve a feature database for the identification of illegal inappropriate information, and improve entry standards, rules and procedures; (iv) strengthen the management of user models and user labels, and improve the rules on points of interest recorded into user models and user label management, and refrain from recording illegal or harmful keywords information into the points of interest of users or use them as user labels to push information.

On December 28, 2021, twelve regulatory authorities jointly released the Cybersecurity Review Measures. The Cybersecurity Review Measures provides that: (i) network platform operators that are engaged in data processing activities which have or may have an implication on national security shall undergo a cybersecurity review; (ii) the CSRC is one of the regulatory authorities for purposes of jointly establishing the state cybersecurity review mechanism; (iii) network platform operators that possess personal information of more than one million users and seeking to be listed overseas shall file for a cybersecurity review with the Cybersecurity Review Office; and (iv) the risks of core data, material data or large amounts of personal information being stolen, leaked, destroyed, damaged, illegally used or transmitted to overseas parties, and the risks of critical information infrastructure, core data, material data or large amounts of personal information being influenced, controlled or used maliciously shall be collectively taken into consideration during the cybersecurity review process. The distinction made under the discussion draft of the Draft Data Security Regulations between “listing overseas” and “listing abroad” further clarifies that the obligations to proactively apply for cybersecurity review by an entity seeking listing in a foreign country.

Regulations Related to Dividend Distributions

The principal laws and regulations regulating the dividend distribution of dividends by foreign-invested enterprises in China include the PRC Company Law most recently amended in 2018 and the FIL. Under the current regulatory regime in China, foreign-invested enterprises in China may pay dividends only out of their accumulated profit, if any, determined in accordance with PRC accounting standards and regulations. A PRC company, including foreign-invested enterprise, is required to set aside as general reserves at least 10% of its after-tax profit, until the cumulative amount of such reserves reaches 50% of its registered capital unless the provisions of laws regarding foreign investment otherwise provided, and shall not distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

Regulations Related to Intellectual Property

Patent

Patents in China are principally protected under the Patent Law of the PRC which was most recently amended on October 17, 2020 (which amendment came into effect on June 1, 2021). The duration of the invention patent right shall be 20 years, and the term shall be 10 years for utility models patent right and 15 years for designs patent right, all commencing from the application date thereof.

Copyright

Copyright in China, including copyrighted software, is principally protected under the Copyright Law of the PRC which was most recently amended on November 11, 2020 and came into effect on June 1, 2021 and related rules and regulations. Under the Copyright Law, the term of protection for copyrighted software is 50 years. The Regulation on the Protection of the Right to Communicate Works to the Public over Information Networks, which was most recently amended on January 30, 2013, provides specific rules on fair use, statutory license, and a safe harbor for use of copyrights and copyright management technology and specifies the liabilities of various entities for violations, including copyright holders, libraries and Internet service providers.

Trademark

Registered trademarks are protected under the Trademark Law of the PRC promulgated on August 23, 1982 and amended on April 23, 2019 and related rules and regulations. Trademarks are registered with the State Intellectual Property Office, formerly the Trademark Office of the SAIC. Where registration is sought for a trademark that is identical or similar to another trademark which has already been registered or given preliminary examination and approval for use in the same or similar category of commodities or services, the application for registration of this trademark may be rejected. Trademark registrations are effective for 10 years, unless otherwise revoked.

Domain Name

Domain names are protected under the Administrative Measures on Internet Domain Names which was promulgated by the MIIT on August 24, 2017 and took effect on November 1, 2017. Domain name registrations are handled through domain name service agencies established under the relevant regulations, and applicants become domain name holders upon successful registration.

Regulations Related to Foreign Exchange

General Administration of Foreign Exchange

Under the PRC Foreign Currency Administration Rules promulgated by the State Council on January 29, 1996 and most recently amended on August 5, 2008 and various regulations issued by the State Administration for Foreign Exchange of China (“SAFE”) and other relevant PRC government authorities, Renminbi is convertible into other currencies for the purpose of current account items, such as trade related receipts and payments, payment of interest and dividends. The conversion of Renminbi into other currencies and remittance of the converted foreign currency outside China for the purpose of capital account items, such as direct equity investments, loans and repatriation of investment, require the prior approval from SAFE or its local branches. Payments for transactions that take place within China must be made in Renminbi. Unless otherwise provided by laws and regulations, PRC companies may repatriate foreign currency payments received from overseas or retain the same overseas. Foreign exchange proceeds under the current accounts may be either retained or sold to a financial institution engaging in the settlement and sale of foreign exchange pursuant to relevant rules and regulations in China.

In 2012, SAFE promulgated the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment, or Circular 59, on May 4, 2015 which substantially amends and simplifies the previous foreign exchange procedure. Pursuant to Circular 59, the opening and deposit of various special purpose foreign exchange accounts, such as pre-establishment expenses accounts, foreign exchange capital accounts and guarantee accounts, the reinvestment of RMB proceeds derived by foreign investors in China, and remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer require the approval or verification of SAFE, and multiple capital accounts for the same entity may be opened in different provinces, which was not permitted previously.

On May 10, 2013, SAFE promulgated the Notice of State Administration of Foreign Exchange on Promulgation of the Provisions on Foreign Exchange Control on Direct Investments in China by Foreign Investors and Supporting Documents, which specified that the administration by SAFE or its local branches over direct investment by foreign investors in China must be conducted by way of registration and banks must process foreign exchange business relating to the direct investment in China based on the registration information provided by SAFE and its branches.

In February 13, 2015, SAFE promulgated the Notice on Further Simplifying and Improving the Administration of the Foreign Exchange Concerning Direct Investment, or SAFE Notice 13. Instead of applying for approvals regarding foreign exchange registrations of foreign direct investment and overseas direct investment from SAFE, entities and individuals may apply for such foreign exchange registrations from qualified banks. Qualified banks, under the supervision of SAFE, may directly review the applications, conduct the registration and perform statistical monitoring and reporting responsibilities.

In March 30, 2015, SAFE promulgated the Circular of the SAFE on Reforming the Management Approach regarding the Settlement of Foreign Capital of Foreign-invested Enterprise, or Circular 19, which expands a pilot reform of the administration of the settlement of the foreign exchange capitals of foreign-invested enterprises nationwide. Circular 19 allows all foreign-invested enterprises established in China to settle their foreign exchange capital on a discretionary basis according to the actual needs of their business operation, provides the procedures for foreign invested companies to use RMB converted from foreign currency-denominated capital for equity investments and removes certain other restrictions under previous rules and regulations. However, Circular 19 continues to prohibit foreign invested enterprises from, among other things, using RMB funds converted from their foreign exchange capital for expenditure beyond their business scope and providing entrusted loans or repaying loans between non-financial enterprises.

SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account, or Circular 16, which took effect on June 9, 2016 and reiterates some of the rules set forth in Circular 19. Circular 16 provides that discretionary foreign exchange settlement applies to foreign exchange capital, foreign debt offering proceeds and remitted foreign listing proceeds, and the corresponding RMB capital converted from foreign exchange may be used to extend loans to related parties or repay inter-company loans (including advances by third parties). However, there are substantial uncertainties with respect to Circular 16’s interpretation and implementation in practice.

In January 26, 2017, SAFE promulgated the Circular on Further Improving Reform of Foreign Exchange Administration and Optimizing Genuineness and Compliance Verification, or Circular 3, which stipulates several capital control measures with respect to the outbound remittance of profits from domestic entities to offshore entities, including (i) where a bank handles outward remittance of profits for a domestic institution equivalent to more than US\$50,000, the bank shall check whether the transaction is genuine by reviewing board resolutions regarding profit distribution, original copies of tax filing records, audited financial statements and stamp with the outward remittance sum and date on the original copies of tax filing records and (ii) domestic entities must retain income to account for previous years' losses before remitting any profits. Moreover, pursuant to Circular 3, domestic entities must explain in detail the sources of capital and how the capital will be used, and provide board resolutions, contracts and other proof as a part of the registration procedure for outbound investment. Circular 3 also relaxes the policy restriction on foreign exchange inflow to further enhance trade and investment facilitation, including (i) expanding the scope of foreign exchange settlement for domestic foreign exchange loans; (ii) allowing the capital repatriation for offshore financing against domestic guarantee; (iii) facilitating the centralized management of foreign exchange funds of multinational companies; and (iv) allowing offshore institutions within pilot free trade zones to settle foreign exchange in domestic foreign exchange accounts.

Foreign Exchange Registration of Overseas Investment by PRC Residents

Pursuant to SAFE's Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Inbound Investment via Overseas Special Purpose Vehicles ("SAFE Circular 75"), which became effective on November 1, 2005, domestic residents, including domestic individuals and domestic companies, must register with local branches of SAFE in connection with their direct or indirect offshore investment in an overseas special purpose vehicle (the "Overseas SPV"), for the purposes of overseas equity financing activities, and to update such registration in the event of any significant changes with respect to that offshore company.

On July 4, 2014, SAFE promulgated the Notice of the State Administration of Foreign Exchange on Issues Relating to Foreign Exchange Control for Overseas Investment and Financing and Round-tripping by Chinese Residents through Special Purpose Vehicles ("SAFE Circular 37"), which replaced SAFE Circular 75, for the purpose of simplifying the approval process and promoting cross-border investments. SAFE Circular 37 supersedes SAFE Circular 75 and revises and regulates matters involving foreign exchange registration for round-trip investment. Under SAFE Circular 37, a domestic resident must register with the local SAFE branch before he or she contributes assets or equity interests in an Overseas SPV that is directly established or indirectly controlled by the domestic resident for the purpose of conducting investment or financing. In addition, in the event of any change of basic information of the Overseas SPV such as the individual shareholder, name, operation term, etc., or if there is any capital increase, decrease, equity transfer or swap, merge, spin-off or other amendment of the material items, the domestic resident shall complete the change of foreign exchange registration procedures for offshore investment. According to the procedural guideline as attached to SAFE Circular 37, the principle of review has been changed to "the domestic individual resident shall only register the Overseas SPV directly established or controlled (first level)."

At the same time, SAFE has issued the Operation Guidance for the Issues Concerning Foreign Exchange Administration Over Round-trip Investment with respect to the procedures for SAFE registration under SAFE Circular 37, which became effective on July 4, 2014 as an attachment to SAFE Circular 37. Under the relevant rules, failure to comply with the registration procedures set out in SAFE Circular 37 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the payment of dividends and other distributions to its offshore parent or affiliate, and may also subject relevant PRC residents to penalties under PRC foreign exchange administration regulations. PRC residents who hold any shares in the company from time to time are required to register with SAFE in connection with their investments in the company.

On February 13, 2015, SAFE promulgated the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment, effective from June 1, 2015, which further amended SAFE Circular 37 by requiring domestic residents to register with qualified banks rather than SAFE or its local branches in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing.

Regulations Related to Tax

Enterprise Income Tax

The Law of the PRC on Enterprise Income Tax and The Regulations for the Implementation of the Law on Enterprise Income Tax (collectively, the “EIT Laws”) were promulgated on March 16, 2007 and December 6, 2007, respectively, and were most recently amended on December 29, 2018 and April 23, 2019, respectively. According to the EIT Laws, taxpayers consist of resident enterprises and non-resident enterprises. Resident enterprises are defined as enterprises that are established in China in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or de facto control is administered from within China. Non-resident enterprises are defined as enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside China, but have established institutions or premises in China, or have no such established institutions or premises but have income generated from inside China. Under the EIT Laws and relevant implementing regulations, a uniform enterprise income tax (“EIT”) rate of 25% is applicable. However, if non-resident enterprises have not formed permanent establishments or premises in China, or if they have formed permanent establishment institutions or premises in China but there is no actual relationship between the relevant income derived in China and the established institutions or premises set up by them, the enterprise income tax is, in that case, set at the rate of 10% for their income sourced from inside China.

Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as the PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (“Circular 82”), which was promulgated by the STA on April 22, 2009 and amended on January 29, 2014 and December 29, 2017, sets out the standards and procedures for determining whether the “de facto management body” of an enterprise registered outside of the PRC and controlled by PRC enterprises or PRC enterprise groups is located within China.

According to Circular 82, a Chinese-controlled offshore incorporated enterprise will be regarded as a PRC tax resident by virtue of having a “de facto management body” in China and will be subject to PRC EIT on its worldwide income only if all of the following criteria are met: (1) the primary location of the day-to-day operational management is in China; (2) decisions relating to the enterprise’s financial and human resource matters are made or are subject to approval by organizations or personnel in China; (3) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholders meeting minutes are located or maintained in China; and (4) 50% or more of voting board members or senior executives habitually reside in China.

The EIT Laws permit certain High and New Technologies Enterprises (the “HNTEs”) to enjoy a reduced 15% EIT rate subject to these HNTEs meeting certain qualification criteria. In addition, the relevant EIT laws and regulations also provide that entities recognized as Software Enterprises are able to enjoy a tax holiday consisting of a two-year-exemption commencing from their first profitable calendar year and a 50% reduction in ordinary tax rate for the following three calendar years, while entities qualifying as key software enterprises can enjoy a preferential EIT rate of 10%.

The Bulletin on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC Resident Enterprises (“Bulletin 7”) was issued by the STA on February 3, 2015 and most recently amended pursuant to the Announcement on Issues Concerning the Withholding of Enterprise Income Tax at Source on Non-PRC Resident Enterprises, which was issued by the STA on October 17, 2017 (which amendment became effective on December 1, 2017). Pursuant to Bulletin 7, an “indirect transfer” of assets, including equity interests in a PRC resident enterprise, by non-PRC resident enterprises may be re-characterized and treated as a direct transfer of PRC taxable assets, if the arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of EIT in China. As a result, gains derived from an indirect transfer may be subject to EIT in China. According to Bulletin 7, “PRC taxable assets” include assets attributed to an establishment or a place of business in China, immovable properties in China, and equity investments in PRC resident enterprises. In respect of an indirect offshore transfer of assets of a PRC establishment or place of business, the relevant gain is to be regarded as effectively connected with the PRC establishment or a place of business and therefore included in its EIT filing, and would consequently be subject to EIT in China at a rate of 25%. Where the underlying transfer relates to the immovable properties in China or to equity investments in a PRC resident enterprise, which is not effectively connected to a PRC establishment or a place of business of a non-resident enterprise, an EIT rate at 10% would apply, subject to available preferential tax treatment under applicable tax treaties or similar arrangements, and the party who is obligated to make the transfer payments has the withholding obligation. There is uncertainty as to the implementation of Bulletin 7.

VAT and Business Tax

Before August 2013 and pursuant to applicable PRC tax regulations, any entity or individual conducting business in the service industry is generally required to pay a business tax at the rate of 5% on the revenue generated from providing services. However, if the services provided are related to technology development and transfer, the business tax may be exempted subject to approval by the relevant tax authorities.

In November 2011, the Ministry of Finance (“MOF”) and SAT promulgated the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax. In May and December 2013, April 2014, March 2016 and July 2017, MOF and SAT promulgated five circulars to further expand the scope of services that are to be subject to value-added tax (“VAT”) instead of business tax. Pursuant to these tax rules, from August 1, 2013, VAT was imposed to replace the business tax in certain service industries, including technology services and advertising services, and from May 1, 2016, VAT replaced business tax in all industries, on a nationwide basis. On November 19, 2017, the State Council further amended the Interim Regulation of PRC on Value Added Tax to reflect the normalization of the pilot program. The VAT rates generally applicable are simplified as 17%, 11%, 6% and 0%, and the VAT rate applicable to the small-scale taxpayers is 3%. Unlike business tax, a taxpayer is allowed to offset the qualified input VAT paid on taxable purchases against the output VAT chargeable on the revenue from services provided.

On April 4, 2018, MOF and SAT issued the Notice on Adjustment of VAT Rates, which came into effect on May 1, 2018. According to the notice, starting from May 1, 2018, the taxable goods previously subject to VAT rates of 17% and 11%, respectively, become subject to lower VAT rates of 16% and 10%, respectively.

On March 20, 2019, MOF, SAT and the General Administration of Customs (the “GACC”) issued the Announcement on Policies for Deepening the VAT Reform, which came into effect in April 2019, to further reduce VAT rates. According to the announcement, (1) for general VAT payers’ sales activities or imports previously subject to VAT at an existing applicable rate of 16% or 10%, the applicable VAT rate is adjusted to 13% or 9% respectively; (2) for agricultural products purchased by taxpayers to which an existing 10% deduction rate is applicable, the deduction rate is adjusted to 9%; (3) for agricultural products purchased by taxpayers for production or commissioned processing, which are subject to VAT at 13%, the input VAT will be calculated at a 10% deduction rate; (4) for the exportation of goods or labor services that are subject to VAT at 16%, with the applicable export refund at the same rate, the export refund rate is adjusted to 13%; and (5) for the exportation of goods or cross-border taxable activities that are subject to VAT at 10%, with the export refund at the same rate, the export refund rate is adjusted to 9%.

Regulations Related to Employment and Social Welfare

The Labor Contract Law

According to the Labor Law of China promulgated on July 5, 1994 and most recently amended on December 29, 2018, enterprises and institutions shall establish and improve their system of workplace safety and sanitation, strictly abide by state rules and standards on workplace safety, educate laborers in labor safety and sanitation in China. Labor safety and sanitation facilities shall comply with state-fixed standards. Enterprises and institutions shall provide laborers with a safe workplace and sanitation conditions which are in compliance with state stipulations and the relevant articles of labor protection. The PRC Labor Contract Law, which took effect on January 1, 2008 and amended on December 28, 2012, is primarily aimed at regulating employee/employer rights and obligations, including matters with respect to the establishment, performance and termination of labor contracts. Pursuant to the PRC Labor Contract Law, labor contracts shall be concluded in writing if labor relationships are to be or have been established between enterprises or institutions and laborers. Enterprises and institutions are prohibited from compelling laborers to work beyond specified time limit and employers shall pay laborers for overtime work in accordance with laws and regulations. In addition, labor wages shall not be lower than the local minimum wages and shall be paid to laborers in a timely manner.

Social Insurance and Housing Fund

As required under the Regulation of Insurance for Labor Injury implemented on January 1, 2004 and amended on December 20, 2010, Provisional Measures for Maternity Insurance of Employees of Corporations implemented on January 1, 1995, Decisions on the Establishment of a Unified Program for Basic Old-Aged Pension Insurance for Employees of Corporations of the State Council issued on July 16, 1997, Decisions on the Establishment of the Medical Insurance Program for Urban Workers of the State Council promulgated on December 14, 1998, Unemployment Insurance Measures promulgated on January 22, 1999 and Social Insurance Law of PRC implemented on July 1, 2011 and amended on December 29, 2018, enterprises are obliged to provide their employees in China with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, labor injury insurance and medical insurance. These payments are made to local administrative authorities and any employer that fails to make the required contribution may be fined and ordered to make up for such contribution within a prescribed period of time.

In accordance with the Regulations on the Management of Housing Funds which were promulgated by the State Council on April 3, 1999 and most recently amended on March 24, 2019, enterprises must register at the competent managing center for housing funds and upon the examination by such managing center of housing funds, such enterprises shall complete procedures for the opening of an account at the relevant bank for the deposit of employees' housing funds. Enterprises are also required to pay and deposit housing funds on behalf of their employees in full and in a timely manner.

Regulations Related to M&A and Overseas Listing

On 8 August 2006, six PRC governmental and regulatory agencies, including the Ministry of Commerce and the China Securities Regulatory Commission, or the CSRC, promulgated the Rules on Acquisition of Domestic Enterprises by Foreign Investors, or the M&A Rules, governing the mergers and acquisitions of domestic enterprises by foreign investors that became effective on 8 September 2006 and was revised on 22 June 2009. The M&A Rules, among other things, requires that if an overseas company established or controlled by PRC companies or individuals intends to acquire equity interests or assets of any other PRC domestic company affiliated with such PRC companies or individuals, such acquisition must be submitted to the Ministry of Commerce for approval. The M&A Rules also requires that an offshore special vehicle, or a special purpose vehicle formed for overseas listing purposes and controlled directly or indirectly by the PRC companies or individuals, shall obtain the approval of the CSRC prior to overseas listing and trading of such special purpose vehicle's securities on an overseas stock exchange. The M&A Rules also establish procedures and requirements that could make some acquisitions of PRC companies by foreign investors more time-consuming and complex, including requirements in some instances that the Ministry of Commerce be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. In addition, the Rules on Implementation of Security Review System for the Merger and Acquisition of Domestic Enterprises by Foreign Investors issued by the Ministry of Commerce in 2011 specify that mergers and acquisitions by foreign investors that raise "national defense and security" concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise "national security" concerns are subject to strict review by the Ministry of Commerce, and prohibit any activities attempting to bypass such security review, including by structuring the transaction through a proxy or contractual control arrangement.

Regulations Related to Strictly Combating Illegal Securities Activities

On July 6, 2021, the General Office of the State Council and General Office of the Central Committee of the Communist Party of China issued Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law. It emphasizes the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies.

Regulations Related to Securities Offering and Listing Overseas

On February 17, 2023, the CSRC published the Overseas Listing Measures which will took effect on March 31, 2023. Under the Overseas Listing Measures, a filing-based regulatory system will be applied to "indirect overseas offerings and listings" of companies in mainland China, which refers to securities offerings and listings in an overseas market made under the name of an offshore entity but based on the underlying equity, assets, earnings or other similar rights of a company in mainland China that operates its main business in mainland China. The Overseas Listing Measures states that, any post-listing follow-on offering by an issuer in an overseas market, including issuance of shares, convertible notes and other similar securities, shall be subject to filing requirement within three business days after the completion of the offering. Therefore, any of our future offering and listing of our securities in an overseas market may be subject to the filing requirements under the Overseas Listing Measures. In connection with the Overseas Listing Measures, on February 17, 2023 the CSRC also published the Notice on Overseas Listing Measures. According to the Notice on Overseas Listing Measures, issuers that have already been listed in an overseas market by March 31, 2023, the date the Overseas Listing Measures became effective, are not required to make any immediate filing and are only required to comply with the filing requirements under the Overseas Listing Measures when it subsequently seeks to conduct a follow-on offering.

PART III

Item 19. Exhibits

Exhibit Number	Description of Document
1.1	<u>Amended and Restated Memorandum and Articles of Association of the Registrant</u>
2.1	<u>Form of Registrant's Specimen American Depositary Receipt (included in Exhibit 2.4)</u>
2.2	<u>Registrant's Specimen Certificate for Class A ordinary shares</u>
2.3	<u>Form of Deposit Agreement by the Registrant, the depository and owners and holders of the ADSs (incorporated by reference to Exhibit 4.3 from our registration statement on Amendment No. 2 to Form F-1 (File No. 333-220587) filed publicly with the SEC on October 18, 2017)</u>
2.4	<u>Amendment No.1 to Deposit Agreement dated October 19, 2017 by the Registrant, the depository and owners and holders of the ADS (incorporated by reference to Exhibit (a)(2) to the post-effective amendment to Form F-6 filed publicly with the SEC on May 31, 2022)</u>
4.1	<u>English translation of Purchase Agreement, dated December 1, 2021, among RISE Education Cayman Ltd, Wuhan Xinsili Culture Development Co., Ltd., RISE Education International Limited, Rise (Tianjin) Education Information Consulting Co., Ltd., Beijing Step Ahead Education Technology Development Co., Ltd. and Rise IP (Cayman) Limited (incorporated by reference to Exhibit 99.2 from our report of foreign private issuer on Form 6-K (File No. 001-38235) filed publicly with the SEC on December 1, 2021)</u>
4.2	<u>Share Purchase Agreement, dated December 1, 2021, among RISE Education Cayman Ltd, Rise Education Cayman I Ltd and Bain Capital Rise Education IV Cayman Limited (incorporated by reference to Exhibit 99.3 from our report of foreign private issuer on Form 6-K (File No. 001-38235) filed publicly with the SEC on December 1, 2021)</u>
4.3	<u>Agreement and Plan of Merger, dated February 8, 2022, by and among the Registrant, Dada Merger Sub Limited, Dada Merger Sub II Limited and Dada Auto Inc. (incorporated by reference to Annex A to the proxy statement furnished as Exhibit 99.2 to Current Report on Form 6-K filed publicly with the SEC on April 4, 2022)</u>
4.4	<u>Support Agreement, dated February 8, 2022, by and among the Registrant, Dada Auto Inc. and Bain Capital Rise Education IV Cayman Limited (incorporated by reference to Annex D to the proxy statement furnished as Exhibit 99.2 to Current Report on Form 6-K filed publicly with the SEC on April 4, 2022)</u>
4.5	<u>Amendment to the Support Agreement dated June 10, 2022, by and among the Registrant, Dada Auto Inc. and Bain Capital Rise Education IV Cayman Limited</u>
4.6	<u>Newlink Voting Agreement, dated February 8, 2022, by and among the Registrant, Dada Auto Inc. and Newlinks Technology Limited (incorporated by reference to Annex E to the proxy statement furnished as Exhibit 99.2 to Current Report on Form 6-K filed publicly with the SEC on April 4, 2022)</u>

Exhibit Number	Description of Document
4.7	<u>Newlink Shareholder Voting Agreement, dated February 8, 2022, by and among the Registrant, Dada Auto Inc. and BCPE Nutcracker Cayman, L.P. (incorporated by reference to Annex F to the proxy statement furnished as Exhibit 99.2 to Current Report on Form 6-K filed publicly with the SEC on April 4, 2022).</u>
4.8	<u>Registration Rights Agreement, dated June 10, 2022, by and between the Registrant and Bain Capital RISE Education IV Cayman Limited</u>
4.9	<u>2022 Share Incentive Plan</u>
4.10	<u>Form of Indemnification Agreement</u>
4.11	<u>Form of Employment Agreement</u>
4.12†	<u>English Translation of Investment Agreement, dated December 31, 2021, by and between Dada Auto Inc. and Newlinks Technology Limited</u>
4.13†	<u>English Translation of Assets Transfer Agreement on Kuaidian Platforms, dated February 1, 2022, by and between Kuaidian Power (Beijing) New Energy Technology Co., Ltd. and Zhejiang Anji Jiayu Big Data Technology Service Co., Ltd. and the supplemental agreement thereto dated March 13, 2022</u>
4.14†	<u>Series A Share Purchase Agreement, dated January 14, 2022, by and among the Registrant, Dada Auto Inc., Fleetin HK Limited, Zhejiang Anji Intelligent Electronics Holding Co., Ltd., certain major PRC subsidiaries thereto, Kuaidian Power (Beijing) New Energy Technology Co., Ltd., Newlinks Technology Limited, DAI Zhen and certain investors thereto</u>
4.15†	<u>Series A Share Purchase Agreement, dated January 26, 2022, by and among the Registrant, Dada Auto Inc., Fleetin HK Limited, Zhejiang Anji Intelligent Electronics Holding Co., Ltd., certain major PRC subsidiaries thereto, Kuaidian Power (Beijing) New Energy Technology Co., Ltd., Newlinks Technology Limited, DAI Zhen and BCPE Nutcracker Cayman, L.P.</u>
4.16†	<u>Amended and Restated Shareholder’s Agreement, dated March 18, 2022, by and among the Registrant, Dada Auto Inc., Fleetin HK Limited, Zhejiang Anji Intelligent Electronics Holding Co., Ltd., Kuaidian Power (Beijing) New Energy Technology Co., Ltd., certain major PRC subsidiaries thereto, Newlinks Technology Limited, DAI Zhen and certain investors thereto</u>
4.17†	<u>English Translation of Business Cooperation Agreement, dated March 31, 2022, by and between Zhejiang Anji Zhidian Holding Co., Ltd. and Zhejiang Anji Jiayu Big Data Technology Service Co., Ltd.</u>
4.18†	<u>English Translation of Data Service Agreement, dated February 15, 2023, by and between Zhejiang Anji Zhidian Holding Co., Ltd. and Zhejiang Anji Jiayu Big Data Technology Service Co., Ltd.</u>
4.19†	<u>English Translation of Charging Business Cooperation Agreement, dated February 15, 2023, by and between Zhejiang Anji Zhidian Holding Co., Ltd. and Zhejiang Anji Jiayu Big Data Technology Service Co., Ltd.</u>
8.1	<u>List of Principal Subsidiaries of the Registrant</u>
11.1	<u>Code of Business Conduct and Ethics of the Registrant (incorporated by reference to Exhibit 99.1 from our registration statement on Form F-1 (File No. 333-220587) filed publicly with the SEC on September 22, 2017).</u>
15.1*	<u>Consent of BDO China Shu Lun Pan Certified Public Accountants LLP</u>
15.2*	<u>Consent of Centurion ZD CPA & Co., Independent Registered Public Accounting Firm</u>
15.3	<u>Consent of Harney Westwood & Riegels</u>
15.4	<u>Consent of Jingtian & Gongcheng</u>
15.5	<u>Consent of King & Wood Mallesons</u>

Exhibit Number	Description of Document
16.1	Letter from Ernst & Young Hua Ming LLP, Independent Registered Public Accounting Firm (incorporated by reference to Exhibit 15.2 to our Annual Report on Form 20-F (File No. 001-38235) filed with the SEC on May 13, 2022)
101.INS*	Inline XBRL Instance Document — the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File — the cover page XBRL tags are embedded within the Exhibit 101 Inline XBRL document set

* Filed herewith.

† Portions of this exhibit have been omitted or redacted.

SIGNATURE

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this shell company report on its behalf.

NaaS Technology Inc.

By: /s/ Alex WU

Name: Alex WU

Title: Chief Financial Officer

Date: April 18, 2023

**RISE EDUCATION CAYMAN LTD
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

	Page
<u>Report of Independent Registered Public Accounting Firm (BDO China Shu Lun Pan Certified Public Accountants LLP, Beijing, China, PCAOB ID#1818)</u>	F-2
<u>Report of Independent Registered Public Accounting Firm (Ernst & Young Hua Ming LLP, Beijing, China, PCAOB ID#1408)</u>	F-3
<u>Consolidated Balance Sheets as of December 31, 2020 and 2021</u>	F-4
<u>Consolidated Statements of Income/(Loss) for the Years Ended December 31, 2019, 2020 and 2021</u>	F-5
<u>Consolidated Statements of Comprehensive Income/(Loss) for the Years Ended December 31, 2019, 2020 and 2021</u>	F-6
<u>Consolidated Statements of Changes in Shareholders' Equity for the Years Ended December 31, 2019, 2020 and 2021</u>	F-7
<u>Consolidated Statements of Cash Flows for the Years Ended December 31, 2019, 2020 and 2021</u>	F-9
<u>Notes to the Consolidated Financial Statements</u>	F-10

**DADA AUTO
INDEX TO COMBINED FINANCIAL STATEMENTS**

<u>Report of Independent Registered Public Accounting Firm (Centurion ZD CPA & Co., Hong Kong, China, PCAOB ID#2769)</u>	F-40
<u>Combined Statements of Financial Position as of December 31, 2020 and 2021</u>	F-42
<u>Combined Statements of Loss and Other Comprehensive Loss for the years ended December 31, 2020 and 2021</u>	F-43
<u>Combined Statements of Changes in Equity for the years ended December 31, 2020 and 2021</u>	F-44
<u>Combined Statements of Cash Flows for the years ended December 31, 2020 and 2021</u>	F-45
<u>Notes to Combined Financial Statements</u>	F-46

Report of Independent Registered Public Accounting Firm

Shareholders and the Board of Directors
RISE Education Cayman Ltd
Grand Cayman, Cayman Islands

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of RISE Education Cayman Ltd and its subsidiaries (“the Company”) as of December 31, 2021, and the related consolidated statement of income/(loss), comprehensive income/(loss), changes in shareholders’ equity, and cash flows for the year ended December 31, 2021, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021, and the results of its operations and its cash flows for the year ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/BDO China Shu Lun Pan Certified Public Accountants LLP

We served as the Company’s auditor in 2022.

Beijing, China
May 13, 2022

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of RISE Education Cayman Ltd

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of RISE Education Cayman Ltd (the “Company”) as of December 31, 2020, the related consolidated statements of income/(loss), comprehensive income/ (loss), changes in shareholders’ equity, and cash flows for each of the two years in the period ended December 31, 2020, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young Hua Ming LLP

We served as the Company’s auditor from 2017 to 2021.

Beijing, the People’s Republic of China

April 19, 2021 except for Notes 3 and 14, as to which the date is May 13, 2022

RISE EDUCATION CAYMAN LTD

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands of Renminbi (“RMB”) and U.S. dollars (“US\$”),
except share and ADS data and per share and per ADS data)

	As at December 31,		
	2020 RMB	2021 RMB	2021 US\$
ASSETS			
Current assets:			
Cash and cash equivalents	5,134	16,027	2,515
Restricted cash	5,244	—	—
Amounts due from related parties	181	177	28
Prepayments and other current assets	4,509	14,451	2,268
Current assets of discontinued operations (including current assets of the variable interest entity (“VIE”) without recourse to the Company amounting to RMB420,254 and RMB nil as of December 31, 2020 and 2021, respectively)	729,500	—	—
Total current assets	744,568	30,655	4,811
Non-current assets:			
Non-current assets of discontinued operations (including non-current assets of the VIE without recourse to the Company amounting to RMB1,134,372 and RMB nil as of December 31, 2020 and 2021, respectively)	1,681,837	—	—
Total non-current assets	1,681,837	—	—
Total assets	2,426,405	30,655	4,811
LIABILITIES AND SHAREHOLDERS’ EQUITY			
Current liabilities:			
Current portion of long-term loan	226,744	—	—
Accrued expenses and other current liabilities	1,469	8,625	1,353
Current liabilities of discontinued operations (including current liabilities of the variable interest entity (“VIE”) without recourse to the Company amounting to RMB882,038 and RMB nil as of December 31, 2020 and 2021, respectively)	940,142	—	—
Total current liabilities	1,168,355	8,625	1,353
Non-current liabilities:			
Long-term loan	191,397	—	—
Other non-current liabilities	—	2,838	445
Convertible loan from related parties	—	108,334	17,000
Non-current liabilities of discontinued operations (including non-current liabilities of the VIE without recourse to the Company amounting to RMB499,092 and RMB nil as of December 31, 2020 and 2021, respectively)	565,147	—	—
Total non-current liabilities	756,544	111,172	17,445
Total liabilities	1,924,899	119,797	18,798
Commitments and contingencies			
Shareholders’ equity:			
Ordinary shares (US\$0.01 par value; 200,000,000 and 200,000,000 shares authorized, 112,951,232 and 113,030,392 shares issued and outstanding as of December 31, 2020 and 2021, respectively)	6,959	6,964	1,093
Additional paid-in capital	603,173	274,036	43,002
Statutory reserves	105,357	—	—
Accumulated deficit	(260,019)	(403,149)	(63,263)
Accumulated other comprehensive income	39,642	33,007	5,181
Total RISE Education Cayman Ltd shareholders’ equity (deficit)	495,112	(89,142)	(13,987)
Non-controlling interests	6,394	—	—
Total equity (deficit)	501,506	(89,142)	(13,987)
Total liabilities, non-controlling interests and shareholders’ equity	2,426,405	30,655	4,811

The accompanying notes are an integral part of the consolidated financial statements.

RISE EDUCATION CAYMAN LTD

CONSOLIDATED STATEMENTS OF INCOME/(LOSS)

(Amounts in thousands of Renminbi (“RMB”) and U.S. dollars (“US\$”),
except share and ADS data and per share and per ADS data)

	For the year ended December 31,			
	2019 RMB	2020 RMB	2021 RMB	2021 US\$
Operating expenses:				
General and administrative	(15,275)	(17,606)	(30,003)	(4,708)
Total operating expenses	(15,275)	(17,606)	(30,003)	(4,708)
Operating loss	(15,275)	(17,606)	(30,003)	(4,708)
Interest income	80	13	2	—
Gain on troubled debt restructuring	—	—	279,097	43,796
Net income/(loss) from continuing operations before income tax expense	(15,195)	(17,593)	249,096	39,088
Net income/(loss) from continuing operations	(15,195)	(17,593)	249,096	39,088
Net income/(loss) from discontinued operations, net of tax	159,755	(123,851)	(507,280)	(79,603)
Net income/(loss)	144,560	(141,444)	(258,184)	(40,515)
Net income/(loss) from continuing operations attributable to non-controlling interests	—	—	—	—
Loss from discontinued operations attributable to non-controlling interests	(3,540)	(9,011)	(9,697)	(1,522)
Less: Net loss attributable to non-controlling interests	(3,540)	(9,011)	(9,697)	(1,522)
Net income/(loss) attributable to RISE Education Cayman Ltd	148,100	(132,433)	(248,487)	(38,993)
Net income/(loss) from continuing operations attributable to RISE Education Cayman Ltd	(15,195)	(17,593)	249,096	39,088
Net income/(loss) from discontinued operations attributable to RISE Education Cayman Ltd, net of tax	163,295	(114,840)	(497,583)	(78,081)
Net income/(loss) attributable to RISE Education Cayman Ltd	148,100	(132,433)	(248,487)	(38,993)
Net income/(loss) per share - Basic:				
Continuing operations	(0.13)	(0.15)	2.21	0.35
Discontinued operations	1.44	(1.02)	(4.41)	(0.69)
Total net income/(loss) per share - Basic	1.31	(1.17)	(2.20)	(0.34)
Net income/(loss) per share - Diluted:				
Continuing operations	(0.13)	(0.15)	2.21	0.35
Discontinued operations	1.42	(1.02)	(4.41)	(0.69)
Total net income/(loss) per share - Diluted	1.29	(1.17)	(2.20)	(0.34)
Net income/(loss) per ADS*- Basic:				
Continuing operations	(0.26)	(0.31)	4.42	0.70
Discontinued operations	2.88	(2.04)	(8.82)	(1.38)
Total net income/(loss) per ADS - Basic	2.62	(2.35)	(4.40)	(0.68)
Net income/(loss) per ADS* - Diluted:				
Continuing operations	(0.25)	(0.31)	4.42	0.70
Discontinued operations	2.84	(2.04)	(8.82)	(1.38)
Total net income/(loss) per ADS - Diluted	2.59	(2.35)	(4.40)	(0.68)
Shares used in net income/(loss) per share computation				
Basic	113,187,721	112,813,031	112,868,532	112,868,532
Diluted	114,464,108	112,813,031	112,868,532	112,868,532

*1 ADS represents 2 ordinary shares

The accompanying notes are an integral part of the consolidated financial statements.

RISE EDUCATION CAYMAN LTD

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)

(Amounts in thousands of Renminbi (“RMB”) and U.S. dollars (“US\$”),
except share and ADS data and per share and per ADS data)

	For the year ended December 31,			
	2019 RMB	2020 RMB	2021 RMB	2021 US\$
Net income/(loss)	144,560	(141,444)	(258,184)	(40,515)
Other comprehensive income/(loss), net of tax of nil:				
Foreign currency translation adjustments	(1,542)	(1,275)	(6,635)	(1,041)
Other comprehensive income/(loss)	(1,542)	(1,275)	(6,635)	(1,041)
Comprehensive income/(loss)	143,018	(142,719)	(264,819)	(41,556)
Less: comprehensive income (loss) attributable to non-controlling interests	(3,540)	(9,011)	(9,697)	(1,522)
Comprehensive income/(loss) attributable to RISE Education Cayman Ltd	146,558	(133,708)	(255,122)	(40,034)

The accompanying notes are an integral part of the consolidated financial statements.

RISE EDUCATION CAYMAN LTD

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Amounts in thousands of Renminbi ("RMB") and U.S. dollars ("US\$"),
except share and ADS data and per share and per ADS data)

	Ordinary shares (Number)	Ordinary Shares (Amount)	Additional paid-in capital	Treasury shares	Statutory reserves	Accumulated deficit	Accumulative other comprehensive income/(loss)	Total RISE Education Cayman Ltd shareholder's equity	Non- controlling interests	Total shareholders' equity
Balance at January 1, 2019	113,779,244	7,074	600,011	(23,460)	78,345	(248,674)	42,459	455,755	(14,921)	440,834
Net income	—	—	—	—	—	148,100	—	148,100	(3,540)	144,560
Acquisition of subsidiary	—	—	—	—	—	—	—	—	33,866	33,866
Share-based compensation	—	—	47,889	—	—	—	—	47,889	—	47,889
Issuances in relation to share option exercise	468,384	32	4,615	—	—	—	—	4,647	—	4,647
Other comprehensive income	—	—	—	—	—	—	(1,542)	(1,542)	—	(1,542)
Repurchase of ordinary shares*	(1,492,308)	—	—	(45,953)	—	—	—	(45,953)	—	(45,953)
Retirement of treasury shares*	—	(160)	(69,253)	69,413	—	—	—	—	—	—
Appropriation of statutory reserves	—	—	—	—	26,485	(26,485)	—	—	—	—
Balance at December 31, 2019	112,755,320	6,946	583,262	—	104,830	(127,059)	40,917	608,896	15,405	624,301
Net loss	—	—	—	—	—	(132,433)	—	(132,433)	(9,011)	(141,444)
Share-based compensation	—	—	17,999	—	—	—	—	17,999	—	17,999
Issuances in relation to share option exercise	195,912	13	1,912	—	—	—	—	1,925	—	1,925
Other comprehensive income	—	—	—	—	—	—	(1,275)	(1,275)	—	(1,275)
Appropriation of statutory reserves	—	—	—	—	527	(527)	—	—	—	—
Balance at December 31, 2020	112,951,232	6,959	603,173	—	105,357	(260,019)	39,642	495,112	6,394	501,506

* In November 2018, the Board of Directors approved share repurchase program to purchase up to US\$30,000 of the Company's ordinary shares. As of December 31, 2019, pursuant to the share repurchase program, the Company repurchased 1,158,741 outstanding ADS representing 2,317,482 outstanding ordinary shares for an aggregated purchase price of RMB69,413. All shares repurchased were retired as of December 31, 2019 (Note 2).

RISE EDUCATION CAYMAN LTD

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)

(Amounts in thousands of Renminbi ("RMB") and U.S. dollars ("US\$"),
except share and ADS data and per share and per ADS data)

	Ordinary shares (Number)	Ordinary Shares (Amount)	Additional paid-in capital	Treasury shares	Statutory reserves	Accumulated deficit	Accumulative other comprehensive income/(loss)	Total RISE Education Cayman Ltd shareholder's equity	Non- controlling interests	Total shareholders' equity
Balance at December 31, 2020	112,951,232	6,959	603,173	—	105,357	(260,019)	39,642	495,112	6,394	501,506
Net loss	—	—	—	—	—	(248,487)	—	(248,487)	(9,697)	(258,184)
Share-based compensation	—	—	9,537	—	—	—	—	9,537	—	9,537
Issuances in relation to share option exercise	79,160	5	807	—	—	—	—	812	—	812
Other comprehensive income	—	—	—	—	—	—	(6,635)	(6,635)	—	(6,635)
Appropriation of statutory reserves	—	—	—	—	1,565	(1,565)	—	—	—	—
Disposal of RISE IP&RISE HK	—	—	(339,481)	—	—	—	—	(339,481)	—	(339,481)
Disposal of WFOE	—	—	—	—	(106,922)	106,922	—	—	3,303	3,303
Balance at December 31, 2021	113,030,392	6,964	274,036	—	—	(403,149)	33,007	(89,142)	—	(89,142)
Balance at December 31, 2021 (US\$)	113,030,392	1,093	43,002	—	—	(63,263)	5,181	(13,987)	—	(13,987)

RISE EDUCATION CAYMAN LTD

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands of Renminbi (“RMB”) and U.S. dollars (“US\$”),
except share and ADS data and per share and per ADS data)

	For the year ended December 31,			
	2019 RMB	2020 RMB	2021 RMB	2021 US\$
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income/(loss) from continuing operations	(15,195)	(17,593)	249,096	39,088
Gain on troubled debt restructuring	—	—	(279,097)	(43,796)
Changes in operating assets and liabilities:				
Prepayments and other current assets	(5,946)	1,437	(9,942)	(1,560)
Accrued expenses and other current liabilities	983	(2,459)	7,160	1,125
Other non-current liabilities	—	—	2,838	445
Net cash (used in) continuing operating activities	(20,158)	(18,615)	(29,945)	(4,698)
Net cash (used in) discontinued operating activities	(19,696)	(187,127)	(509,825)	(80,003)
Net cash (used in) operating activities	(39,854)	(205,742)	(539,770)	(84,701)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of subsidiaries	—	—	15,932	2,500
Net cash generated from continuing investing activities	—	—	15,932	2,500
Net cash (used in) discontinued investing activities	(114,716)	(111,782)	(53,535)	(8,401)
Net cash (used in) investing activities	(114,716)	(111,782)	(37,603)	(5,901)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repurchase of ordinary shares	(48,047)	—	—	—
Principal repayments on loans	(97,332)	(62,599)	(124,987)	(19,613)
Proceeds from exercise of share options	4,647	1,925	812	127
Convertible loan from related party	—	—	108,334	17,000
Net cash generated used in continuing financing activities	(140,732)	(60,674)	(15,841)	(2,486)
Net cash (used in) discontinued financing activities	—	—	(23,308)	(3,658)
Net cash (used in) financing activities	(140,732)	(60,674)	(39,149)	(6,144)
Effects of exchange rate changes	1,342	(5,443)	(6,635)	(1,041)
Net decrease in cash, cash equivalents and restricted cash	(293,960)	(383,641)	(623,157)	(97,787)
Cash, cash equivalents and restricted cash at beginning of the year	1,316,785	1,022,825	639,184	100,302
Cash, cash equivalents and restricted cash at the end of the year	1,022,825	639,184	16,027	2,515
Less: Cash, cash equivalents and restricted cash of discontinued operations at the end of the year	998,674	628,806	—	—
Cash, cash equivalents and restricted cash of continuing operations at the end of the year	24,151	10,378	16,027	2,515
Supplemental disclosures of cash flow information of continuing operations:				
Cash and cash equivalents	14,043	5,134	16,027	2,515
Restricted cash	10,108	5,244	—	—

The accompanying notes are an integral part of the consolidated financial statements.

RISE EDUCATION CAYMAN LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”)
except share and ADS data and per share and per ADS data)
RISE EDUCATION CAYMAN LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”)
except share and ADS data and per share and per ADS data)

1. ORGANIZATION AND BASIS OF PRESENTATION

RISE Education Cayman Ltd (the “Company”) is a limited company incorporated in the Cayman Islands under the laws of Cayman Islands on July 16, 2013.

The Company does not conduct any substantive operations on its own but instead conducts its primary business operations through its wholly-owned subsidiaries, the variable interest entity (the “VIE”), and the VIE’s subsidiaries and schools, which are located in the People’s Republic of China (the “PRC” or “China”) and Hong Kong Special Administration Region (“Hong Kong”). The VIE, the VIE’s subsidiaries and schools, hereinafter are collectively referred to as the “VIEs”. The accompanying consolidated financial statements include the financial statements of the Company, its wholly-owned subsidiaries and the VIEs (hereinafter collectively referred to as the “Group”). As of December 31, 2021, the Group only includes the Company, and the other two wholly-owned subsidiaries registered in the Cayman Islands.

The Group was principally engaged in the business of providing junior ELT services in China primarily under the “RISE” brand. The Group offered wide range of educational programs, services and products, consisting primarily of educational courses, sale of course materials, franchise services, and study tours.

On December 1, 2021, the Company, Wuhan Xinsili Culture Development Co., Ltd. (the “Buyer SPV”), Rise (Tianjin) Education Information Consulting Co., Ltd. (“WFOE”), Beijing Step Ahead Education Technology Development Co., Ltd. (“VIE”), RISE Education International Limited (“Rise HK”) and Rise IP (Cayman) Limited (“Rise IP”) entered into a purchase agreement (the “WFOE Purchase Agreement”). The Buyer SPV is a newly-formed limited liability company controlled by the buyer consortium (the “Buyer Consortium”) consisting of certain franchisees of the Company and an affiliate of the Company’s senior management, who are PRC nationals.

Pursuant to the WFOE Purchase Agreement, the Company has agreed to, through Rise HK, sell all of the equity interests in WFOE to the Buyer Consortium (the “WFOE Sale”), in consideration of the Buyer Consortium (i) paying to Rise HK a nominal consideration, and (ii) assuming all liabilities of WFOE and its subsidiaries. Conditions precedent to the WFOE Sale include, among others, (i) Rise HK and Rise IP shall grant WFOE or other entities designated by the Buyer Consortium a royalty-free, perpetual, irrevocable and exclusive license over all intellectual property rights owned by or licensed to Rise HK and/ or Rise IP, (ii) RISE HK shall make an additional capital contribution to WFOE in US dollars equivalent of RMB20,000, and (iii) the lenders (the “Lenders”) of the facilities agreement dated March 18, 2021 relating to the term and revolving facilities of up to an aggregate amount of US\$80,000 (the “Facilities Agreement”) shall have released the applicable guarantees, obligations and equity pledges provided by WFOE and VIE. In addition, the Buyer SPV and its affiliates warrant that they will have no less than RMB100,000 at the closing of the WFOE Sale to fund the business operations of WFOE and its subsidiaries after completion of the Sale.

On the same day, the Company entered into a share purchase agreement (the “IP Holdco Purchase Agreement”) with Rise Education Cayman I Ltd (the “IP Seller”) and Bain Capital Rise Education IV Cayman Limited, a major shareholder of the Company (the “Shareholder”). The IP Seller is also the borrower (the “Borrower”) under the Facilities Agreement. Pursuant to the IP Holdco Purchase Agreement, the Company and the IP Seller have agreed to sell all of the equity interests in Rise HK and Rise IP to the Shareholder in consideration of the Shareholder (i) on behalf of the Borrower, paying US\$2,500 to the Lenders in settlement of the Facilities Agreement, and (ii) causing Rise HK and Rise IP to grant WFOE or other entities designated by the Buyer Consortium a royalty-free, perpetual, irrevocable and exclusive license over all intellectual property rights owned by or licensed to Rise HK and/or Rise IP (the “IP Sale”, and together with the WFOE Sale, the “Sale”). The IP Sale is subject to, among other customary conditions precedent, the completion of the WFOE Sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”)
except share and ADS data and per share and per ADS data)

1. ORGANIZATION AND BASIS OF PRESENTATION (Continued)

In connection with the Sale, the Borrower, WFOE, VIE and the Shareholder and certain other parties entered into a settlement agreement (the “Settlement Agreement”) with the Lenders on December 1, 2021. Under the Settlement Agreement, the Lenders agreed to (i) acknowledge and consent to the Sale, (ii) discharge and release all liabilities and obligations of the Company and its subsidiaries under the Facilities Agreement in the amount of approximately US\$55,746; (iii) terminate, release and discharge all security interest, guarantee and indemnity created in connection with the Facilities Agreement; and (iv) waive, release and discharge all claims arising from or in connection with the Facilities Agreement, in exchange for (i) an aggregate amount of approximately US\$10,377, and (ii) the transfer of all interest in the Edge business (the “Edge Business”) that offers admission consulting, academic tutoring and test preparation services in Hong Kong and Singapore for students who intend to study abroad to a person nominated by the Lenders, and the obligation of the Borrower and the Shareholder to use their respective reasonable endeavors to run and manage the sale of the Edge Business to a third party for the 12 months following completion of the settlement contemplated under the Settlement Agreement (the “Settlement”). The Settlement is subject to, among other customary conditions precedent, the credit approval for each Lender, which the Lenders undertake to take all reasonable actions and steps required to obtain on or before December 17, 2021.

In order for the Company to make the settlement payment under the Settlement Agreement, make an additional capital contribution to WFOE pursuant to the WFOE Purchase Agreement and pay for certain operating expenses, the Company entered into a convertible loan deed with the Shareholder on December 1, 2021 (the “Convertible Loan Deed”), pursuant to which the Shareholder will provide an interest-free convertible loan of US\$17,000 to the Company for a period of 360 days, convertible into ordinary shares of the Company at US\$0.35 per share, or US\$0.70 per ADS, representing a premium of 10% over the volume weighted average closing price of the Company’s ADSs (each representing two ordinary shares) published on the relevant page on Bloomberg that shows such price on each day for a period of ten trading days prior to the date of the Convertible Loan Deed (the “Convertible Loan”). In addition, at any time prior to the date falling 30 days after the date of the Convertible Loan Deed (the “Solicitation Period”), the Company has the right to solicit and raise alternative financing and prepay any drawn portion of the Convertible Loan and cancel any undrawn portion of the Convertible Loan in full with proceeds from such alternative financing. The Shareholder shall not have the right to convert the Convertible Loan during the Solicitation Period.

On December 30, 2021, the Company has closed the “Sale”, in which, the Company has sold (i) all of the equity interests in Rise (Tianjin) Education Information Consulting Co., Ltd. to Wuhan Xinsili Culture Development Co., Ltd. on December 28, 2021; and (ii) all of the equity interests in RISE Education International Limited and Rise IP (Cayman) Limited to Bain Capital Rise Education IV Cayman Limited on December 30, 2021. Upon completion of the Sale, the Company has, through its subsidiaries, sold substantially all its assets and becomes a “public shell”.

In connection with the Sale, on December 30, 2021, the settlement (“Settlement”) with the lenders (“Lenders”) of the facilities agreement dated March 18, 2021 relating to the term and revolving facilities of up to an aggregate amount of US\$80,000 has also been completed. As part of the Settlement, all interest in the Edge business that offers admission consulting, academic tutoring and test preparation services in Hong Kong and Singapore for students who intend to study abroad has been transferred to a person nominated by the Lenders.

As of December 31, 2021, details of the Company’s subsidiaries are as follows:

Name	Date of establishment	Place of establishment	Percentage of equity interest attributable to the Company	Principal activity
Subsidiaries of the Company:				
RISE Education Cayman III Ltd (“Cayman III”)	July 29, 2013	Cayman Islands	100 %	Investment holding
RISE Education Cayman I Ltd (“Cayman”)	June 19, 2013	Cayman Islands	100 %	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”)
except share and ADS data and per share and per ADS data)

1. ORGANIZATION AND BASIS OF PRESENTATION (Continued)***Basis of presentation***

The consolidated financial statements of the Group have been prepared in accordance with the accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Going concern

The Group has adopted ASC 205-40, Presentation of Financial Statements—Going Concern, which requires that management evaluate whether there are relevant conditions and events that, in the aggregate, raise substantial doubt about the entity’s ability to continue as a going concern and to meet its obligations as they become due within one year after the date that the consolidated financial statements are issued.

During the year ended December 31, 2021, the Company has, through its subsidiaries, sold substantially all its assets and becomes a “public shell”. That means there will be no revenues, but operating expenses incurred in the future. As of December 31, 2021, although the Group had a working capital surplus of RMB22.0 million, cash and cash equivalents of RMB16.0 million, but there is still legal fee, audit fee and other miscellaneous fee incurred for the services of the 2021 financial statement during the first half year of 2022. Therefore, these conditions considered in aggregate that raise substantial doubt regarding the Group’s ability to continue as a going concern within one year after the date on which the financial statements of 2021 are issued.

The Group has plans in place to involve new operating business, and began exploring strategic alternatives, including business combinations. On February 8, 2022, the Company and Dada Auto Inc. (“NaaS”), a leading operation and technology provider serving China’s electric vehicle charging market, executed a definitive Agreement and Plan of Merger (the “Merger Agreement”), pursuant to which the shareholders of NaaS will exchange all of the issued and outstanding share capital of NaaS for newly issued shares of the Company on the terms and conditions set forth therein in a transaction exempt from the registration requirements under the Securities Act of 1933 (the “Transaction”). Upon consummation of the Transaction, NaaS will become a wholly-owned subsidiary of the Company. On April 29, 2022, the Company’s extraordinary general meeting of shareholders (the “EGM”) was held. At the EGM, shareholders approved, through a special resolution, the transactions contemplated in the Merger Agreement.

The Company and NaaS anticipate that the Transaction will be completed around mid-2022, subject to the satisfaction of closing conditions set forth in the Merger Agreement, including among other things, receipt of Company shareholder approval and regulatory approvals, including necessary PRC regulatory approvals (if applicable) and the continuous listing of the Company on the Nasdaq.

After considering management’s plans, it is probable that the Merger with NaaS will be effectively implemented and would bring sufficient funding for the Company to continue as a going concern. Therefore, substantial doubt about the Group’s ability to continue as a going concern is alleviated.

The Group’s consolidated financial statements have been prepared in accordance with U.S. GAAP on a going concern basis. The going concern basis assumes that assets are realized and liabilities are extinguished in the ordinary course of business at amounts disclosed in the consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES***Principles of consolidation***

The consolidated financial statements include the financial statements of the Company, its subsidiaries, and the VIEs. All significant inter-company transactions and balances between the Company, its subsidiaries and the VIEs have been eliminated upon consolidation. Results of subsidiaries, businesses acquired from third parties and the VIEs are consolidated from the date on which control is obtained by the Company.

The Company deconsolidates its subsidiaries or business in accordance with ASC 810 as of the date the Company ceased to have a controlling financial interest in the subsidiaries. The Company accounts for the deconsolidation of its subsidiaries or business by recognizing a gain or loss in net income/loss attributable to the Company in accordance with ASC 810. This gain or loss is

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”)
except share and ADS data and per share and per ADS data)

measured at the date the subsidiaries are deconsolidated as the difference between (a) the aggregate of the fair value of any consideration received, the fair value of any retained non-controlling interest in the subsidiaries being deconsolidated, and the carrying amount of any non-controlling interest in the subsidiaries being deconsolidated, including any accumulated other comprehensive income/loss attributable to the non-controlling interest, and (b) the carrying amount of the assets and liabilities of the subsidiaries being deconsolidated.

The Company assesses whether a deconsolidation is required to be presented as discontinued operations in its consolidated financial statements on the deconsolidation date. This assessment is based on whether or not the deconsolidation represents a strategic shift that has or will have a major effect on the Company’s operations or financial results. If the Company determines that a deconsolidation requires presentation as a discontinued operation on the deconsolidation date, or at any point during the one-year period following such date, it will present the former subsidiary as a discontinued operation in current and comparative period financial statements.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and revenue and expenses in the consolidated financial statements and accompanying notes. Significant accounting estimates reflected in the Group’s consolidated financial statements include valuation allowance for deferred tax assets, uncertain tax positions, the initial valuation of the assets acquired and liabilities assumed and non-controlling interest in a business combination, fair values of certain debt and equity investments, economic lives and impairment of long-lived assets, impairment of goodwill, standalone selling prices of performance obligations of revenue contracts, accounts receivable and contract assets allowances, measurement of right-of-use assets and lease liabilities and share-based compensation. Actual results could differ from those estimates.

Convenience translation

Amounts in the United States Dollars (“US\$”) are presented for the convenience of the reader and are translated at the noon buying rate of RMB6.3726 per US\$1.00 on December 30, 2021 in the City of New York for cable transfers of RMB as certified for customs purposes by the Federal Reserve Bank of New York. No representation is made that the RMB amounts could have been, or could be, converted into US\$ at such rate.

Foreign currency

The functional currency of the Company, its Cayman subsidiaries and Rise HK are the US\$, the functional currency of Edge Franchising and Edge Online Co. Limited are the Hong Kong Dollars (“HK\$”). The Company’s PRC subsidiaries and the VIEs determined their functional currency to be Renminbi (the “RMB”). The Group uses the RMB as its reporting currency.

Each entity in the Group maintains its financial records in its own functional currency. Transactions denominated in foreign currencies are measured at the exchange rates prevailing on the transaction dates. Monetary assets and liabilities denominated in foreign currencies are remeasured at the exchange rates prevailing at the balance sheet date. Non-monetary items that are measured in terms of historical cost in foreign currency are remeasured using the exchange rates at the dates of the initial transactions. Exchange gains and losses are included in the consolidated statements of (loss)/income.

The Company uses the average exchange rate for the year and the exchange rate at the balance sheet date to translate the operating results and financial position, respectively. Translation differences are recorded in accumulated other comprehensive income, a component of shareholders’ equity.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and highly liquid investments which are unrestricted as to withdrawal or use, and which have original maturities of three months or less when purchased.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”)
except share and ADS data and per share and per ADS data)

Restricted cash

Restricted cash primarily represents deposits held in a designated bank account as security for the interest and principal payments within one year on the Group’s long-term loan; and deposits restricted as to withdrawal or use under government regulations.

In November 2016, the FASB issued Accounting Standards Update (“ASU”) No. 2016-18, *Statement of Cash Flows* (Topic 230): Restricted Cash, which requires companies to include amounts generally described as restricted cash and restricted cash equivalents in cash and cash equivalents when reconciling beginning-of-period and end-of-period total amounts presented in the statement of cash flows. The Group adopted the new standard effective January 1, 2018, using the retrospective transition method. All restricted cash was presented on the face of the consolidated balance sheet as “Restricted cash.”

Investments - Discontinued OperationsShort-term investments

The Group’s short-term investments comprise primarily of cash deposits at floating rates based on daily bank deposit rates with original maturities ranging from over three months to six months.

Long-term investment

The Group’s long-term investment is an equity investment in unlisted company based in the PRC over which the Group neither has significant influence nor control through investment in common stock or in-substance common stock.

The Group adopted ASC 321, Investments — Equity Securities (“ASC 321”) on January 1, 2018, pursuant to which, equity investments with readily determinable fair value, except for those accounted for under the equity method, those that result in consolidation of the investee and certain other investments, are measured at fair value, and any changes in fair value are recognized in earnings. For equity securities without readily determinable fair value and do not qualify for the existing practical expedient in ASC 820, Fair Value Measurements and Disclosures (“ASC 820”) to estimate fair value using the net asset value per share (or its equivalent) of the investment, the Group elected to use the measurement alternative to measure all its investments at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer, if any.

The Group makes a qualitative assessment of whether the equity investment is impaired at each reporting date. If a qualitative assessment indicates that the investment is impaired, the Group has to estimate the investment’s fair value in accordance with the principles of ASC 820. If the fair value is less than the investment’s carrying value, the Group has to recognize an impairment loss in the consolidated statements of income/(loss) equal to the difference between the carrying value and fair value. As stipulated in the investment agreement, the Group contributed an additional RMB4,000 to the equity investee in 2020. The Group recognized impairment charge of nil, RMB37,000 and nil for the year 2019, 2020 and 2021, respectively. There were also no unrealized gains (upward adjustments) or losses (downward adjustments), excluding impairment resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuer during the periods presented.

Inventories - Discontinued Operations

Inventories are finished goods and mainly comprised of textbooks and other educational study tools (“course materials”). Course materials are stated at the lower of cost or market. Cost is determined using the weighted average cost method. As of December 31, 2019, 2020 and 2021, the Group did not have any provision for inventories.

Property and equipment - Discontinued Operations

Property and equipment is stated at cost less accumulated depreciation and impairment. Depreciation is calculated on a straight line basis over the following estimated useful lives:

Electronic equipment

3 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”)
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Furniture	3 – 5 years
Vehicles	4 years
Leasehold improvements	Shorter of the lease term or estimated useful life

Repair and maintenance costs are charged to expense as incurred, whereas the cost of renewals and betterments that extend the useful lives of property and equipment are capitalized as additions to the related assets. Retirements, sales and disposals of assets are recorded by removing the cost and accumulated depreciation from the asset and accumulated depreciation accounts with any resulting gain or loss reflected in the consolidated statements of (loss)/income.

Direct costs that are related to the construction of property and equipment, and incurred in connection with bringing the assets to their intended use are capitalized as construction in progress. Construction in progress is transferred to specific property and equipment, and the depreciation of these assets commences when the assets are ready for their intended use.

Segment reporting

In accordance with ASC 280, Segment Reporting, operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker (“CODM”), or decision making group, in deciding how to allocate resources and in assessing performance. The Group has only one reportable segment since the Group does not distinguish revenues, costs and expenses by operating segments in its internal reporting, and reports costs and expenses by nature as a whole. The Group’s CODM, who has been identified as the Chief Executive Officer of the Group, reviews the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole. The Group does not distinguish among markets or segments for the purpose of internal reports. Substantially all of the Group’s revenues for the years ended December 31, 2019, 2020 and 2021 were generated from the PRC. As of December 31, 2020, a majority of the long-lived assets of the Group are located in the PRC, and therefore, no geographical segments are presented. At the end of December 2021, the Group disposed all of the assets located in the PRC.

Troubled Debt Restructuring

The Group accounts for a debt amendment as a troubled debt restructuring when the transaction meets the two criteria: 1) The Group was experiencing financial difficulties; 2) the lender was granting a concession when the effective borrowing rate on the restructured debt is less than the effective borrowing on the original debt. If future undiscounted cash flows is greater than the net carrying value of the original debt, no gain is recognized, and a new effective interest rate is established based on the carrying value of the original debt and the revised cash flows. If future undiscounted cash flows is less than the net carrying value of the original debt, the difference between future undiscounted cash flows and the net carrying value of the original debt is recognized as gain on troubled debt restructuring, and the carrying value of the debt is adjusted to the future undiscounted cash flow amount. According to ASC 205-20-45, when the debt will be not assumed by the buyer in the transaction and is required to be repaid as a result of the disposal, the interest cost on the debt should be allocated to discontinued operations and the debt should be allocated to continuing operations. For the year ended December 31, 2021, the Company recognized gain on debt distinguishment of RMB279,097 (US\$43,796) in continuing operations.

Non-controlling interests – Discontinued Operations

For certain subsidiaries of the VIE, a non-controlling interest is recognized to reflect the portion of their equity which is not attributable, directly or indirectly, to the Group. Consolidated net (loss)/income on the consolidated statements of (loss)/income, includes the net loss attributable to non-controlling interests. The cumulative results of operations attributable to non-controlling interests are recorded as non-controlling interests in the Group’s consolidated balance sheets.

Goodwill – Discontinued Operations

The Group assesses goodwill for impairment in accordance with ASC 350-20, *Intangibles—Goodwill and Other: Goodwill* (“ASC 350-20”), which requires that goodwill be tested for impairment at the reporting unit level at least annually and more frequently upon the occurrence of certain events, as defined by ASC 350-20.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”)
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There was only one reporting unit (that also represented the operating segment) as of December 31, 2020 and 2021, respectively. Goodwill was allocated to the one reporting unit as of December 31, 2020 and 2021, respectively. The Group has the option to assess qualitative factors first to determine whether it is necessary to perform the two-step test in accordance with ASC 350-20. If the Group believes, as a result of the qualitative assessment, that it is more-likely-than-not that the fair value of the reporting unit is less than its carrying amount, the two-step quantitative impairment test described above is required. Otherwise, no further testing is required. In the qualitative assessment, the Group considers primary factors such as industry and market considerations, overall financial performance of the reporting unit, and other specific information related to the operations.

On January 1, 2020, the Group adopted ASU No. 2017-04, Simplifying the Test for Goodwill Impairment, which simplifies the accounting for goodwill impairment by eliminating Step two from the goodwill impairment test. Under the new guidance, if the fair value of a reporting unit exceeds its carrying amount, goodwill is not impaired and no further testing is required. If the fair value of a reporting unit is less than the carrying value, an impairment charge is recognized for the amount by which the carrying amount exceeds the reporting unit’s fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. For the years ended December 31, 2019, 2020 and 2021, the Group recorded RMB nil, RMB nil and RMB nil impairment loss on goodwill respectively related to continuing operations, and RMB nil, RMB nil and RMB nil were related to discontinued operations for the years ended December 31, 2019, 2020 and 2021, respectively. Under ASC 810-10, when a reporting unit is to be disposed of in its entirety, the entity must include in the reporting unit’s carrying amount the goodwill of that reporting unit in determining the gain or loss on disposal. The goodwill derecognized is no longer assigned to a reporting unit for purposes of impairment testing. As refer to Note 1, upon completion of the Sale, the Company has, through its subsidiaries, sold substantially all its assets. Therefore, the management of the Company did not perform goodwill impairment test at the end of December 31, 2021.

Intangible assets - Discontinued Operations

Intangible assets with finite lives are carried at cost less accumulated amortization. Amortization of finite-lived intangible assets except for student base is computed using the straight-line method over the estimated useful lives. Student base is amortized using an accelerated pattern based on the estimated student attrition rate of the acquired schools. The estimated useful lives of intangible assets from the date of purchase are as follows:

Category	Estimated Useful Life
Courseware license	15 years
Franchise agreements	2.5-3 years
Student base	3-5 years
Trademarks	10-15 years
Purchased software	3-5 years
Licensed copyright	The shorter of contractual terms or estimated useful lives of the assets
Teaching course materials	10 years

Impairment of long-lived assets other than goodwill – Discontinued Operations

The Group evaluates its long-lived assets, including fixed assets, intangible assets and operating lease right-of-use assets with finite lives, for impairment whenever events or changes in circumstances, such as a significant adverse change to market conditions that will impact the future use of the assets, indicate that the carrying amount of an asset may not be fully recoverable. When these events occur, the Group evaluates the recoverability of long-lived assets by comparing the carrying amount of the assets to the future undiscounted cash flows expected to result from the use of the assets and their eventual disposition. If the sum of the expected undiscounted cash flows is less than the carrying amount of the assets, the Group recognizes an impairment loss based on the excess of the carrying amount of the assets over their fair value. Fair value is generally determined by discounting the cash flows expected to be generated by the assets, when the market prices are not readily available. As of December 31, 2021, there was a full impairment of RMB4,069 (US\$639) for partial intangible assets related to discontinued operations as the Group decided such intangible assets do not satisfy its current need and cannot accommodate the Group’s future strategy and thus the Group cannot benefit from existing implementation work nor re-sell/sublicense the license or work to others, which was recorded in other income, net.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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Business Combinations

The Group accounts for business combinations using the purchase method of accounting in accordance with ASC 805, *Business Combinations*. The purchase method accounting requires that the consideration transferred be allocated to the assets, including separately identifiable assets and liabilities the Group acquired, based on their estimated fair values. The consideration transferred in an acquisition is measured as the aggregate of the fair values at the date of exchange of the assets given, liabilities incurred, and equity instruments issued as well as the contingent considerations and all contractual contingencies as of the acquisition date. The costs directly attributable to the acquisition are expensed as incurred. Identifiable assets, liabilities and contingent liabilities acquired or assumed are measured separately at their fair value as of the acquisition date, irrespective of the extent of any non-controlling interests. The excess of (i) the total of cost of acquisition, fair value of the non-controlling interests and acquisition date fair value of any previously held equity interest in the acquiree over (ii) the fair value of the identifiable net assets of the acquiree, is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in earnings.

In a business combination achieved in stages, the Group re-measured the Group’s previously held equity interest in the acquiree immediately before obtaining control at its acquisition-date fair value and the re-measurement gain or loss, if any, is recognized in earnings.

The determination and allocation of fair values to the identifiable assets acquired, liabilities assumed and non-controlling interests is based on various assumptions and valuation methodologies requiring considerable judgment from management. The most significant variables in these valuations are discount rates, terminal values, the number of years on which to base the cash flow projections, as well as the assumptions and estimates used to determine the cash inflows and outflows. The group determine discount rates to be used based on the risk inherent in the related activity’s current business model and industry comparisons. Terminal values are based on the expected life of assets, forecasted life cycle and forecasted cash flows over that period.

Fair value of financial instruments – Discontinued Operations

Financial instruments include cash and cash equivalents, short-term investments, restricted cash, certain other current assets, long-term investment, accounts payable, long-term loan, customer advances, lease liabilities and certain other current liabilities. For long-term investment, the Group elected to use the measurement alternative to measure those investments at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer, if any. The carrying amounts of remaining financial instruments, except for the long-term loan, approximate their fair values because of their short-term maturities. The carrying amount of the long-term loan approximates its fair value due to the fact that the related interest rate approximates the interest rates currently offered by financial institutions for similar debt instruments of comparable maturities.

Revenue recognition- Discontinued Operations

On January 1, 2018, the Group adopted ASC 606, *Revenue from contracts with customers* (“ASC 606”) utilizing the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. Accordingly, revenues for the years ended December 31, 2018 and the following years were presented in accordance with ASC 606, and revenues for the year ended December 31, 2017 was not adjusted and continued to be presented in accordance with ASC 605, *Revenue Recognition*. The cumulative effect of adopting ASC 606 resulted in an adjustment to increase the opening balance of accumulated deficit on January 1, 2018 by RMB44,122, with the impact related to the recognition of initial franchise fees. The Group’s accounting policy before January 1, 2018 was to recognize initial franchise fees when franchisees commence operations under the RISE brand or upon the renewal of the franchise agreements. In accordance with ASC 606, the initial franchise services are not distinct from the continuing rights or services offered during the term of the franchise agreement, and will therefore, be treated as a single performance obligation. Therefore, initial franchise fees should be recognized over the franchise term, which is generally five years under ASC 606.

The Group’s revenue recognition policies following the adoption of ASC 606 are as follows:

Revenue is recognized when a customer obtains control of promised goods or services, in an amount that reflects the consideration which the Group expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that the Group determines are within the scope of the new revenue recognition accounting standard, the Group performs

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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the following five steps: (i) identify the contract with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the Group satisfies a performance obligation. The Group only applies the five-step model to contracts when it is probable that the Group will collect the consideration it is entitled to in exchange for the goods or services transferred to the customer. At contract inception, the Group assesses the goods or services promised within each contract to determine those that represent performance obligations, and assess whether each promised good or service is distinct. The Group then recognize as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied. Revenue is recognized net of business tax, value added taxes and tax surcharges.

Contract liabilities relate to contracts where the Group received payments but has not yet satisfied the related performance obligations. The advance consideration received from customers for the services is a contract liability until services are provided to the customer and are presented in “deferred revenue and customer advances” in the consolidated balance sheets.

Contract assets include costs to obtain contracts with customers. Costs to obtain contracts with customers are incremental costs to obtain franchise contracts, which are recorded as prepayment and other current assets, and other non-current assets depending on the estimated life of the underlying franchise contracts.

The primary sources of the Group’s revenues are as follows:

(a) Educational programs

Educational programs’ contracts generally consist of two performance obligations, English courses and course materials, which are both capable of being distinct and distinct in the context of the contract. The transaction price is stated in the contract and known at the time of contract inception, therefore no variable consideration exists. The Group may issue promotional coupons to attract enrollment for its courses. The promotional coupons are not issued in conjunction with a concurrent revenue transaction and are for a fixed RMB amount that can only be redeemed to reduce the amount of the tuition fees for future courses. The promotional coupons are accounted for as a reduction of the transaction price and are allocated across all performance obligations unless observable evidence exists that the discount relates to a specific performance obligation or obligations in the contract. Revenue is allocated to each performance obligation based on its standalone selling price. The Group generally determines standalone selling prices based on the prices charged to students. If the standalone selling price is not observable through past transactions, the Group estimates the standalone selling price taking into account available information such as market conditions and internally approved pricing guidelines related to the performance obligations.

Course fees are collected in full in advance of the commencement of each course and each course comprises of a fixed amount of classes. The Group uses the student’s daily attendance records of both offline and online courses, an output measure, to recognize revenue over time as it best depicts the simultaneous consumption and delivery of educational program services. Students are allowed to return course materials if they are unused. However, once the student attends the first class of the respective course, course materials cannot be returned. Therefore, revenue associated with distinct course materials is recognized at the point in time when control transfers to the student, generally when the student attends the first class of the respective course.

According to local education bureau regulations, depending on a school’s location and the amount of classes remaining for a course, the Group may be required to refund course fees for any remaining undelivered classes to students who withdraw from a course. The refund is recorded as a reduction of the related course fees received in advance and has no impact on recognized revenue. Refunds on recognized revenue were insignificant for all periods presented.

To be consistent with our management reporting framework, revenues from educational programs include revenues generated by The Edge starting from the first quarter of 2019 and revenues generated from Can-Talk starting from the first quarter of 2020. Revenues from educational programs in previous years have been adjusted to take this into account. The Edge offers admission consulting, academic tutoring and test preparation services for students who intend to study abroad and each service represents an individual performance obligation. For admission consulting services, the Group uses the input method by reference to the consulting hours incurred up to the end of reporting period as a percentage of total estimated hours to recognize revenue over a fixed contract period, which best depicts the Group’s efforts toward satisfying the performance obligation relative to the total expected efforts. For academic tutoring and test preparation services, the Group use students’ attendance records, an output measure, to recognize revenue over time as it best depicts the simultaneous consumption and delivery of such services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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(b) Franchise revenues

Franchise revenues includes non-refundable initial franchise fees and the recurring franchise fees from its franchisees. The initial franchise services to be performed under the franchise agreements to earn the initial franchise fees comprise of (i) authorizing franchisees to use the RISE brand and the Group’s courseware, and (ii) initial setup services, including assisting with site selection and marketing strategy, training of franchisee management and teachers. The Group’s franchise agreements do not include guarantees or other forms of financial assistance, refund provisions or options to repurchase franchises from franchisees. In accordance with the new revenue recognition standard, the initial franchise services are not distinct from the continuing rights offered during the term of the franchise agreement and will therefore be treated as a single performance obligation. As such, beginning in January 2018, initial franchise fees are deferred and recorded as “deferred revenue and customer advances”, and are recognized over the franchise term as the performance obligation is satisfied, which is generally five years. The Group also receives sales-based recurring franchise fees from its franchisees, which include a fixed percentage of the franchisees’ course fees and proceeds from the sale of related course materials. The recurring franchise fees are recognized at the time the underlying franchisees’ sale of services occur.

(c) Other revenues

Other revenues comprise mainly of the provision of overseas and domestic study tour services. The Group determined the overseas study tours contract contains a single performance obligation and the Group is the principal in providing overseas study tours services as it controls such services before the services are transferred to the customer. Therefore, the Group recognizes study tours revenue on a gross basis. The Group recognize revenue over the service period of the study tour, which is, generally around two to three weeks, as it best depicts the simultaneous consumption and delivery of overseas study tours services.

Advertising expenditures- Discontinued Operations

Advertising costs are expensed when incurred and are included in selling expenses in the consolidated statements of (loss)/income.

Leases - Discontinued Operations

The Group adopted ASU No. 2016-02, *Leases* (Topic 842) (“ASC 842”) from January 1, 2019 by using the modified retrospective method and did not restate the comparable periods. The Group has elected the package of practical expedients, which allows the Group not to reassess (1) whether any expired or existing contracts as of the adoption date are or contain a lease, (2) lease classification for any expired or existing leases as of the adoption date and (3) initial direct costs for any expired or existing leases as of the adoption date. The Group elected the short-term lease exemption for all contracts with lease terms of 12 months or less. The Group have lease agreements with lease and non-lease components, which are generally accounted for separately.

The Group determines if an arrangement is a lease or contains a lease at lease inception. For operating leases, the Group recognizes a right-of-use (“ROU”) asset and a lease liability based on the present value of the lease payments over the lease term on the consolidated balance sheets at commencement date. As most of the Group’s leases do not provide an implicit rate, the Group estimates its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The incremental borrowing rate is estimated to approximate the interest rate on a collateralized basis with similar terms and payments, and in economic environments where the leased asset is located. The ROU assets also include any lease payments made, net of lease incentives. Lease expense is recorded on a straight-line basis over the lease term. On April 10, 2020, the FASB issued guidance for lease concessions provided to lessees in response to the effects of COVID-19. Such guidance allows lessees to make an election not to evaluate whether a lease concession provided by a lessor should be accounted for as a lease modification, in the event the concession does not result in a substantial increase in the rights of the lessor or the obligations of the lessee. Such concessions would be recorded as negative lease expense in the period of relief. The Group elected this practical expedient in accounting for lease concessions provided for certain of the Group’s learning center agreements.

Upon adoption of ASC 842, the Group recognized ROU assets of RMB601,610 and total lease liabilities (including current and non-current) RMB610,500 for operating leases as of January 1, 2019. The impact of adopting ASC 842 on the Group’s opening retained earnings, current year net income and current year cash flow was insignificant.

The Group’s operating leases mainly related to offices and classroom facilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”)
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Income/(loss) per share

In accordance with ASC 260, *Earnings Per Share*, basic (loss)/income per share is computed by dividing net (loss)/income attributable to the Company by the weighted average number of ordinary shares outstanding during the period. Diluted (loss)/income per share is calculated by dividing net (loss)/income attributable to the Company as adjusted for the effect of dilutive ordinary equivalent shares, if any, by the weighted average number of ordinary and dilutive ordinary equivalent shares outstanding during the period. Share options with market conditions, performance conditions, or any combination thereof, are considered contingently issuable shares and are included in the computation of diluted (loss)/income per share to the extent that market and performance conditions are met such that the share options are exercisable at the end of the reporting period, assuming it was the end of the contingency period. Ordinary equivalent shares consist of the ordinary shares issuable upon the conversion of the share options, using the treasury stock method. Ordinary equivalent shares are excluded from the computation of diluted per share if their effects would be anti-dilutive.

Share-based compensation – Discontinued Operations

The Group applies ASC 718, *Compensation — Stock Compensation* (“ASC 718”), to account for its employee share-based payments. In accordance with ASC 718, the Group determines whether an award should be classified and accounted for as a liability award or an equity award. All the Group’s share-based awards to employees were classified as equity awards.

In accordance with ASC 718, the Group recognizes share-based compensation cost for equity awards to employees with a performance condition based on the probable outcome of that performance condition — compensation cost is recognized if it is probable that the performance condition will be achieved and shall not be recognized if it is not probable that the performance condition will be achieved.

In accordance with ASC 718, the effect of a market condition is reflected in the grant-date fair value of the granted equity awards. The Group recognizes share-based compensation cost for equity awards with a market condition provided that the requisite service is rendered, regardless of when, if ever, the market condition is satisfied.

A change in any of the terms or conditions of the awards is accounted for as a modification of the award. When the vesting conditions (or other terms) of the equity awards granted to employees are modified, the Group first determines on the modification date whether the original vesting conditions were expected to be satisfied, regardless of the entity’s policy election for accounting for forfeitures. If the original vesting conditions are not expected to be satisfied, the grant-date fair value of the original equity awards are ignored, and the fair value of the equity award measured at the modification date is recognized if the modified award ultimately vests. When a vesting condition that is probable of achievement is modified and the new vesting condition also is probable of achievement, the compensation cost to be recognized if either the original vesting condition or the new vesting condition is achieved cannot be less than the grant-date fair value of the original award. That compensation cost is recognized if either the original or modified vesting condition is achieved. Cancellation of the awards accompanied by the concurrent grant of a replacement award is also accounted for as a modification of the terms of the cancelled awards. Therefore, incremental compensation cost shall be measured as the excess of the fair value of the replacement award or other valuable consideration over the fair value of the cancelled award at the cancellation date.

Incremental compensation cost is measured as the excess, if any, of the fair value of the modified award over the fair value of the original award immediately before its terms are modified, measured based on the fair value of the awards and other pertinent factors at the modification date. For vested awards, the Group recognizes incremental compensation cost in the period the modification occurs. For unvested awards, the Group recognizes over the remaining requisite service period, the sum of the incremental compensation cost and the remaining unrecognized compensation cost for the original award on the modification date. If the fair value of the modified award is lower than the fair value of the original award immediately before modification, the minimum compensation cost the Group recognizes is the cost of the original award.

The Group uses the accelerated method for all awards granted with graded vesting service conditions, and the straight-line method for awards granted with non-graded vesting service conditions. The Group accounts for forfeitures as they occur. The Group, with the assistance of an independent valuation firm, determined the fair value of the stock options granted to employees. The binomial option pricing model and Monte Carlo simulation model were applied in determining the estimated fair value of the options granted to employees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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Income taxes

The Group accounts for income taxes under ASC 740, “Income Taxes” (“ASC 740”). ASC 740 requires the recognition of deferred tax assets and liabilities for both the expected impact of differences between the financial statement and tax basis of assets and liabilities and for the expected future tax benefit to be derived from tax loss and tax credit carry forwards. ASC 740 additionally requires a valuation allowance to be established when it is more likely than not that all or a portion of deferred tax assets will not be realized.

ASC 740 also clarifies the accounting for uncertainty in income taxes recognized in an enterprise’s consolidated financial statements and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. The Group recognizes accrued interest and penalties related to unrecognized tax benefits as income tax expense. There were no unrecognized tax benefits and no amounts accrued for interest and penalties as of December 31, 2020 and 2021. The Company is currently not aware of any issues under review that could result in significant payments, accruals or material deviation from its position.

The Group is considered exempted Cayman Islands Companies and is presently not subject to income taxes or income tax filing requirements in the Cayman Islands or the United States.

Government subsidies- Discontinued Operations

Government subsidies primarily consist of financial subsidies received from local governments for operating a business in their jurisdictions and compliance with specific policies promoted by the local governments. There are no defined rules and regulations to govern the criteria necessary for companies to receive such benefits, and the amount of financial subsidy is determined at the discretion of the relevant government authorities. Government subsidies of non-operating nature and with no further conditions to be met are recorded as non-operating income in “Other income, net” of the consolidated statements of (loss)/income when received.

Employee benefit expenses- Discontinued Operations

All eligible employees of the Group are entitled to staff welfare benefits including medical care, welfare subsidies, unemployment insurance and pension benefits through a PRC government-mandated multi-employer defined contribution plan. The Group is required to accrue for these benefits based on certain percentages of the qualified employees’ salaries. The Group is required to make contributions to the plans out of the amounts accrued. The PRC government is responsible for the medical benefits and the pension liability to be paid to these employees and the Group’s obligations are limited to the amounts contributed. The Group has no further payment obligations once the contributions have been paid.

Comprehensive income/(loss)

Comprehensive (loss)/income is defined as the changes in equity of the Group during a period from transactions and other events and circumstances excluding transactions resulting from investments by owners and distributions to owners. Among other disclosures, ASC 220, *Comprehensive Income*, requires that all items that are required to be recognized under current accounting standards as components of comprehensive (loss)/income be reported in a financial statement that is displayed with the same prominence as other financial statements. For each of the periods presented, the Group’s comprehensive (loss)/income includes net (loss)/income and foreign currency translation adjustments, and is presented in the consolidated statements of comprehensive (loss)/income.

Treasury shares

In November 2018, the Board of Directors approved a share repurchase plan (“2018 repurchase plan”). The Company accounts for treasury shares using the cost method. Under this method, the cost incurred to purchase the shares is initially recorded in the “Treasury Shares” line item in the consolidated balance sheets. Upon retirement, the ordinary shares account will be debited only for the aggregate par value of the retired shares, and the excess of the acquisition cost of treasury shares over the aggregate par value is allocated to the additional paid-in capital. As of December 31, 2019, all treasury shares were fully retired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”)
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Recent accounting pronouncements

In December 2019, the FASB issued ASU 2019-12, “Income Tax (Topic 740): Simplifying the Accounting for Income Taxes”. This guidance removes certain exceptions to the general principles of ASC 740 and simplifies several other areas. For public business entities, the guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. The Group adopted this ASU in the first quarter of 2021 and has identified no material effect on its financial statements or disclosures.

In March 2020, the FASB issued ASU No. 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The amendments in this ASU provide optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments in this ASU apply only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. LIBOR is expected to phased out by 2021. The amendments in this ASU are effective as of March 12, 2020 through December 31, 2022. The Group is currently evaluating the effect of this ASU on its financial statements and related disclosures.

In August 2020, the FASB issued ASU No. 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470- 20) and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity (ASU 2020-06), which simplifies the accounting for convertible instruments by reducing the number of accounting models available for convertible debt instruments. This guidance also eliminates the treasury stock method to calculate diluted earnings per share for convertible instruments and requires the use of the if-converted method. The amendments are effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years, with early adoption permitted. The Group is currently evaluating the impact of the new guidance on our consolidated financial statements.

In October 2020, the FASB issued ASU No. 2020-10, Codification Improvements. The amendments in this ASU improve the consistency of the codification and reorganize the guidance into appropriate sections providing less opportunities for disclosures to be missed. The amendments in this update do not change GAAP and are not expected to result in a significant change in practice. The amendments in this ASU are effective for fiscal years beginning after December 15, 2020. The Group adopted this ASU in the first quarter of 2021 and has identified no effect on its financial statements or disclosures.

In January 2021, the FASB issued ASU No. 2021-01, Reference Rate Reform (Topic 848). The amendments in this ASU clarify the scope of ASC 848 to include derivatives that are affected by a change in the interest rate used for discounting, margining, or contract price alignment that do not also reference LIBOR or another reference rate that is expected to be discontinued as a result of reference rate reform. Similar to ASU 2020-04, the guidance is effective for all entities immediately upon issuance on January 7, 2021. The Group adopted this ASU in the first quarter of 2021 and has identified no effect on its financial statements or disclosures.

In May 2021, the FASB issued ASU No. 2021-04, Earnings Per Share (Topic 260), Debt — Modifications and Extinguishments (Subtopic 470-50), Compensation — Stock Compensation (Topic 718), and Derivatives and Hedging — Contracts in Entity’s Own Equity (Subtopic 815-40) to clarify and reduce diversity in an issuer’s accounting for modifications or exchanges of freestanding equity-classified written call options (for example, warrants) that remain equity classified after modification or exchange. The amendments in this update are effective for all entities for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. An entity should apply the amendments prospectively to modifications or exchanges occurring on or after the effective date of the amendments. The Group is currently evaluating the impact of the new guidance on our consolidated financial statements.

In October 2021, the FASB issued ASU No. 2021-08, Accounting for Contract Assets and Contract Liabilities from Contracts with Customers. The amendments in this ASU improve the accounting for acquired revenue contracts with customers in a business combination by addressing diversity in practice and inconsistency related to recognition of an acquired contract liability, and payment terms and their effect on subsequent revenue recognized by the acquirer. The amendments in this ASU are effective for fiscal years beginning after December 15, 2023, including the interim periods within those fiscal years. The Group is currently evaluating the effect of this ASU on its financial statements and related disclosures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”)
except share and ADS data and per share and per ADS data)

3. DISCONTINUED OPERATIONS

The Company has sold (i) all of the equity interests in Rise (Tianjin) Education Information Consulting Co., Ltd. to Wuhan Xinsili Culture Development Co., Ltd. on December 28, 2021; and (ii) all of the equity interests in RISE Education International Limited and Rise IP (Cayman) Limited to Bain Capital Rise Education IV Cayman Limited on December 30, 2021. Upon completion of the Sale, the Company has, through its subsidiaries, sold substantially all its assets. See Note 1.

As refer to Note 2 – Principles of consolidation, in connection with the Sale, the Group evaluated and concluded that the subsidiaries in the Sale list should be accounted as discontinued operations during the year ended and as of December 31, 2021.

During the year ended December 31, 2021, prior to the Sale mentioned above, details of the Company’s principal subsidiaries, the VIE and the VIE’s subsidiaries and schools in the Sale list are as follows:

Name	Date of establishment	Place of establishment	Percentage of equity interest attributable to the company	Principal activity
Subsidiaries of the Company:				
Rise IP (Cayman) Limited (“Rise IP”)	24-Jul-13	Cayman Islands	100 %	Educational consulting
Edge Franchising Co., Limited (“Edge Franchising”)	16-Mar-16	Hong Kong	100 %	Educational consulting
Rise Education International Limited (“Rise HK”)	24-Jun-13	Hong Kong	100 %	Educational consulting
Edge Online Co., Limited	1-Apr-18	Hong Kong	100 %	Educational consulting
Rise (Tianjin) Education Information Consulting Co., Ltd. (“Rise Tianjin” or “WFOE”)	12-Aug-13	PRC	100 %	Educational consulting, Sale of course materials, study tour service
VIE:				
Beijing Step Ahead Education Technology Development Co., Ltd.	2-Jan-08	PRC	—	Educational consulting
VIE’s subsidiaries and schools:				
Beijing Haidian District Step Ahead Training School	18-Sep-08	PRC	—	Language education
Beijing Shijingshan District Step Ahead Training School	14-Jul-09	PRC	—	Language education
Beijing Changping District Step Ahead Training School	3-Jul-09	PRC	—	Language education
Beijing Chaoyang District Step Ahead Training School	20-Jul-09	PRC	—	Language education
Beijing Xicheng District RISE Immersion Subject English Training School	5-Feb-10	PRC	—	Language education
Beijing Dongcheng District RISE Immersion Subject English Training School	30-Jul-10	PRC	—	Language education
Beijing Tongzhou District RISE Immersion Subject English Training School	19-Apr-11	PRC	—	Language education
Beijing Daxing District RISE Immersion Subject English Training School	31-Mar-13	PRC	—	Language education
Beijing Fengtai District RISE Immersion Subject English Training School	28-Feb-12	PRC	—	Language education

3. DISCONTINUED OPERATIONS (Continued)

RISE EDUCATION CAYMAN LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”)
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Name	Date of establishment	Place of establishment	Percentage of equity interest attributable to the company	Principal activity
Beijing RISE Immersion Subject English Training School Co., Ltd.	26-Oct-18	PRC	—	Language education
Beijing Step Ahead Rise Education Technology Co., Ltd.	11-Dec-19	PRC	—	Language education
Beijing Huairou Ruida Education Training School	19-Jan-18	PRC	—	Language education
Shanghai Boyu Investment Management Co., Ltd.	29-Jan-12	PRC	—	Language education
Shanghai Riverdeep Education Information Consulting Co., Ltd.	8-Mar-10	PRC	—	Educational consulting services
Shanghai Ruiaidisi English Training School Co., Ltd.	5-Aug-19	PRC	—	Language education
Kunshan Ruiaidisi Education Technology Co., Ltd.	30-Jul-19	PRC	—	Language education
Guangzhou Ruisi Education Technology Development Co., Ltd.	17-Aug-12	PRC	—	Training services
Guangzhou Yuexiu District RISE Immersion Subject English Training School	29-Apr-14	PRC	—	Language education
Guangzhou Haizhu District RISE Immersion Subject English Training School-Chigang	8-Dec-14	PRC	—	Language education
Guangzhou Tianhe District RISE Immersion Subject English Training School	11-Jul-17	PRC	—	Language education
Guangzhou Liwan District Rise Education Training Center Co., Ltd.	25-Nov-19	PRC	—	Language education
Guangzhou Tianhe District Ruisi Education Consulting Co., Ltd.	11-Jul-17	PRC	—	Language education
Foshan Nanhai District Step Ahead Education Consulting Co., Ltd.	21-Jan-20	PRC	—	Language education
Shenzhen Mei Ruisi Education Management Co., Ltd.	28-Feb-14	PRC	—	Training services
Shenzhen Futian District Rise Training Center	8-Jan-15	PRC	—	Language education
Shenzhen Nanshan District Rise Training Center	26-May-15	PRC	—	Language education
Shenzhen Luohu District Rise Education Training Center	3-Aug-17	PRC	—	Language education
Shenzhen Longhua District Minzhi Rise Training Center	27-May-20	PRC	—	Language education

3. DISCONTINUED OPERATIONS (Continued)

Name	Date of establishment	Place of establishment	Percentage of equity interest attributable to the company	Principal activity
Wuxi Rise Foreign Language Training Co., Ltd.	5-Jun-13	PRC	—	Training services
Wuxi Ruiying English Training Center Co., Ltd.	10-Jun-19	PRC	—	Language education
Ruisixing (Tianjin) Travel Services Co., Ltd.	3-Jul-18	PRC	—	Traveling services
Hebei Camphor Tree Information Technology Co., Ltd.	5-Nov-15	PRC	—	Investment holding
Shijiazhuang Forest Rock Education Technology Co., Ltd.	28-Aug-18	PRC	—	Investment holding
Shijiazhuang Xinhua District Oriental Red American Education Training School	14-Nov-19	PRC	—	Language education
Shijiazhuang Xinhua District Zhuoshuo Training School Co., Ltd.	13-Dec-19	PRC	—	Language education
Shijiazhuang Yuhua District Ai Ruisi Education Training School	1-Feb-19	PRC	—	Language education
Shijiazhuang Yuhua District Oriental Red Education Training School	1-Feb-19	PRC	—	Language education
Shijiazhuang Chang’an District Jinshuo Culture Education Training School Co., Ltd.	1-Apr-19	PRC	—	Language education
Shijiazhuang Qiaoxi District Deshuo Training School Co., Ltd.	27-Aug-20	PRC	—	Language education
Shijiazhuang Yuhua District Boshuo Training School Co., Ltd.	2-Jan-20	PRC	—	Language education

3. DISCONTINUED OPERATIONS (Continued)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”)
except share and ADS data and per share and per ADS data)

The following tables set forth the assets, liabilities, results of operations and cash flows of discontinued operations, that were included in the Group’s consolidated financial statements (in thousands):

	<u>As at December 31, 2020</u>
	RMB
ASSETS	
Current assets:	
Cash and cash equivalents	549,486
Restricted cash	79,320
Accounts receivable, net	2,281
Amounts due from related parties	552
Inventories	7,814
Prepayments and other current assets	90,047
Total current assets of discontinued operations	729,500
Non-current assets:	
Property and equipment, net	107,537
Intangible assets, net	185,647
Long-term investment	—
Goodwill	659,255
Deferred tax assets, net	34,241
Other non-current assets	55,853
Operating lease right-of-use assets	639,304
Total non-current assets of discontinued operations	1,681,837
Total assets belong to discontinued operations	2,411,337
LIABILITIES AND SHAREHOLDERS’ EQUITY	
Current liabilities (including current liabilities of the variable interest entity (“VIE”) without recourse to the Company amounting to RMB882,038 (US\$135,178) as of December 31, 2020):	
Accounts payable	11,028
Accrued expenses and other current liabilities	162,724
Deferred revenue and customer advances	563,736
Income taxes payable	5,556
Current portion of operating lease liabilities	197,098
Total current liabilities of discontinued operations	940,142
Non-current liabilities (including non-current liabilities of the VIE without recourse to the Company amounting to RMB499,092 (US\$76,489) as of December 31, 2020):	
Deferred revenue and customer advances	38,204
Operating lease liabilities	452,485
Deferred tax liabilities, net	24,011
Other non-current liabilities	50,447
Total non-current liabilities of discontinued operations	565,147
Total liabilities of discontinued operations	1,505,289

3. DISCONTINUED OPERATIONS (Continued)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”)
except share and ADS data and per share and per ADS data)

	2019	2020	2021
	RMB	RMB	RMB
Revenues	1,529,447	958,467	890,386
Cost of revenues	(694,693)	(602,934)	(596,412)
Gross profit	834,754	355,533	293,974
Operating expenses:			
Selling and marketing	(307,339)	(233,687)	(191,816)
General and administrative	(289,351)	(242,633)	(417,381)
Research and development expenses	—	—	—
Total operating expenses	(596,690)	(476,320)	(609,197)
Operating income/(loss)	238,064	(120,787)	(315,223)
Interest income	17,872	15,078	8,640
Interest expense	(34,093)	(23,611)	(16,823)
Foreign currency exchange gain/(loss)	(1,506)	(187)	1,627
Other income, net	10,115	26,961	(78,908)
Impairment loss of long-term investment	—	(37,000)	—
Income/(loss) before income tax expense	230,452	(139,546)	(400,687)
Loss on sale of discontinued operations	—	—	(97,777)
Income tax (expense)/benefit	(70,697)	15,695	(8,816)
Net income/(loss) from discontinued operations	159,755	(123,851)	(507,280)
Net cash (used in) discontinued operating activities	(19,696)	(187,127)	(509,825)
Net cash (used in) discontinued investing activities	(114,716)	(111,782)	(53,535)
Net cash (used in) discontinued financing activities	—	—	(23,308)

4. CONCENTRATION OF RISKS

Concentration of credit risk

Financial instruments that potentially subject the Group to significant concentration of credit risk consist primarily of cash and cash equivalents, and restricted cash. As of December 31, 2021, substantially all of the Group’s cash and cash equivalents, and restricted cash were deposited with financial institutions with high-credit ratings and quality.

PRC state-owned banks, such as Bank of China, are subject to a series of risk control regulatory standards, and PRC bank regulatory authorities are empowered to take over the operation and management when any of those banks faces a material credit crisis. The Group does not foresee substantial credit risk with respect to cash and cash equivalents, restricted cash and short-term investments held at the PRC state-owned banks. Meanwhile, China does not have an official deposit insurance program, nor does it have an agency similar to what was the Federal Deposit Insurance Corporation (FDIC) in the U.S. In the event of bankruptcy of one of the financial institutions in which the Group has deposits or investments, it may be unlikely to claim its deposits or investments back in full. The Group selected reputable international financial institutions with high rating rates to place its foreign currencies. The Group regularly monitors the rating of the international financial institutions to avoid any potential defaults. There has been no recent history of default in relation to these financial institutions.

Foreign currency exchange rate risk

From July 21, 2005, the RMB is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. For RMB against US\$, there was appreciation of 1.3%, depreciation of 6.3% and 1.4% during the years ended December 31, 2019, 2020 and 2021. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the RMB and the US\$ in the future.

To the extent that the Group needs to convert US\$ into RMB for capital expenditures and working capital and other business purposes, appreciation of RMB against US\$ would have an adverse effect on the RMB amount the Group would receive from the conversion. Conversely, if the Group decides to convert RMB into US\$ for the purpose of making payments for dividends on ordinary shares, strategic acquisitions or investments or other business purposes, appreciation of US\$ against RMB would have a negative

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”)
except share and ADS data and per share and per ADS data)

effect on the US\$ amount available to the Group. In addition, a significant depreciation of the RMB against the US\$ may significantly reduce the US\$ equivalent of the Group’s earnings or losses.

Currency convertibility risk

The Group transacts all of its business in RMB, which is not freely convertible into foreign currencies. On January 1, 1994, the PRC government abolished the dual rate system and introduced a single rate of exchange as quoted daily by the People’s Bank of China (the “PBOC”). However, the unification of the exchange rates does not imply that the RMB may be readily convertible into US\$ or other foreign currencies. All foreign exchange transactions continue to take place either through the PBOC or other banks authorized to buy and sell foreign currencies at the exchange rates quoted by the PBOC. Approval of foreign currency payments by the PBOC or other institutions requires submitting a payment application form together with suppliers’ invoices, shipping documents and signed contracts. The Group’s cash and cash equivalents, and restricted cash denominated in RMB amounted to RMB16,027 (US\$2,515) as of December 31, 2021.

5. BUSINESS COMBINATION**Shijiazhuang**

On July 1, 2019, the Group acquired a 51% equity interest in 7 learning centers in Shijiazhuang certain fixed assets, student contracts and key employees of the educational consulting business from a franchisee of the Group. The acquisition is expected to complement the Group’s existing business and achieve significant synergies.

Total consideration was RMB44,061 in cash, which was fully paid as of December 31, 2020.

The Group has completed the valuations necessary to assess the fair values of the tangible and intangible assets acquired and liabilities assumed, resulting from which the amount of goodwill was determined and recognized as of the acquisition date. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed as of July 1, 2019, the date of acquisition:

	RMB
Purchase consideration	44,061
Net assets acquired, excluding intangible assets and the related deferred tax liabilities	(83,813)
Intangible assets	15,800
Student base	15,800
Deferred tax liabilities	(4,742)
Non-controlling interest	(33,866)
Goodwill	150,682

The non-controlling interests on acquisition date was measured by applying the equity percentage held by minority shareholders and a discount for lack of control premium to the fair value of the acquired business of Shijiazhuang, which was determined using an income approach. The significant inputs were revenue growth rates, gross margin rates, weighted-average cost of capital, discount rate and terminal values.

Goodwill recognized on the acquisition date is the expected synergies from combining operations of Shijiazhuang and the Group, which does not qualify for separate recognition. None of the goodwill recognized is expected to be deductible for income tax purposes.

The Group recognized RMB83 and RMB347 of acquisition related costs which were included in general and administrative expenses for the years ended December 31, 2019 and 2020, respectively.

The information of pro forma revenue and net loss for the year ended December 31, 2018 is not available and the cost to develop it would be excessive. The unaudited pro forma information for the year ended December 31, 2019 set forth below gives effect to the acquisition as if it had occurred at the beginning of the period. The pro forma results have been calculated after applying

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”)
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the Group’s accounting policies and including adjustments primarily related to the amortization of acquired intangible assets, and income tax effects, as applicable. The pro forma information does not include any impact of transaction synergies and is presented for informational purposes only and is not necessarily indicative of the results of operations that actually would have been occurred had the acquisition been consummated as of that time or that may result in the future:

	For the year ended December 31, 2019	
	pro forma (unaudited)	As reported
	RMB	RMB
Revenues	1,555,302	1,529,447
Net income	152,669	148,100

In December 2021, the Group sold all of its investment in Shijiazhuang, and the disposal of Shijiazhuang was qualified for reporting as a “discontinued operation”. See Note 3.

5. BUSINESS COMBINATION (Continued)

Changping

On November 1, 2019, the Group acquired certain fixed assets, intellectual properties, material contracts and key employees of a franchised learning center in Changping (“Changping”) from a franchisee of the Group for a total cash consideration of RMB12,669, of which RMB1,050 was unpaid as of December 31, 2020.

Identifiable intangible assets acquired include student base of RMB4,500. Goodwill recognized on the acquisition date is not tax deductible and amounted to RMB18,986; and represents the expected synergies from combining the operations of Changping and the Group, which does not qualify for separate recognition.

The actual results of operation after the acquisition date and pro-forma results of operations for this acquisition have not been presented because the effects of this acquisition were insignificant.

In December 2021, the Group sold all of its investment in Changping, and the disposal of Changping was qualified for reporting as a “discontinued operation”. See Note 3.

Huairou

On July 1, 2020, the Group acquired certain fixed assets, intellectual properties, material contracts and key employees of a franchised learning center in Huairou (“Huairou”) from a franchisee of the Group for a total cash consideration of RMB8,075, of which RMB700 was unpaid as of December 31, 2020.

Identifiable intangible assets acquired include student base of RMB3,000. Goodwill recognized on the acquisition date is not tax deductible and amounted to RMB11,956; and represents the expected synergies from combining the operations of Huairou and the Group, which does not qualify for separate recognition.

The actual results of operation after the acquisition date and pro-forma results of operations for this acquisition have not been presented because the effects of this acquisition were insignificant.

In December 2021, the Group sold all of its investment in Huairou, and the disposal of Huairou was qualified for reporting as a “discontinued operation”. See Note 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”)
except share and ADS data and per share and per ADS data)

6. PREPAYMENTS AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consisted of the following:

	As at December 31,		
	2020	2021	2021
	RMB	RMB	US\$
Prepayments to suppliers	4,365	14,311	2,246
Deposits	144	140	22
	4,509	14,451	2,268

7. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other liabilities consisted of the following:

	As at December 31,		
	2020	2021	2021
	RMB	RMB	US\$
Accrued other operating expenses	1,469	7,889	1,238
Others	—	736	115
	1,469	8,625	1,353

8. TROUBLED DEBT RESTRUCTURING

On March 18, 2021, the Group entered into a Facility agreement with CTBC Bank Co., Ltd. for an aggregate amount of US\$80,000 consisting of a five-year term loan facility of US\$65,000 and a revolving credit facility of US\$15,000. The Facility was used to repay its existing loans for amount of US\$65,000 as of March 18, 2021. The repayment schedule of the five-year term loan facility is listed as the following:

	US\$
March 18, 2022	3,250
March 18, 2023	8,125
March 18, 2024	11,375
March 18, 2025	16,250
March 18, 2026	26,000
	65,000

The loan facility is guaranteed by Rise IP, Rise HK, the WFOE and VIE. Further, the ordinary shares of certain subsidiaries of the Group were pledged as collateral for the loan facility. In addition, the Group maintained deposits held in a designated bank account as security for interest payments consisting of the DSRA and Domestic CTBC accounts.

The Group concluded that the modification on March 18, 2021 would be considered a troubled debt restructuring pursuant to ASC470-60. As the future undiscounted cash flows is greater than the net carrying value of the original debt, no gain is recognized.

On December 1, 2021, the Group entered into a settlement agreement (the “Settlement”) with CTBC Bank Co., Ltd. (See Note 1). The Group evaluated the settlement in accordance with ASC 470, and determined the settlement is considered a troubled debt restructuring and an extinguishment of the existing debt. As a result of the settlement, the Group recognized a gain on troubled debt restructuring of RMB279,097 for the year ended December 31, 2021.

9. RELATED PARTY TRANSACTIONS

a) Related parties

The direct controlling shareholder
Bain Capital Education IV

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”)
except share and ADS data and per share and per ADS data)

Entities controlled by the ultimate holding company

Lionbridge Limited (“Lionbridge”)

Bain Capital Advisors (China) Ltd. (“Bain Advisors”)

Investee

New York City Kids Club. (“NYC”)

Significant influence exercised by management of the Company

Wuhan Xinsili Culture Development Co., Ltd.

b) During the years ended December 31, 2019, 2020 and 2021, the Group had the following related party transactions:

	Notes	For the year ended December 31,			
		2019	2020	2021	2021
		RMB	RMB	RMB	US\$
Bain Capital Education IV	(i)	—	—	108,334	17,000
Bain Capital Education IV		—	—	15,932	2,500
Wuhan Xinsili Culture Development Co., Ltd.	(ii)	—	—	—	—

(i) The Company entered into a convertible loan deed with the Bain Capital Education IV (the “Shareholder”) on December 1, 2021 (the “Convertible Loan Deed”), pursuant to which the Shareholder will provide an interest-free convertible loan of US\$17,000 to the Company for the period ended June 30, 2023, convertible into ordinary shares of the Company at US\$0.35 per share, or US\$0.70 per ADS. If the Company fails to pay any amount payable under this Deed on its due date, interest shall accrue on such amount from the due date at a rate two percent. The Group determined the appropriate accounting treatment of its convertible debt in accordance with the terms in relation to the conversion feature. After considering the impact of such features, the Group may account for such instrument as a liability in its entirety, or separate the instrument into debt and equity components following the respective guidance described under ASC 815 Derivatives and Hedging and ASC 470 Debt. The Group evaluated the equity components immaterial, and accounted for the convertible loan as a non-current liability as of December 31, 2021

The loan transactions for the year ended December 31, 2021 with details set forth below:

<u>Year ended December 31, 2021</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Period</u>
<u>Loan granted</u>			
Convertible loan	108,334	—	December 1, 2021 to June 30, 2023

(ii) The CEO of the Company, Ms. Lihong Wang is the chairman of Wuhan Xinsili Culture Development Co., Ltd. As refer to Note 1, pursuant to the WFOE Purchase Agreement, the Company has agreed to, through Rise HK, sell all of the equity interests in WFOE to Wuhan Xinsili Culture Development Co., Ltd., in consideration of the Buyer SPV (i) paying to Rise HK a nominal consideration, and (ii) assuming all liabilities of WFOE and its subsidiaries.

9. RELATED PARTY TRANSACTIONS (Continued)

c) The balances between the Group and its related parties as of December 31, 2020 and 2021 are listed below:

Amounts due from a related party

	As at December 31,		
	2020	2021	2021
	RMB	RMB	US\$
Bain Capital Education IV	181	177	28

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”)
except share and ADS data and per share and per ADS data)

Convertible loan from a related party

	As at December 31,		
	2020	2021	2021
	RMB	RMB	US\$
Bain Capital Education IV	—	108,334	17,000

Amount due to related party is the balance of convertible loan with zero interest rate as of December 31, 2021.

10. INCOME/(LOSS) PER SHARE

Basic and diluted income/(loss) per share and per ADS for each of the years presented are calculated as follows:

	For the year ended December 31,			
	2019	2020	2021	2021
	RMB	RMB	RMB	USD
Numerator:				
Net income/(loss) from continuing operations attributable to RISE Education Cayman Ltd	(15,195)	(17,593)	249,096	39,088
Net income/(loss) from discontinued operations attributable to RISE Education Cayman Ltd	163,295	(114,840)	(497,583)	(78,081)
Net income/(loss) attributable to RISE Education Cayman Ltd	148,100	(132,433)	(248,487)	(38,993)
Denominator:				
Weighted average number of ordinary shares outstanding-basic	113,187,721	112,813,031	112,868,532	112,868,532
Weighted average number of ordinary shares outstanding-diluted	114,464,108	112,813,031	112,868,532	112,868,532
Net income/(loss) per share - Basic:				
Continuing operations	(0.13)	(0.15)	2.21	0.35
Discontinued operations	1.44	(1.02)	(4.41)	(0.69)
Total net income/(loss) per share - Basic	1.31	(1.17)	(2.20)	(0.34)
Net income/(loss) per share - Diluted:				
Continuing operations	(0.13)	(0.15)	2.21	0.35
Discontinued operations	1.42	(1.02)	(4.41)	(0.69)
Total net income/(loss) per share - Diluted	1.29	(1.17)	(2.20)	(0.34)
Net income/(loss) per ADS - Basic:				
Continuing operations	(0.26)	(0.31)	4.42	0.70
Discontinued operations	2.88	(2.04)	(8.82)	(1.38)
Total net income/(loss) per ADS - Basic	2.62	(2.35)	(4.40)	(0.68)
Net income/(loss) per ADS - Diluted:				
Continuing operations	(0.25)	(0.31)	4.42	0.70
Discontinued operations	2.84	(2.04)	(8.82)	(1.38)
Total net income/(loss) per ADS - Diluted	2.59	(2.35)	(4.40)	(0.68)

Nil, 953,168 and 4,047,619 share options were excluded from the computation of diluted income per share for the year ended December 31, 2019, 2020 and 2021, respectively, because their effects would be anti-dilutive.

11. SHARE-BASED PAYMENTS

2016 Equity Incentive Plan

In 2016, the Board of Directors approved the Equity Option Plan (the “2016 Equity Incentive Plan”), which has a term of 10 years and is administrated by the Board of Directors. Under 2016 Equity Incentive Plan, the Company reserved options to its eligible employees, directors and officers of the Group for the purchase of 7,000,000 of the Company’s ordinary shares in aggregate (excluding shares which have lapsed or have been forfeited).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”)
except share and ADS data and per share and per ADS data)

In April 2016, the Board of Directors approved option grants to employees for the purchase of 5,985,000 of the Company’s ordinary shares. 50% of the options granted will generally vest in four or five equal installments over a service period (the “2016 Service Options”) while the remaining 50% of the options will vest in two equal installments of 25% each if a fixed targeted return on the Company’s ordinary shares is achieved (the “2016 Market Options”). Both the Service Options and Market Options (collectively, the “2016 Options”) are exercisable only upon the occurrence of an IPO or change of control (each or collectively, the “exercisability event”). The exercisability event constitutes a performance condition that is not considered probable until the completion of the IPO or change of control. The Company will not recognize any compensation expense until the exercisability event occurs. Upon the occurrence of the exercisability event, the effect of the change in this estimate will be accounted for in the period of change by cumulative compensation cost recognition as if the new estimate had been applied since the service inception date, with the remaining unrecognized compensation cost amortized over the remaining requisite service period. Upon the occurrence of the exercisability event (the IPO completion date), the Company immediately recognized expenses associated with options that were vested as of the IPO completion date amounting to RMB90,335. In addition, the Company also will recognize the remaining compensation expenses over the remaining service requisite period using the accelerated method.

Modification of options

In November 2017 (“2017 Modification Date”), the Board of Directors modified share options granted to six directors and officers to be fully vested on the 2017 Modification Date. On the 2017 Modification Date, the Company recognized compensation expenses amounting to RMB2,329 (US\$358) associated with the fully vested share options. The fair value of the share options immediately after the modification was the same as that immediately before the modification and therefore, the Company did not recognize any incremental compensation costs related to such modification.

In 2018, the vesting of 432,500 options granted to seven employees was accelerated, and 50,000 options of one employee was cancelled and replaced with cash rewards (which was an isolated non-recurring event). As of the respective modification dates in December 2018, the original performance condition of the 2016 Options was not expected to be satisfied, therefore, the modification-date fair value of the grantees’ respective 2016 Options instead of the original grant-date fair value was used to measure the modified 2016 Options. In 2019, the vesting of 309,000 options granted to four employees was accelerated. As of the respective modification dates in December 2019, the original performance condition of the 2016 Options was not expected to be satisfied, therefore, the modification-date fair value of the grantees’ respective 2016 Options instead of the original grant-date fair value was used to measure the modified 2016 Options.

In December 2021 (“2021 Modification Date”), the Board of Directors modified the exercise price of Options to \$0.25 per share, and such Options shall be exercised on or prior to December 31, 2022. There were no unvested options until 2021 Modification Date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”)
except share and ADS data and per share and per ADS data)

11. SHARE-BASED PAYMENTS (Continued)

A summary of the equity award activity under 2016 Equity Incentive Plan is stated below:

	Number of options	Weighted- average exercise price US\$	Weighted- average grant date fair value	Weighted- average remaining contractual term US\$	Aggregate intrinsic value US\$
Outstanding, December 31, 2020	1,861,474	1.44	N/A	4.61	2,988
Exercised	(50,000)	1.44	N/A	N/A	16
Forfeited/Cancelled	(110,000)	1.44	N/A	N/A	
Outstanding, December 31, 2021	1,701,474	0.64	N/A	1.00	—
Vested and expected to vest at December 31, 2021	1,701,474	0.64	N/A	1.00	—
Exercisable at December 31, 2021	1,701,474	0.64	N/A	1.00	—

The aggregate intrinsic value in the table above represents the difference between the fair value of the Company’s ordinary share as of December 31, 2021 and the option’s respective exercise price. Total intrinsic value of options exercised for the years ended December 31, 2019, 2020 and 2021 was RMB9,981, RMB2,380 and RMB104 (US\$16).

There were nil awards were vested for the year ended December 31, 2021. There was nil of total unrecognized share-based compensation expenses.

2017 Share Incentive Plan

In 2017, the Board of Directors approved the Share Incentive Plan (the “2017 Share Incentive Plan”), which has a term of 10 years and is administrated by the Board of Directors. Under 2017 Share Incentive Plan, the Company reserved options to its eligible employees, directors and officers of the Group for the purchase of 5,000,000 of the Company’s ordinary shares in aggregate (excluding shares which have lapsed or have been forfeited).

In April 2019, the Board of Directors approved option grants to employees for the purchase of 4,800,000 of the Company’s ordinary shares. 60% of the options granted will generally vest in four equal installments over a prespecified service period (the “2017 Service Options”) while the remaining 40% of the options will vest based on certain performance conditions (the “2017 Performance Options”).

In May 2021, the Board of Directors approved option grants to employees for the purchase of 850,000 of the Company’s ordinary shares. 60% of the options granted will generally vest in four equal installments over a prespecified service period (the “2017 Service Options”) while the remaining 40% of the options will vest based on certain performance conditions (the “2017 Performance Options”).

Modification of options

On August 12, 2020, considering the outstanding options granted under 2017 Share Incentive Plan was out-of-money, the Board of Directors and compensation committee modified the 2017 Share Incentive Plan (the “Modified 2017 Share Incentive Plan”), pursuant to which the exercise price was adjusted down to US\$1.75 per option, the vesting period was extended to ranging from December 31, 2020 to December 31, 2023, and the performance conditions were replaced with market conditions. 2,550,000 options were modified and the total incremental cost resulted from this modification was RMB9,018 (US\$1,382).

On September 11, 2020, 1,613,506 options were granted to an employee under the Modified 2017 Share Incentive Plan. 60% of the options granted will generally vest in four equal installments on an annual basis with first vesting date on December 31, 2021, and the vesting of the remaining 40% of the options is based on certain market condition.

On December 30, 2021, the Board of Directors modified 2017 Share Incentive Plan, pursuant to which the exercise price was adjusted down to US\$0.25 per share, the exercise period was amended to December 31, 2022, the market conditions were cancelled,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”)
except share and ADS data and per share and per ADS data)**

and the vesting of 746,552 options granted to 17 employees was accelerated. 1,433,104 options were modified and the total incremental cost resulted from this modification was RMB137(US\$21).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”)
except share and ADS data and per share and per ADS data)

11. SHARE-BASED PAYMENTS (Continued)

A summary of the equity award activity under 2017 Share Incentive Plan and Modified 2017 Share Incentive Plan is stated below:

	Number of options	Weighted- average exercise price US\$	Weighted- average grant date fair value	Weighted- average remaining contractual term US\$	Aggregate intrinsic value US\$
Outstanding, December 31, 2020	3,873,506	1.89	1.76	8.86	4,731
Granted	850,000	1.75	0.63		
Exercised	(23,300)	1.75	3.09		14
Forfeited/Cancelled	(3,030,852)	1.93	1.52		
Outstanding, December 31, 2021	1,669,354	0.46	2.15	1.00	—
Vested and expected to vest at December 31, 2021	1,669,354	0.46	2.15	1.00	—
Exercisable at December 31, 2021	1,669,354	0.46	2.15	1.00	—

The aggregate intrinsic value in the table above represents the difference between the fair value of the Company’s ordinary share as of December 31, 2021 and the option’s respective exercise price. Total intrinsic value of options exercised for the years ended December 31, 2021 was RMB87 (US\$14).

1,157,328 awards were vested for the year ended December 31, 2021, and the weighted-average grant-date fair value for vested options is US\$2.05. As of December 31, 2021, there was nil of total unrecognized share-based compensation expenses.

2020 Equity Incentive Plan

The Company adopted its 2020 Equity Incentive Plan on August 13, 2020, and the maximum aggregate number of ordinary shares which may be issued pursuant the plan is 4,147,494. 60% of the options granted will generally vest in four equal installments on an annual basis with first vesting dates varying from December 31, 2021 to December 31, 2022, and the remaining 40% of the options will vest based on certain market condition. A summary of the equity award activity under the 2020 Share Incentive Plan is as follows:

Modification of options

In December 2021, the Board of Directors modified 2020 Share Incentive Plan, pursuant to which the exercise price was adjusted down to US\$0.25 per share, the exercise period was amended to December 31, 2022, the market conditions were cancelled, and the vesting of 277,048 options granted to 6 employees was accelerated. 554,096 options were modified and the total incremental cost resulted from this modification was RMB18(US\$3).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”)
except share and ADS data and per share and per ADS data)

11. SHARE-BASED PAYMENTS (Continued)

A summary of the equity award activity under the 2020 Share Incentive Plan is as follows:

	Number of options	Weighted- average exercise price US\$	Weighted- average grant date fair value	Weighted- average remaining contractual term US\$	Aggregate intrinsic value US\$
Outstanding, December 31, 2020	3,645,494	1.75	1.49	9.70	4,721
Exercised	(5,860)	1.75	1.59		3
Forfeited/Cancelled	(2,932,538)	1.75	1.47		
Outstanding, December 31, 2021	707,096	0.57	1.60	1.00	—
Vested and expected to vest at December 31, 2021	707,096	0.57	1.60	1.00	—
Exercisable at December 31, 2021	707,096	0.57	1.60	1.00	—

The aggregate intrinsic value in the table above represents the difference between the fair value of the Company’s ordinary share as of December 31, 2021 and the option’s respective exercise price. Total intrinsic value of options exercised for the years ended December 31, 2021 was RMB 21 (US\$3).

514,572 awards were vested for the year ended December 31, 2021, and the weighted-average grant-date fair value for vested options is US\$1.60. As of December 31, 2021, there was nil of total unrecognized share-based compensation expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”)
except share and ADS data and per share and per ADS data)

11. SHARE-BASED PAYMENTS (Continued)

The fair value of awards granted or modified under 2016 Equity Incentive Plan, 2017 Share Incentive Plan, modified 2017 Share Incentive Plan and 2020 Equity Incentive Plan were determined using the binomial option valuation model and Monte Carlo simulation model, respectively, with the assistance from an independent appraiser. The option valuation models required the input of highly subjective assumptions, including the expected share price volatility and the suboptimal early exercise factor. For expected volatilities, the Company has made reference to historical volatilities of several comparable companies. The suboptimal early exercise factor was estimated based on the Company’s expectation of exercise behavior of the grantees. The risk-free rate for the period within the contractual life of the Options is based on the market yield of U.S. Treasury Bonds in effect at the time of grant. The estimated fair value of the ordinary shares, was determined with the assistance of an independent third-party appraiser. Subsequent to the IPO, fair value of the ordinary shares is the price of the Company’s publicly traded shares. The Company’s management is ultimately responsible for the determination of the estimated fair value of its ordinary shares.

The assumptions used to estimate the fair value of awards granted or modified under 2016 Equity Incentive Plan, 2017 Share Incentive Plan, modified 2017 Share Incentive Plan and 2020 Equity Incentive Plan are as follows:

	2016 Equity Incentive Plan		
	For the year ended December 31,		
	2019	2020	2021
Risk-free interest rate	2.41%-3.34%	N/A	N/A
Expected volatility range	53.70%-55.20%	N/A	N/A
Suboptimal exercise factor	2.80	N/A	N/A
Fair value per ordinary share as at valuation date	US\$4.11~US\$5.37	N/A	N/A

	2017 Share Incentive Plan and Modified 2017 Share Incentive Plan		
	For the year ended December 31,		
	2019	2020	2021
Risk-free interest rate	3.29 %	1.65%~1.69%	1.00%~2.30%
Expected volatility range	54.80 %	55.10%~55.80%	57.00%~114.50%
Suboptimal exercise factor	2.80	2.80	2.80
Fair value per ordinary share as at valuation date	US\$4.94	US\$1.99~US\$2.69	US\$0.25~US\$1.60

	2020 Share Incentive Plan and Modified 2020 Share Incentive Plan		
	For the year ended December 31,		
	2019	2020	2021
Risk-free interest rate	N/A	1.69%~1.86%	1.00 %
Expected volatility range	N/A	55.10%~55.80%	114.50 %
Suboptimal exercise factor	N/A	2.80	2.80
Fair value per ordinary share as at valuation date	N/A	US\$2.52~US\$2.69	US\$0.25

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”)
except share and ADS data and per share and per ADS data)

11. SHARE-BASED PAYMENTS (Continued)

All of the share-based compensation is recognized in the discontinued operations. Total cost of the share-based payments is summarized as follows

	For the year ended December 31,			
	2019 RMB	2020 RMB	2021 RMB	2021 USD
Cost of revenues	2,617	1,821	(895)	(141)
Selling and marketing expenses	1,016	1,497	(1,124)	(176)
General and administrative expenses	44,256	14,681	11,556	1,813
Total	47,889	17,999	9,537	1,496

12. ACCUMULATED OTHER COMPREHENSIVE INCOME

	Foreign currency translation adjustments
	RMB
Balance as of January 1, 2019	42,459
Foreign currency translation adjustments, net of tax of nil	(1,542)
Balance as of December 31, 2019	40,917
Foreign currency translation adjustments, net of tax of nil	(1,275)
Balance as of December 31, 2020	39,642
Foreign currency translation adjustments, net of tax of nil	(6,635)
Balance as of December 31, 2021	33,007
	US\$
Balance as of December 31, 2021	5,181

There have been no reclassifications out of accumulated other comprehensive income to net income for the periods presented.

13. CONTINGENCIES

Contingencies

From time to time, the Group is also subject to legal proceedings, investigations, and claims incidental to the conduct of its business. The Group is currently not involved in any legal or administrative proceedings that may have a material adverse impact on the Group’s business, financial position or results of operations.

14. SUBSEQUENT EVENT

Delisting

On January 11, 2022, the Company was notified by the Nasdaq Listing Qualifications Staff (“Staff”) that the Staff had determined to delist the Company’s securities unless the Company timely requested a hearing before a Nasdaq Hearings Panel (the “Panel”). The Staff’s determination was based upon its conclusion that the Company is a “public shell” as that term is defined in Nasdaq Listing Rule 5101 as the result of the Company’s sale of substantially all of its assets on December 30, 2021. On February 17, 2022, the Company’s CEO and CFO attended along with its outside counsel, Kirkland & Ellis LLP, and Donohoe Advisory Associates LLC. Drew Chen of Bain Capital Asia (“Bain”) attended the hearing. The Company advised that, it began exploring strategic alternatives, including business combinations. On February 8, 2022, the Company executed a definitive agreement with NaaS for an all-share merger. Finally, the Panel has determined to grant the Company’s request for an exception until June 30, 2022, to allow it to complete a business combination with NaaS and evidence compliance with all initial listing standards of The Nasdaq Stock Market.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”)
except share and ADS data and per share and per ADS data)

Plan of Merger

On February 8, 2022, the Company and Data Auto Inc. (“NaaS”), a leading operation and technology provider serving China’s electric vehicle charging market, executed a definitive Agreement and Plan of Merger (the “Merger Agreement”), pursuant to which the shareholders of NaaS will exchange all of the issued and outstanding share capital of NaaS for newly issued shares of the Company on the terms and conditions set forth therein in a transaction exempt from the registration requirements under the Securities Act of 1933 (the “Transaction”). Upon consummation of the Transaction, NaaS will become a wholly-owned subsidiary of the Company. On April 29, 2022, the Company’s extraordinary general meeting of shareholders (the “EGM”) was held. At the EGM, shareholders approved, through a special resolution, the transactions contemplated in the Merger Agreement.

Amendment on convertible loan maturity date

On March 28, 2022, the Company signed an amendment agreement of RMB108,334 (US\$17,000) convertible loan with Bain Capital Education IV to extend the maturity date to June 30, 2023. As the amendment was made before the issuance of the consolidated financial statements for the year ended December 31, 2021, the convertible loan was presented as non-current liabilities in the consolidated balance sheet as of December 31, 2021.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Dada Auto

Opinion on the Financial Statements

We have audited the accompanying combined statements of financial position of Dada Auto (the “Company”) and its subsidiaries combined (the “Group”) as of December 31, 2021 and 2020, and the related combined statements of loss and other comprehensive loss, changes in equity and cash flows for each of the two years in the period ended December 31, 2021 and 2020, and the related notes (collectively referred to as the “financial statements”). In our opinion, the combined financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2021 and 2020, in conformity with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

Restatement of Previously Issued Financial Statements

As discussed in Note 1 to the combined financial statements, the accompanying 2020 and 2021 combined financial statements have been restated to correct certain misstatements. Our opinion is not modified with respect to this matter.

Basis for Opinion

These combined financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s combined financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the combined financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the combined financial statements that was communicated or required to be communicated to the board of directors and that: (1) relates to accounts or disclosures that are material to the combined financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the combined financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

Recognition of revenue generated from online platform

The Group’s revenue was significantly contributed from an online platform of electrical vehicles charging solutions for mobility connectivity services to charging station operators, charging stations and charging piles and connects them to end-users. We identified the revenue recognition from online platform as a critical audit matter due to its significance to the combined financial statements. The recognition of such revenue is highly dependent on data flow accuracy of and the IT controls over the online platform.

The Group’s revenue generated from online platform is recognized when or as the control of the goods or services is transferred to a customer. The accounting policy for revenue recognition and related performance obligations are disclosed in Note 3.14 and Note 15 to the combined financial statements, respectively.

How the Critical Audit Matter Was Addressed in the Audit:

Our procedures in relation to the recognition of revenue generated from online platform included:

- We have evaluated the appropriateness of the revenue recognition policies as adopted by the management;
- We have obtained an understanding of and assessing the design, implementation and operating effectiveness of key internal control including the information technology general control (“ITGC”) and the information technology activity control (“ITAC”) which govern such revenue recognition to ensure input and output information were properly recorded;
- We have performed ITGC audit procedures on the Company’s IT system and the online platform to ensure that the database is reliable;
- We have engaged IT specialists to assist us in testing the data flow accuracy and the calculation logic relevant to the recognition of revenue;
- We have performed audit procedures that included, among others, testing the clerical accuracy and consistency with IFRS of the accounting model developed by the Company to recognize revenue;
- We have tested the payment receipts against third-party payments platforms and instruments such as Alipay and WeChat.

Based on the procedures performed, we found that the Group’s revenue recognition was supported by the evidence obtained.

/s/ Centurion ZD CPA & Co.

Centurion ZD CPA & Co.

We have served as the Company’s auditor since 2022

Hong Kong, China

May 30, 2022 except for the effects of the restatement as described in Note 1, as to which the date is March 27, 2023

PCAOB ID : 2769

DADA AUTO
COMBINED STATEMENTS OF FINANCIAL POSITION

	Note	As of December 31,	
		2020 (as restated) RMB'000	2021 (as restated) RMB'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	3,665	8,489
Trade receivables	7	4,824	38,456
Prepayments, other receivables and other assets	8	49,859	105,833
Total current assets		58,348	152,778
Non-current assets			
Right-of-use assets	10	18,313	19,766
Financial assets at fair value through profit or loss	11	—	5,000
Property, plant and equipment	12	—	548
Deferred tax assets	19 (b)	—	—
Total non-current assets		18,313	25,314
Total assets		76,661	178,092
LIABILITIES AND EQUITY			
Current liabilities			
Current lease liabilities	10	3,935	7,067
Trade payables		4,320	16,872
Other payables and accruals	13	39,947	112,148
Total current liabilities		48,202	136,087
Non-current liabilities			
Non-current lease liabilities	10	13,901	12,566
Total non-current liabilities		13,901	12,566
Total liabilities		62,103	148,653
EQUITY			
Combined capital	14	— *	— *
Additional paid in capital	14	147,986	423,329
Accumulated losses		(133,428)	(393,890)
Total equity		14,558	29,439
Total equity and liabilities		76,661	178,092

The accompanying notes are an integral part of these combined financial statements.

* Representing amount less than RMB1,000.

DADA AUTO

COMBINED STATEMENTS OF LOSS AND OTHER COMPREHENSIVE LOSS

	Note	Year ended December 31,	
		2020 (as restated) RMB'000	2021 (as restated) RMB'000
Net Revenues from Online EV Charging Solutions		5,455	17,985
Net Revenues from Offline EV Charging Solutions		565	15,102
Net Revenues from Non-Charging Solutions and Other Services		143	366
Net Revenues	15	6,163	33,453
Other gains, net	16	319	138
Operating costs			
Cost of revenues	17	(6,547)	(29,587)
Selling and marketing expenses	17	(46,458)	(193,340)
Administrative expenses	17	(11,956)	(34,458)
Research and development expenses	17	(17,644)	(30,253)
Total operating costs		(82,605)	(287,638)
Operating loss		(76,123)	(254,047)
Finance costs	18	(300)	(1,097)
Net loss before income tax		(76,423)	(255,144)
Income tax expenses	19	(1,474)	(5,318)
Net loss		(77,897)	(260,462)
Net loss attributable to:			
Equity holders of the Company		(77,897)	(260,462)
		(77,897)	(260,462)
Basic and diluted loss per share for loss attributable to the ordinary equity holders of the Company	20		
(Expressed in RMB per share)			
Basic loss per share		(52,991)	(1,835)
Diluted loss per share		(52,991)	(1,835)
Net loss		(77,897)	(260,462)
Total comprehensive loss		(77,897)	(260,462)
Total comprehensive loss attributable to:			
Equity holders of the Company		(77,897)	(260,462)
		(77,897)	(260,462)

The accompanying notes are an integral part of these combined financial statements.

DADA AUTO

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Note	Combined capital (as restated) RMB'000	Additional paid- in capital (as restated) RMB'000	Accumulated losses (as restated) RMB'000	Total (as restated) RMB'000
Balance at January 1, 2020		— *	79,604	(55,531)	24,073
Comprehensive loss					
Loss for the year		—	—	(77,897)	(77,897)
Total comprehensive loss for the year		—	—	(77,897)	(77,897)
Transactions with equity holders:					
Issuance of ordinary shares		— *	—	—	— *
Contribution from a shareholder	14	—	68,382	—	68,382
Balance at December 31, 2020 and January 1, 2021		— *	147,986	(133,428)	14,558
Comprehensive loss					
Loss for the year		—	—	(260,462)	(260,462)
Total comprehensive loss for the year		—	—	(260,462)	(260,462)
Transactions with equity holders:					
Contribution from a shareholder	14	—	264,555	—	264,555
Share-based compensation from shareholder's ESOP		—	10,788	—	10,788
Balance at December 31, 2021		— *	423,329	(393,890)	29,439

The accompanying notes are an integral part of these combined financial statements.

* Representing amount less than RMB1,000.

DADA AUTO
COMBINED STATEMENTS OF CASH FLOWS

	Note	Year ended December 31,	
		2020 (as restated) RMB'000	2021 (as restated) RMB'000
Cash flows from operating activities			
Cash used in operations	21(a)	(56,940)	(219,114)
Net cash used in operating activities		(56,940)	(219,114)
Cash flows from investing activities			
Purchase of property, plant and equipment		—	(606)
Purchase of financial assets at fair value through profit or loss	11	—	(5,000)
Net cash flows used in investing activities		—	(5,606)
Cash flows from financing activities			
Interests paid	10	—	(193)
Payments of lease liabilities	10	—	(1,881)
Contribution from a shareholder	14	58,481	231,618
Net cash flows generated from financing activities		58,481	229,544
Net increase in cash and cash equivalents		1,541	4,824
Cash and cash equivalents at the beginning of the year		2,124	3,665
Cash and cash equivalents at the end of the year	6	3,665	8,489

The accompanying notes are an integral part of these combined financial statements.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. Restatement of Previously Issued Consolidated Financial Statements

NaaS Technology Inc. has restated its Combined Statements of Financial Position as of December 31, 2021 and 2020, Combined Statements of Loss and Other Comprehensive Loss, Changes in Equity and Cash Flows for each of the fiscal years ended December 31, 2021 and 2020, included in the Shell Company Report on Form 20-F, which was originally filed with the U.S. Securities and Exchange Commission (the “SEC”) on June 16, 2022 (the “Original 20-F”). Original 20-F should no longer be relied upon due to material misstatements of one or more of the following categories in all or certain of these periods as described below.

The “Group” means (i) prior to the completion of the Restructuring, subsidiaries and VIEs of Newlink that provided EV charging services in China, and (ii) upon and after the completion of the Restructuring, Dada Auto and its subsidiaries, and for the period during which Dada Auto maintained VIE arrangements with Kuaidian Power (Beijing) New Energy Technology Co., Ltd as the VIE, also the VIE.

Description of Restatement Adjustments

The following major restatement adjustments are due to errors, and the Group has made the necessary accounting corrections to restate its combined financial statements.

*Revenues***(1) Presentation of gross revenues, incentive to end-users and net revenues**

Revenues from online EV charging solutions were improperly presented as gross revenues, incentive to end-users and net revenues in the Statements of Loss. The Group has deleted the relevant line items related to gross revenues and incentives to end-users in the Statements of Loss and notes to the combined financial statements, to be consistent with its recognition and measurement policy for each class of revenues. There was no impact to net loss related to this correction.

(2) Revenue recognition of membership program

For the membership program (“VIP membership”), certain users pay in advance for VIP membership services which provide members with various membership benefits, including a specified number of cash coupons and incremental discounts that may be applied against payments for charging services over the membership period. Previously, each cash coupon and incremental discount were not correctly identified as material rights in accordance with IFRS 15.B39-B40, and the payment from VIP members are recognized on a straight-line basis over the membership period as a reduction to its selling and marketing expenses.

The Group has revised to identify the following performance obligations from the VIP membership services: each cash coupon and each incremental discount on charging services represent a separate material right. Consideration is allocated to the performance obligations based on their relative standalone selling prices. The payments from VIP customers are deferred and initially recorded as contract liabilities in the combined balance sheets. The Company recognizes revenue from each material right when each cash coupon or incremental discount is redeemed or consumed by the member or when the right is expired.

This correction increased both net revenues from online EV charging solutions and the selling and marketing expenses, by the amount of RMB0.3 million and RMB7.9 million for the fiscal years ended December 31, 2020 and 2021, respectively. There was no significant impact to net loss related to this correction.

(3) Revenue recognition of full station operation

For the revenue from its full station operation, the Group leases certain EV charging stations from the lessor. For these arrangements, the Group controls and operates the EV charging stations, and has determined that it is the principal in relation to the EV charging service as the Group controls the specified EV charging service before it is transferred to the EV drivers who are the Group’s customers. Previously, the electricity provided by the power grid was incorrectly considered as a separate performance obligation where the Group is treated as an agent, and the electricity fees paid/payable to the power grid were incorrectly netted against the full station operation revenue.

The Group has revised to determine that its EV charging station together with the electricity provided by the power grid forms a single integrated performance obligation under IFRS 15.29(a), over which it controls prior to transferring to the EV drivers. Specifically, the Group contracts with the power grid to direct the use of the power before transferring it to the customer. Accordingly, the electricity costs payable to the power grid are an input to the Group’s combined output and shall be recorded as cost of revenues, rather than netted against the full station operation revenue.

This correction increased both net revenues from offline EV charging solutions and cost of revenues, by the amount of RMB8.0 million for the fiscal year ended December 31, 2021. There was no impact to net loss related to this correction.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Operating costs and other Statements of Loss line items

(4) Recognition of share-based compensation related to the share awards granted by Newlink to certain employees

The Group's EV charging service business was historically part of Newlink's businesses and conducted by Newlink and its consolidated entities at the time. Prior to the completion of the Restructuring, Newlink granted options to certain of its employees associated with the EV charging business, which employees were subsequently transferred to the Group as part of the Restructuring. Previously, the share-based compensation related to such share awards was not recorded by the Group.

The understatement of share-based compensation in 2021 was approximately RMB10.8 million, including RMB0.1 million of cost of revenues, RMB3.9 million of selling and marketing expenses, RMB6.3 million of administrative expenses and RMB0.5 million of research and development expenses. The Group has also revised to credit to additional paid in capital and updated the disclosure of related party transactions accordingly.

(5) Value-added Tax ("VAT") related corrections

The Group corrected certain VAT-related balances by revising the estimation method of the recoverability of uncollected input VAT receipts from the charging station operators (which is recorded in prepayments, other receivables and other assets) and adjusting previously recognized provision. Previously, the Group did not properly estimate the impairment of uncollected input VAT receipts and full provision was made for all uncollected input VAT receipts with an aging over certain days, which did not reflect reasonable and supportable information available at the reporting date.

Therefore, the Group has determined that previous estimation of recoverability of uncollected input VAT receipts was not appropriate. The Group has revised to estimate the recoverability of uncollected input VAT receipts by considering the historic collection experience of input VAT receipts from the operators and other factors that may affect the operators' capability to issue input VAT receipts.

These VAT related restatement adjustments decreased cost of revenues by the amount of RMB6.0 million and RMB7.8 million for the fiscal years ended December 31, 2020 and 2021, respectively. These VAT related restatement adjustments also decreased the provision of uncollected input VAT receipts (which is recorded in prepayments, other receivables and other assets) accordingly, as illustrated in the restatement reconciliation tables set forth below.

(6) Income tax related corrections

The Group has revised to record IFRIC 23 provisions on corporate income tax to reflect the effects of uncertainty in determining its taxable profit under applicable tax law, which was omitted in its original financial statements. The Group has also revised to derecognize all of its deferred tax assets as it was not probable due to its cumulative losses history that taxable profit will be available against which the deductible temporary difference can be utilized. These corrections increased income tax expenses by the amount of RMB1.4 million and RMB4.9 million for the fiscal years ended December 31, 2020 and 2021, respectively, increased income tax payable (which is recorded in other payables and accruals) by the amount of RMB1.4 million and RMB6.0 million as of December 31, 2020 and 2021, respectively, decreased deferred tax assets by the amount of RMB9 thousand and RMB0.3 million as of December 31, 2020 and 2021, respectively.

(7) Reclassification of certain line items in Statements of Loss

The Group has revised to correct certain classification errors in its Statements of Loss, mainly including the reclassification of platform service fee, bandwidth expenses and server custody costs from research and development expenses to cost of revenue, as it relates to generation of revenues, the reclassification of impairment on trade receivables from other loss into administrative expenses, and the reclassification of personnel cost within operating costs according to the accurate personnel function information.

These reclassification corrections decreased other loss by the amount of RMB0.3 million and RMB1.5 million, increased cost of revenues by the amount of RMB4.0 million and RMB11.4 million, decreased selling and marketing expenses by the amount of RMB0.7 million and RMB1.3 million, decreased administrative expenses by the amount of RMB0.4 million and RMB1.8 million, decreased research and development expenses by the amount of RMB2.9 million and RMB6.8 million, and increased finance costs by the amount of RMB0.3 million and RMB0.1 million, for the fiscal years ended December 31, 2020 and 2021, respectively. There was no impact to net loss related to these reclassification corrections.

(8) Lease and other miscellaneous errors in Statements of Loss

Previously, the Group used the benchmark interest rate issued by the People's Bank of China to measure the lease liabilities. The Group has revised to correct the discount rate used to measure the lease liabilities based on the Group's actual incremental borrowing rate. The Group also identified and corrected certain other miscellaneous errors in its Statements of Loss.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

These corrections in aggregate increased the Group's net loss by the amount of RMB0.3 million and RMB0.3 million for the fiscal years ended December 31, 2020 and 2021, respectively. The amount of financial statements line items affected by these corrections are illustrated in the restatement reconciliation tables set forth below.

Balance sheet line items

- (9) The Group has revised to reclassify certain balance sheet line items, including reclassifying balances related to sales of charging piles from prepayments, other receivables and other assets to trade receivables, and balances related to payables to charging stations from other payables and accruals to trade payables, mainly because those balances were related to trading activities with customers and suppliers. The amount of financial statements line items affected by these corrections are illustrated in the restatement reconciliation tables set forth below.
- (10) The Group has revised to correct the contributions from Newlink by increasing other payable and accruals, and decreasing additional paid in capital by an amount of RMB3.1 million as of December 31, 2021, according to the settlement agreement between the Group and Newlink.

Cash flows line items

- (11) The Group has revised to correct cash flows generated from shareholder contribution because part of the contribution was made by the shareholder bearing expenditure instead of direct capital injection in cash. The Group has also revised to correct certain cash flow errors related to lease accounting. The amount of financial statements line items affected by these corrections are illustrated in the restatement reconciliation tables set forth below.

Supplemented disclosures

- (12) The Group has revised to disclose all required information of share capital in accordance with IAS 1.79.
- (13) The Group has revised to supplement disclosures related to contract balances. In accordance with paragraphs 116 through 118 of IFRS 15, the Group has revised to disclose all required contract balances information in notes to the combined financial statements.

The net effect of these restatement adjustments on the Combined Statements of Loss and Other Comprehensive Loss was to decrease net loss by RMB4.3 million and to increase net loss by RMB8.2 million for the fiscal years ended December 31, 2020 and 2021, respectively:

	For the year ended December 31,	
	2020	2021
	RMB'000	RMB'000
Decrease/(Increase) in net loss:		
(4) Share-based compensation related to the share awards granted by Newlink	—	(10,788)
(5) VAT related corrections	6,019	7,814
(6) Income tax related corrections	(1,432)	(4,920)
(8) Lease and other miscellaneous errors in Statements of Loss	(302)	(258)
Decrease/(Increase) in net loss	4,285	(8,152)

The following presents a reconciliation of the impacted financial statement line items as filed to the restated amounts as of December 31, 2020 and 2021, and for the years ended December 31, 2020 and 2021. The previously reported amounts reflect those included in the Original Filing filed with the SEC on June 16, 2022. These amounts are labeled as "As Filed" in the tables below. The amounts labeled "Restatement Adjustments" represent the effects of this restatement due to the revisions mentioned above.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Combined statements of financial position	As of December 31, 2020			As Restated RMB'000
	As Filed RMB'000	Restatement Adjustments RMB'000		
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	3,665	—		3,665
Trade receivables	—	4,824	(9)	4,824
Prepayments, other receivables and other assets	44,693	5,166	(5) (9)	49,859
Total current assets	48,358	9,990	(5) (9)	58,348
Non-current assets				
Right-of-use assets	19,237	(924)	(8)	18,313
Financial assets at fair value through profit or loss	—	—		—
Property, plant and equipment	—	—		—
Deferred tax assets	9	(9)	(6)	—
Total non-current assets	19,246	(933)	(6) (8)	18,313
Total assets	67,604	9,057	(5) (6) (8) (9)	76,661
LIABILITIES AND EQUITY				
Current liabilities				
Current lease liabilities	4,216	(281)	(8)	3,935
Trade payables	—	4,320	(9)	4,320
Other payables and accruals	39,234	713	(6) (9)	39,947
Total current liabilities	43,450	4,752	(6) (8)	48,202
Non-current liabilities				
Non-current lease liabilities	14,390	(489)	(8)	13,901
Total non-current liabilities	14,390	(489)	(8)	13,901
Total liabilities	57,840	4,263	(6) (8)	62,103
EQUITY				
Combined capital	— *	—		— *
Additional paid in capital	147,986	—		147,986
Accumulated losses	(138,222)	4,794	(5) (6) (8)	(133,428)
Total equity	9,764	4,794	(5) (6) (8)	14,558
Total equity and liabilities	67,604	9,057	(5) (6) (8) (9)	76,661

* Representing amount less than RMB1,000.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Combined statements of financial position	As of December 31, 2021			As Restated RMB'000
	As Filed RMB'000	Restatement Adjustments RMB'000		
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	8,726	(237)		8,489
Trade receivables	740	37,716	(9)	38,456
Prepayments, other receivables and other assets	117,498	(11,665)	(5) (9)	105,833
Total current assets	126,964	25,814	(5) (9)	152,778
Non-current assets				
Right-of-use assets	20,554	(788)	(8)	19,766
Financial assets at fair value through profit or loss	5,000	—		5,000
Property, plant and equipment	548	—		548
Deferred tax assets	337	(337)	(6)	—
Total non-current assets	26,439	(1,125)	(6) (8)	25,314
Total assets	153,403	24,689	(5) (6) (8) (9)	178,092
LIABILITIES AND EQUITY				
Current liabilities				
Current lease liabilities	8,061	(994)	(8)	7,067
Trade payables	437	16,435	(9)	16,872
Other payables and accruals	107,440	4,708	(6) (8) (9) (10)	112,148
Total current liabilities	115,938	20,149	(6) (8) (9) (10)	136,087
Non-current liabilities				
Non-current lease liabilities	12,396	170	(8)	12,566
Total non-current liabilities	12,396	170	(8)	12,566
Total liabilities	128,334	20,319	(6) (8) (9) (10)	148,653
EQUITY				
Combined capital	— *	—		— *
Additional paid in capital	415,601	7,728	(4) (10)	423,329
Accumulated losses	(390,532)	(3,358)	(4) (5) (6) (8)	(393,890)
Total equity	25,069	4,370	(5) (6) (8) (10)	29,439
Total equity and liabilities	153,403	24,689	(5) (6) (8) (9)	178,092

* Representing amount less than RMB1,000.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Combined statements of loss and other comprehensive loss	Year ended December 31, 2020			As Restated RMB'000
	As Filed RMB'000	Restatement Adjustments RMB'000		
Net Revenues from Online EV Charging Solutions	5,124	331	(2)	5,455
Net Revenues from Offline EV Charging Solutions	565	—		565
Net Revenues from Non-Charging Solutions and Other Services	143	—		143
Net Revenues	5,832	331	(2)	6,163
Other (losses)/ gains, net	(19)	338	(7)	319
Operating costs				
Cost of revenues	(8,625)	2,078	(5) (7) (8)	(6,547)
Selling and marketing expenses	(47,214)	756	(2) (7) (8)	(46,458)
Administrative expenses	(11,755)	(201)	(7) (8)	(11,956)
Research and development expenses	(20,448)	2,804	(7) (8)	(17,644)
Total operating costs	(88,042)	5,437	(2) (5) (7) (8)	(82,605)
Operating loss	(82,229)	6,106	(5) (7) (8)	(76,123)
Finance income/(costs)	89	(389)	(7) (8)	(300)
Net loss before income tax	(82,140)	5,717	(5) (8)	(76,423)
Income tax expenses	(42)	(1,432)	(6)	(1,474)
Net loss	(82,182)	4,285	(5) (6) (8)	(77,897)
Net loss attributable to:				
Equity holders of the Company	(82,182)	4,285	(5) (6) (8)	(77,897)
	(82,182)	4,285	(5) (6) (8)	(77,897)
Basic and diluted loss per share for loss attributable to the ordinary equity holders of the Company				
(Expressed in RMB per share)				
Basic loss per share	(55,906)	2,915	(5) (6) (8)	(52,991)
Diluted loss per share	(55,906)	2,915	(5) (6) (8)	(52,991)
Net loss	(82,182)	4,285	(5) (6) (8)	(77,897)
Total comprehensive loss	(82,182)	4,285	(5) (6) (8)	(77,897)
Total comprehensive loss attributable to:				
Equity holders of the Company	(82,182)	4,285	(5) (6) (8)	(77,897)
	(82,182)	4,285		(77,897)

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Combined statements of loss and other comprehensive loss	Year ended December 31, 2021			
	As Filed RMB'000	Restatement Adjustments RMB'000		As Restated RMB'000
Net Revenues from Online EV Charging Solutions	10,104	7,881	(2)	17,985
Net Revenues from Offline EV Charging Solutions	7,060	8,042	(3)	15,102
Net Revenues from Non-Charging Solutions and Other Services	610	(244)	(8)	366
Net Revenues	17,774	15,679	(2) (3) (8)	33,453
Other (losses)/ gains, net	(1,402)	1,540	(7)	138
Operating costs				
Cost of revenues	(18,863)	(10,724)	(3) (4) (5) (7) (8)	(29,587)
Selling and marketing expenses	(183,165)	(10,175)	(2) (4) (7) (8)	(193,340)
Administrative expenses	(28,458)	(6,000)	(4) (7) (8)	(34,458)
Research and development expenses	(37,158)	6,905	(4) (7) (8)	(30,253)
Total operating costs	(267,644)	(19,994)	(2) (3) (4) (5) (7) (8)	(287,638)
Operating loss	(251,272)	(2,775)	(4) (5) (7) (8)	(254,047)
Finance costs	(640)	(457)	(7) (8)	(1,097)
Net loss before income tax	(251,912)	(3,232)	(4) (5) (8)	(255,144)
Income tax expenses	(398)	(4,920)	(6)	(5,318)
Net loss	(252,310)	(8,152)	(4) (5) (6) (8)	(260,462)
Net loss attributable to:				
Equity holders of the Company	(252,310)	(8,152)	(4) (5) (6) (8)	(260,462)
	(252,310)	(8,152)	(4) (5) (6) (8)	(260,462)
Basic and diluted loss per share for loss attributable to the ordinary equity holders of the Company				
(Expressed in RMB per share)				
Basic loss per share	(50,462)	48,627	(4) (5) (6) (8)	(1,835)
Diluted loss per share	(50,462)	48,627	(4) (5) (6) (8)	(1,835)
Net loss	(252,310)	(8,152)	(4) (5) (6) (8)	(260,462)
Total comprehensive loss	(252,310)	(8,152)	(4) (5) (6) (8)	(260,462)
Total comprehensive loss attributable to:				
Equity holders of the Company	(252,310)	(8,152)	(4) (5) (6) (8)	(260,462)
	(252,310)	(8,152)		(260,462)

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Combined statements of cash flows	Year ended December 31, 2020		
	As Filed RMB'000	Restatement Adjustments RMB'000	As Restated RMB'000
Cash flows from operating activities			
Cash used in operations	(63,014)	6,074 (11)	(56,940)
Net cash used in operating activities	(63,014)	6,074 (11)	(56,940)
Cash flows from investing activities			
Purchase of property, plant and equipment	—	—	—
Purchase of financial assets at fair value through profit or loss	—	—	—
Net cash flows used in investing activities	—	—	—
Cash flows from financing activities			
Interests paid	(189)	189 (11)	—
Payments of lease liabilities	(3,956)	3,956 (11)	—
Contribution from a shareholder	68,700	(10,219) (11)	58,481
Net cash flows generated from financing activities	64,555	(6,074) (11)	58,481
Net increase in cash and cash equivalents	1,541	—	1,541
Cash and cash equivalents at the beginning of the year	2,124	—	2,124
Cash and cash equivalents at the end of the year	3,665	—	3,665

Combined statements of cash flows	Year ended December 31, 2021		
	As Filed RMB'000	Restatement RMB'000	As Restated RMB'000
Cash flows from operating activities			
Cash used in operations	(250,035)	30,921 (11)	(219,114)
Net cash used in operating activities	(250,035)	30,921 (11)	(219,114)
Cash flows from investing activities			
Purchase of property, plant and equipment	(606)	—	(606)
Purchase of financial assets at fair value through profit or loss	(5,000)	—	(5,000)
Net cash flows used in investing activities	(5,606)	—	(5,606)
Cash flows from financing activities			
Interests paid	(767)	574 (8) (11)	(193)
Payments of lease liabilities	(6,146)	4,265 (8) (11)	(1,881)
Contribution from a shareholder	267,615	(35,997) (11)	231,618
Net cash flows generated from financing activities	260,702	(31,158) (11)	229,544
Net increase in cash and cash equivalents	5,061	(237)	4,824
Cash and cash equivalents at the beginning of the year	3,665	—	3,665
Cash and cash equivalents at the end of the year	8,726	(237)	8,489

NOTES TO THE COMBINED FINANCIAL STATEMENTS

In addition, amounts were restated in the following:

- Note 3. Financial risk management
- Note 6. Cash and cash equivalents
- Note 7. Trade receivables
- Note 8. Prepayments, other receivables and other assets
- Note 10. Lease
- Note 11. Financial asset at fair value through profit or loss
- Note 13. Other payables and accruals
- Note 14. Combined capital and additional paid in capital
- Note 15. Revenues
- Note 16. Other losses, net
- Note 17. Operating costs by nature
- Note 18. Finance costs
- Note 19. Taxation
- Note 20. Loss per share
- Note 24. Related party transaction

2. Corporate information

2.1. General information

Dada Auto (the “Company”) was incorporated in the Cayman Islands on July 15, 2019 as an exempted company with limited liability.

The Company is a holding company. Since May 2022, upon the Reorganization, the Company and its subsidiaries comprised the Group, see Note 2.2 for details. The Company has not commenced any business or operation till December 31, 2021, since its incorporation other than the Reorganization.

2.2. History and reorganization of the Group

The EV charging services were launched in 2019 through Chezhubang (Beijing) Technology Co., Ltd. (“Chezhubang Technology”), and its subsidiaries Beijing Chezhubang New Energy Technology Co., Ltd. (“Beijing Chezhubang”) and Kuaidian Power (Beijing) New Energy Technology Co., Ltd. (“Kuaidian Power Beijing”), which were established by Chezhubang Technology in July 2018 and August 2019, respectively. Chezhubang Technology was controlled by Newlink. Kuaidian Power Beijing subsequently acquired Shaanxi Kuaidian Mobility Technology Co., Ltd. (“Shaanxi Kuaidian”) in May 2020. The consideration was immaterial, because no substantial operation was conducted by Shaanxi Kuaidian when acquired.

In July 2019, Dada Auto was established in the Cayman Islands as the holding company to facilitate the Group’s offshore financing.

In September 2020, Kuaidian Power Beijing established a wholly-owned subsidiary, Zhidian Youtong Technology Co., Ltd. (“Zhidian Youtong”).

NOTES TO THE COMBINED FINANCIAL STATEMENTS

In February 2021, Cosmo Light (Beijing) New Energy Technology Co., Ltd. (“Cosmo Light”) was established. In April 2021, Xixian New District Constant Energy Joint New Energy Automobile Co., Ltd. (“XXND Automobile”) and Qingdao Hill Matrix New Energy Technology Co., Ltd. (“QHM New Energy”) were established. Ownership interests in Cosmo Light was held by Shandong Cosmo Light Co., Ltd, and XXND Automobile and QHM New Energy were held by Zhejiang Huzhou Matrix Co., Ltd. In September 2021, Beijing Chezhubang acquired 100% of the ownership interest in Shaanxi Kuaidian.

In early 2022, the Company entered into a series of transactions to restructure its organization and its EV charging service business (the “Reorganization”). In connection with the Reorganization, various intermediate holding companies were established, including Fleetin HK Limited in March 2020. Fleetin HK Limited further established Zhejiang Anji Intelligent Electronics Holding Co., Ltd. (“Anji Zhidian”), a wholly-owned subsidiary in China, in December 2021.

As part of the Reorganization, Anji Zhidian acquired 100% of the ownership interest in Beijing Chezhubang from Chezhubang Technology, and Beijing Chezhubang in turn acquired 100% of the ownership interest in Zhidian Youtong. In conjunction therewith the Company acquired: (a) 100% equity interests in Cosmo Light through Shandong Cosmo Light Limited in March 2022, and (b) 100% equity interests in QHM New Energy through Zhejiang Huzhou Hill Matrix Limited in March 2022, and (c) 80% equity interests in XXND Automobile through Zhejiang Huzhou Hill Matrix Limited in March 2022. Kuaidian Power Beijing entered into VIE arrangement with Anji Zhidian from January 5, 2022 to April 5, 2022, temporarily, and then Anji Zhidian acquired 100% of the equity interests in Kuaidian Power Beijing as part of the Reorganization.

2.3. Subsidiaries

The Company’s major subsidiaries as at December 31, 2021 are set out below. The country of incorporation or registration is also their principal place of business.

Name of entity	Place of incorporated	Date of incorporation/ establishment	Effective interest held upon completion of reorganization	Principal activities
Subsidiaries				
Kuaidian Power (Beijing) New Energy Technology Co., Ltd.	Beijing, China	August 20, 2019	100 %	Online EV Charging Solutions, Non-Charging Solutions and Other Services
Beijing Chezhubang New Energy Technology Co., Ltd.	Beijing, China	July 18, 2018	100 %	Online EV Charging Solutions
Zhidian Youtong Technology Co., Ltd.	Shandong, China	September 27, 2020	100 %	Offline EV Charging Solutions
Shaanxi Kuaidian Mobility Technology Co., Ltd.	Shaanxi, China	May 29, 2018	100 %	Offline EV Charging Solutions
Qingdao Hill Matrix New Energy Technology Co., Ltd.	Shandong, China	April 26, 2021	100 %	Offline EV Charging Solutions
Cosmo Light (Beijing) New Energy Technology Co., Ltd.	Beijing, China	February 22, 2021	100 %	Online EV Charging Solutions

NOTES TO THE COMBINED FINANCIAL STATEMENTS

2.4. Basis of presentation

Immediately prior to and after the Reorganization, the Listing Business was carried out by Newlinks Technology Limited and its subsidiaries. Pursuant to the Reorganization, the Listing Business is controlled by the Company, through direct equity holding. The Company and those companies newly set up during the Reorganization have not been involved in any other business prior to the Reorganization and their operations do not meet the definition of a business. The Reorganization is merely a reorganization of the Listing Business and does not result in any changes in business substance, nor in any management or owners of the Listing Business. Accordingly, the Group resulting from the Reorganization is regarded as a continuation of the Listing Business and the financial information of the companies now comprising the Group is presented using the carrying value of the Listing Business for all periods presented.

Intercompany transactions, balances and unrealized gains/losses on transactions between companies now comprising the Group are eliminated on combination.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these combined financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1. Basis of preparation

The combined financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (“IFRSs”) as issued by International Accounting Standards Board (“IASB”). The combined financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial asset at fair value through profit or loss which is carried at fair value.

The combined financial statements of the Group were authorized for issue in accordance with a resolution of the directors passed on May 30, 2022.

The combined financial statements are prepared on a going concern basis. See Note 3.2 for details.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the combined financial statements are disclosed in Note 5.

3.1.1. New and amendments to the accounting standards adopted and recent accounting pronouncements**(a) Amendments to the accounting standards adopted**

All effective standards, amendments to standards and interpretations, which are mandatory for the financial year beginning on January 1, 2020, are consistently applied to the Group for the years ended December 31, 2020 and 2021. The adoption of these amendments does not have any significant impact on the combined financial statements of the Group.

(b) New standards and interpretations not yet adopted

Standards, amendments and interpretations that have been issued but not yet effective and not been early adopted by the Group during the years ended December 31, 2020 and 2021 are as follows:

Standards and amendments	Effective for annual periods beginning on or after
IAS 16 (Amendment) ‘Property, plant and equipment – proceeds before intended use’	January 1, 2022
IAS 37 (Amendment) ‘Onerous contracts – cost of fulfilling a contract’	January 1, 2022
IFRS 3 (Amendment) ‘Reference to the conceptual Framework’	January 1, 2022
Annual Improvements to IFRS Standards 2018-2020	January 1, 2022
IFRS 17 Insurance Contracts	January 1, 2023
IFRS 17 (Amendment) Insurance Contracts	January 1, 2023

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Standards and amendments	Effective for annual periods beginning on or after
IAS 1 (Amendment) 'Classification of liabilities as current or non-current'	January 1, 2023
IAS 1 and IFRS Practice Statement 2 (Amendment) - Disclosure of Accounting Policies	January 1, 2023
IAS 8 (Amendment) - Definition of Accounting Estimates	January 1, 2023
Amendments to IFRS 4 - Extension of the Temporary Exemption from Applying IFRS 9	January 1, 2023
Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction Tax	January 1, 2023
Amendment to IFRS 10 and IAS 28 regarding sales or contribution assets between an investor and its associate or joint venture	To be determined

The Company anticipates that the application of the above new standard, amendments and annual improvements will have no material impact on the Group's combined financial statements in the foreseeable future.

3.2. Going concern basis

The Group incurred net losses of RMB77.9 million and RMB260.5 million for the years ended December 31, 2020 and 2021, respectively. Net cash used in operating activities was RMB56.9 million, and RMB219.1 million for the years ended December 31, 2020 and 2021, respectively. The Group assesses its liquidity by its ability to generate cash from operating activities and attract additional capital and/or finance funding.

In January 2022, the Group raised funding through issuing convertible redeemable preference shares, with a total cash consideration of US\$87.3 million (RMB556.4 million), and the Group expects that its existing cash and cash equivalents will be sufficient to fund its operations and meet all of its obligations as they fall due for at least twelve months from the date of issuance of financial statements. The Group's ability to continue as a going concern is dependent on management's ability to successfully execute its business plan, which includes increasing revenues while controlling operating expenses, as well as, generating operational cash flows and continuing to gain support from outside sources of financing. Based on the above considerations, the Group believes that funds from the equity financing will be sufficient to meet the cash requirements to fund planned operations and other commitments for at least the next twelve months. The Group's combined financial statements have been prepared on a going concern basis, which contemplates the realization of assets and liquidation of liabilities in the normal course of business.

3.3. Subsidiaries and non-controlling interests

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the combined statements of loss and other comprehensive loss, combined statements of financial position, and combined statements of changes in equity, respectively. During the years ended December 31, 2020 and 2021, the net loss attributable to non-controlling interests were nil, respectively.

Entities acquired under common control or transactions accounted for in a manner similar to a pooling-of-interests (for example, a reorganization of entities under common control) are accounted under the “book value” accounting, where the Company recognizes the assets acquired and liabilities assumed using the book values of the transferor. When the combined financial statements are issued for a period that includes the date the common control transaction occurred, the Company’s combined financial statements of all prior periods are retrospectively revised to the earliest date presented.

3.4. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (“CODM”). The CODM, who is responsible for allocating resources and assessing performance of the operating segments and making strategic decisions, has been identified as the Chief Executive Officer of the Group, who reviews the consolidated results of operations when making decisions about allocating resources and assessing performance of the Group as a whole.

For the purpose of internal reporting and management’s operation review, the CODM and management personnel do not segregate the Group’s business by product or service lines. Hence, the Group has only one operating segment. In addition, the Group does not distinguish between markets or segments for the purpose of internal reporting. As the Group’s assets and liabilities are substantially located in the PRC, substantially all revenues are earned and substantially all expenses are incurred in the PRC, no geographical segments are presented.

3.5. Foreign currency translation**(a) Functional and presentation currency**

Items included in the financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company and its overseas subsidiaries is USD. The functional currency of subsidiaries in the Group incorporated in the PRC, is the Renminbi ("RMB"). The Group presents its combined financial statements in RMB, unless otherwise stated.

(b) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of reporting period ended.
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income or loss.

During years ended December 31, 2020 and 2021, there were no translation difference recognized for there was no overseas transactions led to translation differences.

3.6. Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses (if any). Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost amounts, net of their residual values, over their estimated useful lives, as follows:

- | | |
|------------------------|---------|
| – Electronic equipment | 5 years |
|------------------------|---------|

The asset's residual values and useful lives are reviewed, and adjusted of appropriate at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount, and are recognized in "Other losses, net" in the combined statement of loss and other comprehensive loss. During the years ended December 31, 2020 and 2021, no such disposal occurred.

3.7. Investments and other financial assets**(a) Classification**

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and,
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income ("OCI"). For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

The Group derecognises a financial asset, if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows of the financial asset expire; (ii) the contractual rights to receive the cash flows and substantially all the risks and rewards of ownership of the financial asset have been transferred; or (iii) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of derecognition of transfer of cash flows ("pass through" requirements) and substantially all the risks and rewards of ownership of the financial asset have been transferred.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss or retained earnings:

- the carrying amount of the financial asset transferred; and
- the sum of the consideration received from the transfer and any cumulative gains or losses that has been recognised directly in equity.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial asset carried at FVPL are expensed in profit or loss.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial asset at FVPL are recognized in profit or loss and presented within other losses in the statement of loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment

The Group assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

3.8. Trade receivables and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Majority of other receivables and prepayments are from online EV charging solutions services. They are generally due for settlement within one year (or in the normal operating cycle of the business if longer) and therefore all classified as current.

Trade receivables and other receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables and other receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See Note 8 for further information about other receivables and Note 4.1 for a description of the Group's financial risk.

Impairment on trade receivables and other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a deposit or receivable has occurred since initial recognition, the impairment is measured as lifetime expected credit losses. See Note 4.1 for details.

3.9. Cash and cash equivalents

For the purpose of presentation in the combined statements of cash flows, cash and cash equivalents includes cash on hand, cash at bank, and deposits held at licensed payment platforms that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

3.10. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction, net of tax, from the proceeds.

3.11. Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. These amounts are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortized cost using the effective interest method.

3.12. Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the combined financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

(c) Offsetting

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current income tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(d) Uncertain tax positions

In determining the amount of current and deferred income tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes, interest or penalties may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities. Such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.13. Employee benefits**(a) Short-term obligations**

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

(b) Post-employment obligations

The Group has a defined contribution plan in which the Group pays fixed contributions to publicly administered pension insurance plans on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

(c) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurances plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

(d) Bonus plan

The expected cost of bonuses is recognized as a liability when the Group has a present legal or constructive obligation for payment of bonus as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans are expected to be settled within 1 year and are measured at the amounts expected to be paid when they are settled.

3.14. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of goods or services in the ordinary course of the Group's activities.

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e., the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e., the Group is an agent).

The Group is a principal if it controls the specified goods or services before those goods or services are transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified goods or services by another party. In this case, the Group does not control the specified goods or services provided by another party before those goods or services are transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Revenue is recognized when or as the control of the goods or services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time.

Control of the goods and services is transferred over time if the Group's performance:

- i. provides all of the benefits received and consumed simultaneously by the customer;
- ii. creates and enhances an asset that the customer controls as the Group performs; or
- iii. does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods and services.

3.14.1 The accounting policy for the Group's principal revenue sources

Online EV charging solutions

The Group offers effective mobility connectivity services by a platform (mainly includes Kuaidian mobile application, and Kuaidian Weixin mini-program) to connect charging station operators and end-users to facilitate the completion of successful EV charging. Historically, Kuaidian Power Beijing operated *Kuaidian*. The performance obligations for the Group is to present the charging stations and charging piles on the platform, and provide such information for end-users who visit the platform, they could select charging stations and charging piles on their own. Upon the completion of an EV charging order, the Group recognises the service income charged to operators and end-users. The Group provides services to both charging station operators and end-users according to agreements, and the Group performs its obligations for both parties during one transaction, both charging stations and end-users are regarded as the customers of platform services.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

The Group has determined that it acts as an agent in the online EV charging solutions services as (i) the Group does not obtain control of the services prior to its transfer to the end-user; (ii) the Group does not direct charging stations to perform the service on the Group's behalf, (iii) the Group is not primarily responsible for charging services provided to end-users, nor do the Group has inventory risk related to these services, and (iv) the Group facilitates setting the price for charging services, however, charging stations and end-users have the ultimate discretion in accepting the transaction price and this indicator alone does not result in controlling the services provided to end-users.

The Group pays to the charging station operators in advance before the delivery of service and records it as prepayment as it could be returned. In some cases, the Group may settle afterwards and the balance owed to operators is recorded as payable. Besides that, the Group also provides other online solutions, such as software as a service ("SaaS") to charging stations to improve the digitalization and the management of them.

The Group offers a membership program ("VIP membership") to its registered users on the platform. Memberships are offered for a one-month, three-month or twelve-month period and customers pay a fixed non-refundable upfront membership fee. During the membership period, members enjoy benefits including exclusive discount on the charging service fee and exclusive membership coupon issued on a monthly basis that expire at the end of the month. The Group has determined that each membership benefit provided over the membership period is a material right that would need to be accounted for as a performance obligation. Transaction price is allocated to each performance obligation based on its standalone selling price. The Group recognizes revenue when the underlying benefit is redeemed by the customer on a transaction by transaction basis as part of online EV charging solution services or when the benefit is expired.

Offline EV charging solutions

The Group offers offline services to charging station operators related to their operations, including operation of EV charging station, hardware procurement, electricity procurement.

In case the Group leases certain EV charging stations and operates the EV charging stations on its own discretion, the Group has determined that it acts as a principal in the services as the Group is primarily responsible for providing the EV charging service to EV drivers. The Group provides charging services based on orders from its own platform as well as other third-party's platforms. Also, the Group has full discretion in establishing service fee rates for the charging services to customers. EV charging fees received/receivable by the Group under such instances are recognised as revenue on a gross basis when the service is rendered.

The Group considers itself as an agent for the hardware procurement and electricity procurement services as the Group does not control hardware or electricity during the transaction. Therefore revenues from such services are recognized on a net basis.

Non-charging solutions and other services

The Group provides charging station operators with additional retail services and other amenities and ancillary services. The Group charges commission fees based on the value of the facility and the merchandise supplied to charging station operators. Revenues for such services are recognized when the Group satisfies the performance obligations under the service contracts.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

3.14.2. Contract balances

When either party to a contract has performed, the Group presents the contract in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for goods and services that the Group has transferred to a customer. A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The contract liabilities balance mainly includes advances from platform users and VIP membership. The balances of contract liability as of December 31, 2020 and 2021 were RMB8.9 million and RMB25.1 million respectively.

3.14.3 Incentives

The Group offers discounts and promotions to end-users to encourage use of the platform in online EV charging solutions business. The Group records such incentives to end-users as reduction of revenue, to the extent of the revenue collected from the customers, unless the payment is in exchange for a distinct good or service and the payment does not exceed fair value of that good or service. In certain transactions, the incentives offered to the end-users exceed the revenue generated from the same transaction. The excess payment is presented as selling and marketing expense instead of negative revenue, as the payment does not relate to any other contracts (including past contracts or anticipated future contracts) with the customers.

If consideration payable to a customer is a payment for a distinct good or service from the customer, the Group accounts for the purchase of the good or service in the same way that it accounts for other purchases from suppliers. If the Group cannot reasonably estimate the fair value of the good or service received from the customer, the Group will account for all of the consideration payable to the customer as a reduction of the transaction price.

3.15. Cost of revenue

Cost of revenues mainly consists of electricity costs, depreciation of right-of-use assets, payment processing cost, server cloudy costs and others.

3.16. Selling and marketing expenses

Selling and marketing expenses mainly consist of expenses of certain discounts and promotions to end-users, salaries for sales and marketing personnel, and advertising expenses for branding and acquiring end-users for charging services. Advertising costs are expensed when the service is received.

In connection with the online EV charging solutions, the Group offers discounts and promotions to end-users to encourage use of the platform. Accordingly, the Group records the cost of these discounts and promotions as a reduction of revenue on a transaction-by-transaction basis at the time the transaction is completed. In certain transactions, the incentives offered to the end-users exceed the revenue generated from the customers for the same transaction. The excess part is presented as an expense instead of negative revenue, as it does not relate to any other contracts (including past contracts or anticipated future contracts) with the customers.

3.17. Administrative expenses

Administrative expenses mainly consist of salaries and benefits for management and administrative personnel, rental and related expenses, professional fees and other general corporate expenses.

3.18. Research and development expenses

Research and development expenses mainly consist of salaries and benefits as well as related expenses by research and development team. All research and development costs are expensed as incurred, excluding those relating to improvements and maintenance which was recorded as cost of revenue.

3.19. Income tax

Income tax for each year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting year, and any adjustment to tax payable in respect of previous years. Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases.

3.20. Provisions and contingent liabilities

Provisions are recognized for other liabilities of uncertain timing or amount when the Company has a legal or constructive obligation arising as a result of past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of resources will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of resources is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of resources is remote.

3.21. Loss per share

(a) Basic earnings per share

Basic loss per share is calculated by dividing:

- the loss attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares; and
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year/period and excluding treasury shares.

(b) Diluted earnings per share.

Diluted loss per share adjusts the figures used in the determination of basic loss per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3.22. Leases

The Group, as a lessee, leases office buildings and charging stations. Lease contracts are typically made for fixed periods of two years to five years. Lease is recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments). Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. The Group uses the incremental borrowing rate, for the implicit rate cannot be readily determined, which is the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use assets in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use assets is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and office buildings are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

3.23. Finance costs

Finance costs, net mainly consists of finance costs related to operating lease, and interest income from bank deposits.

4. Financial risk management

4.1. Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, liquidity risk and credit risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group.

- (a) Market risk
- (i) Foreign exchange risk

Foreign exchange risk primarily arises from recognised assets and liabilities denominated in a currency other than the functional currency of the Group's subsidiaries. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and tries to minimize non-functional currency transactions.

The Group operates mainly in the PRC with most of the transactions settled in RMB. Management considers that the business is not exposed to significant foreign exchange risk as there are no significant assets or liabilities of the Group are denominated in the currencies other than the respective functional currencies of the Group's entities.

- (b) Liquidity risk

The Group intends to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying business, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate liquid assets such as cash and cash equivalents, or to retain adequate financing arrangements to meet the Group's liquidity requirements.

The Group expects that its existing cash and cash equivalents will be sufficient to fund its operations and meet all of its obligations as they fall due for at least twelve months from the date of issuance of financial statements. The Group raised funding through convertible redeemable preference shares on January 14 and January 26, 2022, with a total cash consideration of US\$87.3 million (RMB556.4 million). See Note 3.2 for details related to going concern basis.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity grouping based on the remaining period at each statement of financial position date to the contractual maturity date. The amounts disclosed in the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

	<u>Less than 1 year</u> RMB'000	<u>Between 1 and 2 years</u> RMB'000	<u>Between 2 and 5 years</u> RMB'000	<u>Total</u> RMB'000	<u>Carrying amount</u> RMB'000
At December 31, 2020					
Trade payables	4,320	—	—	4,320	4,320
Other payables and accruals (excluding Employee benefit payables and taxes payables)	10,132	—	—	10,132	10,132
Lease liabilities	5,005	4,117	11,321	20,443	17,836
	<u>19,457</u>	<u>4,117</u>	<u>11,321</u>	<u>34,895</u>	<u>32,288</u>
At December 31, 2021					
Trade payables	16,872	—	—	16,872	16,872
Other payables and accruals (excluding Employee benefit payables and taxes payables)	35,774	—	—	35,774	35,774
Lease liabilities	8,294	6,205	7,204	21,703	19,633
	<u>60,940</u>	<u>6,205</u>	<u>7,204</u>	<u>74,349</u>	<u>72,279</u>

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(c) Credit risk

Credit risk arises from cash and cash equivalents, trade receivables, prepayments and other receivables. The carrying amount of each class of the above financial asset represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial asset.

Credit risk is managed on group basis. Finance team is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. The Group assesses the credit quality of its customers and other debtors by taking into account various factors including their financial position, past experience and other factors.

Cash and cash equivalents are mainly placed with state-owned financial institutions in the PRC. There has been no recent history of default in relation to these financial institutions.

For accounts receivables, an impairment analysis is performed at each financial position date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the financial position date about past events, current conditions and forecasts of future economic conditions.

4.2. Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long-term.

The Group monitors capital (including share capital, additional paid in capital and other reserves) by regularly reviewing the capital structure. As part of this review, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. In January 2022, the Group raised funding through issuing convertible redeemable preference shares, for a total cash consideration of US\$87.3 million (RMB556.4 million). Given to the improvement on net debt position, it is considered that the capital risk of the Group is not significant.

This section sets out an analysis of net debt and the movements in the debt for each of the period presented.

	Year ended December 31,	
	2020	2021
	(as restated) RMB'000	(as restated) RMB'000
Lease liabilities – repayable within one year	3,935	7,067
Lease liabilities – repayable after one year	13,901	12,566
Lease liabilities	17,836	19,633

	Cash and cash equivalents	Lease liabilities	Total
	(as restated) RMB'000	(as restated) RMB'000	(as restated) RMB'000
Net debt as at January 1, 2020	2,124	(880)	1,244
Cash flows	1,541	—	1,541
Lease liabilities	—	(16,956)	(16,956)
Net debt as at December 31, 2020	3,665	(17,836)	(14,171)
Cash flows	4,824	2,074	6,898
Lease liabilities	—	(3,871)	(3,871)
Net debt as at December 31, 2021	8,489	(19,633)	(11,144)

NOTES TO THE COMBINED FINANCIAL STATEMENTS

4.3. Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as of each statement of financial position date, by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- (1) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- (2) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- (3) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial instruments that are measured at fair value at each statement of financial position date:

	<u>Level 3</u> <u>RMB'000</u>	<u>Total</u> <u>RMB'000</u>
Recurring fair value measurements		
At December 31, 2021		
Financial assets at fair value through profit or loss	5,000	5,000

- (a) Financial instruments in Level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or investor quotes for similar instruments; and
- The discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate; and
- The latest round financing, i.e. the prior transaction price or the third-party pricing information; and
- A combination of observable and unobservable inputs, including risk-free rate, expected volatility, discount rate for lack of marketability, market multiples, etc.

Level 3 instrument of the Group's assets include long-term investments measured at fair value through profit or loss (mainly investments in ordinary shares in unlisted companies with no significant influence) measured at fair value through profit or loss. As the investment is not traded in an active market, its fair value has been determined by using applicable valuation technique, such as market approach.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

Details of movements and significant observable inputs used in the level 3 financial instruments are set out in Note 11.

The following table summarizes the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements.

Description	Fair values as of December 31,		Unobservable inputs	Change of inputs at December 31,		Relationship of unobservable inputs to fair value
	2020	2021		2020	2021	
	RMB'0 00	RMB'000				
Investments in unlisted company	—	5,000	Expected volatility	—	51%	The higher the expected volatility, the lower the fair value
			Discount for lack of marketability (“DLOM”)	—	19%	The higher the DLOM, the lower the fair value

The carrying amounts of the Group’s financial asset not carrying at fair values, including cash and cash equivalents, trade receivables, other receivables and prepayments, and the Group’s financial liabilities not carrying at fair values, including trade payables, other payables and accruals, approximate their fair values due to their short maturities or the interest rates are close to the market interest rates.

5. Critical accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates which will seldom equal the actual results. Management needs to exercise judgement in applying the Group’s accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Revenue recognition

Determining whether the Group is acting as a principal or as an agent when third-party is involved in the provision of certain services to its customers requires judgement and consideration of all relevant facts and circumstances. In evaluation of the Group’s role as a principal or agent, the Group considers factors to determine whether the Group controls the specified goods or service before it is transferred to the customer include, but are not limited to the following: (a) is primarily responsible for fulfilling the contract, (b) is subject to inventory risk, and (c) has discretion in establishing prices. Refer to Note 3.14 for details.

(b) Estimation of useful lives of property, plant and equipment

The Group determines the useful lives of property, plant and equipment on an annual basis. This requires an estimation of the number of years that future economic benefits can be generated by the property, plant and equipment taking into account the expected changes in the market demand for the products or services output from the property, plant and equipment and the expected actions by competitors or potential competitors.

(c) Estimation of recoverability of uncollected input VAT receipts

The Group determines recoverability of uncollected input VAT receipts (which is recorded in other receivables) by considering the historic collection experience of input VAT receipts from the operators and other factors that may affect the operators' capability to issue input VAT receipts. The Group recognizes provision of uncollected input VAT amount as cost of revenue, in cases such as there is indication the operator to terminate cooperation or lose capability to issue input VAT receipts.

(d) Estimation of IFRIC 23 provisions

Where the amount of tax payable or recoverable is uncertain, whether due to the relevant tax authority challenge or due to uncertainty regarding the acceptability of a particular tax treatment under tax law, judgment is required to assess the probability that the uncertain tax treatment will be accepted by the tax authority. In accordance with IFRIC 23, if it is not probable that the uncertain tax treatment will be accepted by the tax authority, the Group shall reflect the effects of uncertainty in determining the related taxable profit. Uncertain tax provisions include any related penalties, if applicable under the tax law.

(e) Deferred tax assets

In determining the recognition of deferred tax assets, the Group considers the realizability of the deferred tax asset on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more or less than expected, a material recognition or reversal of deferred tax assets may arise, which would be recognized in the combined statement of loss for the period in which such a recognition or reversal takes place.

(f) Measurement of ECL

A number of significant judgements are required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Selecting appropriate models and assumptions for the measurement of ECL;
- Establishing the relative probability weightings of forward-looking scenarios.

Significant increase in credit risk

ECL of different financial assets is measured by the Group on either a 12-month or lifetime basis depending on whether they are in Stage 1, 2 or 3. At each financial position date, the ECL of financial instruments at different stages are measured respectively. 12-month ECL is recognised for financial instruments in Stage 1 which don't have a significant increase in credit risk since initial recognition; lifetime ECL is recognised for financial instruments in Stage 2 which have had a significant increase in credit risk since initial recognition but are not deemed to be credit-impaired; and lifetime ECL is recognised for financial instruments in Stage 3 that are credit-impaired. A financial asset moves to Stage 2 when its credit risk has increased significantly since initial recognition, and it comes to Stage 3 when it is credit-impaired (but it is not purchased original credit impaired). In assessing whether the credit risk of a financial asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information with significant judgements involved. There is no movement of financial assets among Stage 1, 2 and 3 for the years ended December 31, 2020 and 2021.

Impairment assessment under ECL for accounts receivable and other receivables.

The Group uses a provision matrix to calculate ECL for the accounts receivable and other receivables. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the financial position date about past events, current conditions and forecasts of future economic conditions.

At every financial position date, the historical observed default rates are reassessed and changes in the forward-looking information is considered. In addition, accounts receivable with significant balances and credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL is disclosed in Note 4.1(c).

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(i) Inputs, assumptions and estimation techniques

ECL is the discounted product of expected future cash flows by using the Probability of Default (“PD”), Loss Given Default (“LGD”) and Exposure at Default (“EAD”), of which PD and LGD are estimates based on significant management judgement.

(ii) Forward-looking information

In measuring ECL in accordance with IFRS 9, it should consider forward-looking information. The calculation of ECL incorporates forward-looking information through the use of publicly available economic data and forecasts based on assumptions and management judgement to reflect the qualitative factors and through the use of multiple probability weighted scenarios.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(e) Determining the lease term

The lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favorable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

6. Cash and cash equivalents

	As of December 31,	
	2020	2021
	(as restated) RMB'000	(as restated) RMB'000
Cash at bank	1,210	3,734
Deposits held at licensed payment platforms	2,455	4,755
Total	3,665	8,489

As at December 31, 2020 and 2021, the Group's cash and cash equivalents were denominated in RMB.

7. Trade receivables

	As of December 31,	
	2020	2021
	(as restated) RMB'000	(as restated) RMB'000
Trade receivables	4,824	40,926
Provision on impairment	—	(2,470)
Total	4,824	38,456

The following is an aged analysis of trade receivables presented based on the invoice date at the end of each reporting period, which approximated the respective revenue recognition dates.

	As of December 31,	
	2020	2021
	(as restated) RMB'000	(as restated) RMB'000
0 – 90 days	4,704	16,472
91 – 180 days	120	16,292
181 – 365 days	—	5,473
1 – 2 years	—	2,689
Total	4,824	40,926

The Group uses a provision matrix to calculate ECL for the accounts receivable that result from transactions within the scope of IFRS 15. The provision rates are based on debtor's aging as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable and available without undue costs and effort. The provision on impairment was RMB2.5 million and nil, respectively, in 2021 and 2020.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

8. Prepayments, other receivables and other assets

The detail information of prepayments, other receivables and other assets for the years ended December 31, 2020 and 2021 is as below:

	As of December 31,	
	2020 (as restated) RMB'000	2021 (as restated) RMB'000
Value-added tax deductible	3,302	32,367
Value-added tax recoverable	23,947	31,964
Prepayments to charging stations	19,906	31,791
Prepayment for rental, facility and utilities	92	5,615
Prepayments for charging piles procurement	1,951	5,106
Prepayments for miscellaneous	617	2,146
Deposits	300	1,462
Receivables from related parties	—	556
Others	1,096	672
Credit loss allowance	(1,352)	(5,846)
Total	49,859	105,833

9. Financial instruments by category

The detail information of financial instruments by category during the years ended December 31, 2020 and 2021 is as below:

	As of December 31,	
	2020 RMB'000	2021 RMB'000
Assets as per statement of financial position		
Financial asset measured at fair value through profit or loss:		
—Financial asset at fair value through profit or loss	—	5,000
Financial asset measured at amortized costs:		
Financial asset		
—Trade receivables	4,824	38,456
—Other receivables, prepayments and deposits (excluding prepayments to suppliers and prepaid expenses)	24,126	29,493
—Cash and cash equivalents	3,665	8,489
Total	32,615	81,438

	As of December 31,	
	2020 (as restated) RMB'000	2021 (as restated) RMB'000
Liabilities as per statement of financial position		
Financial liabilities measured at amortized cost:		
— Trade payables	4,320	16,872
— Other payables and accruals (excluding employee benefit payables and taxes payables)	10,132	35,774
— Lease liabilities	17,836	19,633
Total	32,288	72,279

NOTES TO THE COMBINED FINANCIAL STATEMENTS

10. Leases

The carrying amounts of right-of-use assets are as below:

	Office buildings (as restated) RMB'000	Charging stations (as restated) RMB'000	Total (as restated) RMB'000
Year ended December 31, 2020			
Opening net book amount	3,864	—	3,864
Additions	17,986	—	17,986
Depreciation charge	(3,537)	—	(3,537)
Closing net book amount	18,313	—	18,313
As of December 31, 2020			
Cost	24,351	—	24,351
Accumulated depreciation	(6,038)	—	(6,038)
Net book value	18,313	—	18,313
Year ended December 31, 2021			
Opening net book amount	18,313	—	18,313
Additions	—	7,968	7,968
Depreciation charge	(4,523)	(1,992)	(6,515)
Closing net book amount	13,790	5,976	19,766
As of December 31, 2021			
Cost	24,351	7,968	32,319
Accumulated depreciation	(10,561)	(1,992)	(12,553)
Net book value	13,790	5,976	19,766

Additions to the right-of-use assets for the years ended December 31, 2020 and 2021 were RMB18.0 million, and RMB8.0 million, respectively.

(a) Items recognized in the combined statements of financial position

	As of December 31,	
	2020 (as restated) RMB'000	2021 (as restated) RMB'000
Right-of-use assets		
Office buildings	18,313	13,790
Charging stations	—	5,976
Total	18,313	19,766
Lease liabilities		
Current	3,935	7,067
Non-current	13,901	12,566
Total	17,836	19,633

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(b) Items recognized in the combined statements of loss and other comprehensive loss

The combined statements of loss and other comprehensive loss shows the following amounts relating to leases:

	As of December 31,	
	2020	2021
	(as restated) RMB'000	(as restated) RMB'000
Depreciation charge of right-of-use assets		
Office buildings	3,537	4,523
Charging stations	—	1,992
Interest expense (included in finance costs)	300	1,097
Expense relating to short-term leases not included in lease liabilities (included in cost of revenues, selling and marketing expenses, administrative expenses and research and development expenses)	—	3,837
Total	3,837	11,449

The total cash outflows in financing activities for leases during the years ended December 31, 2020 and 2021 are as below:

	As of December 31,	
	2020	2021
	(as restated) RMB'000	(as restated) RMB'000
Principal elements of lease payments	—	1,881
Related interest paid	—	193
Total	—	2,074

The weighted average incremental borrowing rate applied to the lease liabilities was 6.0% per annum during the years ended December 31, 2020 and 2021.

11. Financial asset at fair value through profit or loss

	As of December 31,	
	2020	2021
	RMB'000	RMB'000
Investment (Note i)	—	5,000

As of December 31, 2021, all of financial investments at fair value through profit or loss was denominated in RMB.

(i) Investment

The Group invested in an investee company in the form of ordinary shares without significant influence, which is managed on fair value. For the major assumptions used in the valuation for the investment, please refer to Note 4.3.

	As of December 31,	
	2020	2021
	RMB'000	RMB'000
At the beginning of the year	—	—
Additions (a)	—	5,000
At the end of the year	—	5,000

- (a) During the year ended December 31, 2021, the Group invested in a company engaging in EV charging hardware and technology industry for RMB5.0 million, and there is no fair value change within the year.

12. Property, plant and equipment

	Electronic equipment (as restated) RMB'000
At January 1, 2021	
Cost	—
Accumulated depreciation	—
Net carrying amount	—
At January 1, 2021, net of accumulated depreciation	
Additions	606
Depreciation provided during the year	(58)
At December 31, 2021, net of accumulated depreciation	548
At December 31, 2021	
Cost	606
Accumulated depreciation	(58)
Net carrying amount	548

13. Other payables and accruals

	As of December 31,	
	2020 (as restated) RMB'000	2021 (as restated) RMB'000
Other taxes payable (Note i)	24,415	58,180
Advances from platform users	8,506	18,401
Employee benefit payables	3,926	11,403
Accrued expenses	1,038	10,508
Income tax payable	1,474	6,791
Contract liabilities (Note ii)	357	5,365
Deferred income (Note iii)	—	1,345
Others	231	155
Total	39,947	112,148

Notes:

- (i) Other taxes payable primarily represent value-added tax ("VAT") and related surcharges, and PRC individual income tax of employees withheld by the Group.
- (ii) Details of contract liabilities are as follows:

	As of December 31,	
	2020 (as restated) RMB'000	2021 (as restated) RMB'000
VIP membership and coupon sales	75	4,961
Customer advances in charging piles sales	201	50
Others	81	354
Total	357	5,365

Contract liabilities include balances of customer advances collected from charging piles sales, VIP membership and coupon sales. The increase of contract liabilities in 2021 was mainly due to the increase of balance of unutilised VIP membership and coupons which are inline with transaction volume through the platform.

- (iii) The deferred income is unconsumed carbon credits with a validity term of 6 months since granted.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

14. Combined capital and additional paid in capital

	Number of ordinary shares	Nominal value of ordinary shares	Combined capital	Additional paid-in capital	Total
		USD			
At January 1, 2020 (note i)	1,000	— *	1	79,604	79,604
Issuance of ordinary shares (note ii)	4,000	— *	3	—	—
Contribution of a shareholder (note iii)	—	—	—	68,382	68,382
At December 31, 2020	5,000	1	3	147,986	147,986
At January 1, 2021	5,000	1	3	147,986	147,986
Contribution of a shareholder (note iii)	—	—	—	275,343	275,343
At December 31, 2021	5,000	1	3	423,329	423,329

All issued shares are fully paid as at December 31, 2020 and 2021.

* Representing amount less than US\$1.00.

** Representing amount less than RMB1,000.

Notes:

On January 13, 2022, pursuant to shareholders' resolution, each existing issued and unissued share of US\$0.001 each in the share capital of the Company were subdivided into 10 shares of US\$0.0001 each ("Share Subdivision").

- (i) In July 2019, 100 ordinary shares (1,000 ordinary shares in reflection of Share Subdivision) of the Company were allotted and issued to shareholders.
- (ii) On November 19, 2020, 400 ordinary shares (4,000 ordinary shares in reflection of Share Subdivision) of the Company were allotted and issued to Newlink Technology Limited.
- (iii) A shareholder offered financial support during years ended December 31, 2020 and 2021.

The Company's affairs are governed by its amended and restated memorandum and articles of association and the Companies Law of the Cayman Islands.

Issue of Shares

Issue. Subject to the provisions, if any, of the amended and restated memorandum and articles of association and directions given by any ordinary resolution and the rights attaching to any class of existing shares, the directors may issue, allot, grant options over or otherwise dispose of shares (including any fractions of shares) and other securities at such times, to such persons, for such consideration and on such terms as the directors may determine.

Preferred Shares. Shares and other securities of the Company may be issued by the directors with such preferred, deferred or other special rights, restrictions or privileges whether in regard to voting, distributions, a return of capital, or otherwise and in such classes and series, if any, as the directors may determine.

Ordinary Shares. Where the directors issue a share having no preferred, deferred, redemption or other special rights, it shall be issued as an ordinary share and entitle the holder, subject to any other share having any preferred, deferred, redemption or other special rights, to:

- (a) receive notice of, attend and vote at any general meeting of the Company and on any ordinary resolution or special resolution;
- (b) an equal share in any dividend or other distribution paid by the Company; and

(c) an equal share in the distribution of the surplus assets of the Company.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

15. Revenues

	Year ended December 31,	
	2020	2021
	(as restated) RMB'000	(as restated) RMB'000
Net Revenues from Online EV Charging Solutions	5,455	17,985
Net Revenues from Offline EV Charging Solutions	565	15,102
Net Revenues from Non-Charging Solutions and Other Services	143	366
Net Revenues	6,163	33,453

16. Other gains, net

	Year ended December 31,	
	2020	2021
	(as restated) RMB'000	(as restated) RMB'000
Non-operating income	319	138
Non-operating expenses	0	0
Total	319	138

17. Operating costs by nature

	Year ended December 31,	
	2020	2021
	(as restated) RMB'000	(as restated) RMB'000
Incentives through network	23,338	105,939
Employee benefit expenses	40,402	112,102
Promotion and advertising	5,132	16,675
Offline service costs	—	7,965
Traveling, entertainment and general office expenses	3,106	7,640
Auditor's remuneration	—	7,066
Depreciation of right-of-use assets	3,537	6,515
Bandwidth expenses and server custody costs	2,760	4,331
Rental, facility and utilities	669	4,277
Payment processing cost	1,695	3,893
Online service costs	6	1,250
Others	1,960	9,985
Total operating costs	82,605	287,638

18. Finance costs

	Year ended December 31,	
	2020	2021
	(as restated) RMB'000	(as restated) RMB'000
Interest expense from lease liabilities	(300)	(1,097)
Finance costs	(300)	(1,097)

19. Taxation

(a) Income tax expenses

Income tax expense is recognized based on management's best knowledge of the income tax rates expected for the financial year.

(i) Cayman Islands

The Company is incorporated as an exempted company with limited liability under the Companies Act of the Cayman Islands and is not subject to tax on income or capital gains. Additionally, the Cayman Islands do not impose a withholding tax on payments of dividends to shareholders. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

(ii) Hong Kong Income Tax

Entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% for taxable income earned in Hong Kong before April 1, 2018. Starting from the financial year commencing on April 1, 2018, the two-tiered profits tax regime took effect, under which the tax rate is 8.25% for assessable profits on the first HK\$2 million and 16.5% for any assessable profits in excess of HK\$2 million. No provision for Hong Kong profits tax was made as we had no estimated assessable profit that was subject to Hong Kong profits tax during the years ended December 31, 2020 and 2021.

(iii) PRC Enterprise Income Tax ("EIT")

The income tax provision of the Group in respect of its operations in PRC was subject to statutory tax rate of 25% on the assessable profits for the years ended December 31, 2020 and 2021 based on the existing legislation, interpretation and practices in respect thereof.

(iv) Withholding tax in mainland China ("WHT")

According to the New Corporate Income Tax Law ("New EIT Law"), beginning January 1, 2008, distribution of profits earned by companies in mainland China since January 1, 2008 to foreign investors is subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investor, upon the distribution of profits to overseas-incorporated immediate holding companies.

The Group does not have any plan in the foreseeable future to require its subsidiaries in mainland China to distribute their retained earnings and intends to retain them to operate and expand its business in mainland China. Accordingly, no deferred income tax liability related to WHT on undistributed earnings was accrued as of the end of each reporting period.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

The income tax expenses of the Group during the years ended December 31, 2020 and 2021 are analysed as follows:

	Year ended December 31,	
	2020	2021
	(as restated)	(as restated)
	RMB'000	RMB'000
Current income tax	1,474	5,318
Deferred income tax	—	—
Total income tax expense	1,474	5,318

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the statutory tax rate of 25% in mainland China, being the tax rate applicable to the majority of combined entities as follows:

	Year ended December 31,	
	2020	2021
	(as restated)	(as restated)
	RMB'000	RMB'000
Loss before income tax	(76,423)	(255,144)
Tax calculated at statutory income tax rate of 25% in mainland China	(19,106)	(63,786)
Tax effects of:		
— Expenses not deductible for income tax purposes	469	1,069
— Tax losses for which no deferred tax assets were recognized	20,111	68,035
— Utilization of previously unrecognized tax losses	—	—
	1,474	5,318

(b) Deferred income tax

The Group only recognizes deferred income tax assets for credit loss allowances on financial asset if it is probable that future taxable amounts will be available to utilize those credit loss allowances. Management will continue to assess the recognition of deferred income tax assets in future reporting periods. As at December 31, 2020 and 2021, the Group did not recognize deferred income tax assets from tax losses. The key factors which have influenced management in arriving at this evaluation are the fact that the Group has not yet a history of making profits and product development remains at an early stage.

The tax losses carried forward by the Group and their respective expiry dates are as follows:

	As of December 31,	
	2020	2021
	(as restated)	(as restated)
	RMB'000	RMB'000
2023	34	34
2024	26,561	26,561
2025	70,757	67,172
2026	—	110,045
Total unrecorded tax losses carry forwards	97,352	203,812

As of December 31, 2021, the unrecorded tax losses carried forward increased to RMB203.8 million (2020: RMB97.4 million).

20. Loss per share

(a) Basic loss per share

Basic loss per share for the years ended December 31, 2020 and 2021 are calculated by dividing the loss attributable to the Company's equity holders by the weighted average number of ordinary shares in issue during the year.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

In reflection of the Share Subdivision mentioned in Note 14, the weighted average number of ordinary shares for the purpose of basic and diluted earnings per share for the years ended December 31, 2020 and 2021 has been retrospectively adjusted.

	Year ended December 31,	
	2020	2021
	(as restated)	(as restated)
Net loss attributable to equity holders of the Company (RMB'000)	77,897	260,462
Weighted average number of ordinary shares in issue	1,470	141,973
Basic loss per share (RMB per share)	52,991	1,835

(b) Diluted loss per share

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As of December 31, 2021, there are no diluted shares or potential diluted shares.

21. Cash flow information

(a) Cash used in operation

	Year ended December 31,	
	2020	2021
	(as restated)	(as restated)
	RMB'000	RMB'000
Net Loss before income tax	(76,423)	(255,144)
Adjustments for:		
Depreciation of property, plant and equipment (Note 12)	—	58
Depreciation of right-of-use assets (Note 10)	3,537	6,515
Credit loss allowances on financial asset	135	3,205
Non-cash employee benefits expense—share based payments	—	10,788
Interest expense (Note 18)	300	1,097
Increase in trade receivables	(4,824)	(33,632)
Increase in prepayments, other receivables and other assets	(14,449)	(59,178)
Increase in trade and other payables	34,508	101,097
Increase in contract liabilities	276	6,080
Cash used in operations	(56,940)	(219,114)

22. Commitments

(a) Operating lease commitments

Operating lease commitments-as lessee

The future aggregate minimum lease payments under operating leases exempted to be recognized as lease liabilities are as follows:

	Year ended December 31,	
	2020	2021
	RMB'000	RMB'000
Within one year	—	5,645
Total	—	5,645

NOTES TO THE COMBINED FINANCIAL STATEMENTS

23. Contingencies

There was no significant contingencies as at December 31, 2020 and 2021.

24. Related party transactions

Related parties include members of Board of Directors of the Company and the executive management of the Group. The following transactions were carried out with related parties:

(a) Contribution from shareholder

Immediately prior to and after the Reorganization, the Listing Business was carried out by Newlink and its consolidated entities. Newlink and its consolidated entities provided financial support for the Listing Business. Pursuant to the Reorganization, NaaS is regarded as continuing operator of the Listing Business. The financial support in historical periods due to Newlink and its consolidated entities was waived as contribution from shareholder. The amount during the years ended December 31, 2020 and 2021 was RMB68.7 million and RMB264.6 million, respectively.

Besides, Newlink charged the Group for services performed by the middle and back office of Newlink. Before the accomplishment of the Restructuring, Newlink charged the Group for free.

(b) Options from shareholder

EV charging service business was historically part of Newlink's businesses and were conducted by Newlink and its consolidated entities at the time. Prior to the completion of the Restructuring, Newlink granted options to certain of its employees associated with the EV Charging Business, which employees were subsequently transferred to the Group as part of the Restructuring. The allocation of share-based compensation in 2021 was approximately RMB10.7 million and credited to additional paid in capital accordingly.

(c) Key management personal compensation

The following table sets forth information regarding our directors and executive officers for the years ended December 31, 2020 and 2021.

	Year ended December 31,	
	2020	2021
	RMB'000	RMB'000
Short-term employee benefits	1,056	2,692
	1,056	2,692

25. Event occurring after the reporting period**(a) Option arrangement**

On January 13, 2022, the 2022 Share Incentive Plan (“Dada Auto Incentive Plan”) was approved by board of directors of the Company. According to the Plan, 6,818,182 ordinary shares of the Company are reserved to be issued to officers, directors, employees of the Company or other qualified personnel.

(b) Raise funding through convertible redeemable preference shares

On January 14 and January 26, 2022, the Company entered into share subscription agreements with 6 shareholders (“Purchasers”), according to which the Company issued 9,923,135 Series A convertible redeemable preference shares (“preferred shares”) with an issuance price of US\$8.8 per share, for a total cash consideration of US\$87.3 million (RMB556.4 million). The issuance costs for Series A preferred shares were RMB8.6 million. These Purchasers are entitled to redemption rights, conversion rights and liquidation preferential rights and other shareholder rights. The preferred shares shall be redeemable upon events including, but not limited to, that the Company has not achieved a qualified IPO on or before September 30, 2022.

(c) Merger Transaction

On June 10, 2022, the Company and RISE Education Cayman Ltd (“RISE”) completed the merger and other related transactions (the “Merger Transactions”), as a result of which the Company became a wholly-owned subsidiary of RISE and RISE assumed and began conducting the principal business of the Company. The name of RISE was changed from “RISE Education Cayman Ltd” to “NaaS Technology Inc.” and its ticker was changed from “REDU” to “NAAS.” Pursuant to the Merger Agreement, RISE shall adopt and assume the Dada Auto Incentive Plan on June 10, 2022.

(d) Data Striping

In early 2022, the Group entered into a series of transactions to restructure its organization and its EV charging service business. As part of the restructuring, the ownership of mobile application and mini-program (the “Platforms”) which connect EV drivers with charging stations and charging piles, as well as the rights to access and use certain data generated by or in the possession of the Platforms, have been transferred to a third party service provider.

Accounting for the Reverse Acquisition

The following unaudited pro forma condensed combined financial information was prepared under IFRS, and gives effect to the transaction between Rise Education Cayman Ltd (the “Company”) and Dada Auto (“NaaS”) to be accounted for as a reverse acquisition, with NaaS being deemed the acquiring company for accounting purpose. The Company does not operate any business upon the transaction, therefore the transaction is not qualified as a business combination under IFRS 3 Business Combination. In applying the reverse acquisition under IFRS 3 by analogy, NaaS is deemed to have issued shares to obtain control of the Company.

NaaS was determined to be the accounting acquirer based upon the terms of the Merger Agreement (as defined below) and other factors including:

- (i) Shareholders of NaaS are expected to own approximately 93% of the fully-diluted ordinary shares of the combined company immediately following the closing of the transaction contemplated by the Merger Agreement (the “Transaction”);
- (ii) the largest individual shareholder of the combined entity is an existing shareholder of NaaS;
- (iii) directors appointed by NaaS will hold a majority of board seats of the combined company; and
- (iv) NaaS’ senior management will be the senior management of the combined company following consummation of the Mergers (as defined below).

The Transaction is not qualified as a business combination on the basis of the guidance in paragraph B7 of IFRS 3. Hence, the Transaction is a share-based payment transaction which should be accounted for in accordance with IFRS 2 Share-based Payment. On the basis of the guidance in paragraph 13A of IFRS 2, any difference in the fair value of the shares deemed to have been issued by NaaS and the fair value of the Company’s identifiable net assets represents a service received by the accounting acquirer.

The following unaudited pro forma condensed combined financial statements are based on NaaS’ historical financial statements and the Company’s historical financial statements, as adjusted to give effect to NaaS’ acquisition of the Company and certain related transactions. The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2021 gives effect to these transactions as if they had occurred on January 1, 2021. The unaudited pro forma condensed combined statement of financial position as of December 31, 2021 gives effect to these transactions as if they had occurred on December 31, 2021.

The unaudited pro forma condensed combined financial information is preliminary and has been prepared for illustrative purposes only and is not necessarily indicative of the financial position or results of operations in future periods or the results that actually would have been realized had NaaS and the Company been a combined company during the specified periods. The unaudited pro forma condensed combined financial statements also may not be useful in predicting or otherwise be indicative of the future financial condition and results of operations of the combined company. The actual results reported in periods following the transaction may differ significantly from those reflected in the pro forma financial information presented herein for a number of reasons, including, but not limited to, differences between the assumptions used to prepare this pro forma financial information and actual results realized.

The assumptions and estimates underlying the unaudited adjustments to the pro forma condensed combined financial statements are described in the accompanying notes, which should be read together with the pro forma condensed combined financial statements. The unaudited pro forma condensed combined financial statements should also be read together with the audited financial statements and related notes of the Company as filed by the Company on May 13, 2022, as well as the audited combined financial statements of NaaS as filed by the Company on May 31, 2022.

Unless otherwise stated, all translations from Renminbi to U.S. dollars are made at a rate of RMB6.3726 to US\$1.00, which was the certified noon buying rate in effect as of December 30, 2021, as set forth in the H.10 statistical release of The Board of Governors of the Federal Reserve System. The certified noon buying rate in effect as of May 27, 2022 was RMB6.6980 to US\$1.00.

Pro Forma Condensed Combined Statement of Financial Position
As of December 31, 2021

	Company	NaaS	Pro Forma	Note 2	Pro
	RMB'000	(as restated) RMB'000	Adjustments (as restated) RMB'000		Forma Combined (as restated) RMB'000
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	16,027	8,489	556,356	(a)	580,872
Trade receivables	—	38,456	—		38,456
Prepayments, other receivables and other assets	14,451	105,833	—		120,284
Amounts due from related parties	177	—	—		177
Total current assets	30,655	152,778	556,356		739,789
Non-current assets					
Right-of-use assets	—	19,766	—		19,766
Financial asset at fair value through profit or loss	—	5,000	—		5,000
Property, plant and equipment	—	548	—		548
Deferred tax assets	—	0	—		0
long-term receivables	—	0	—		0
Total non-current assets	—	25,314	—		25,314
Total assets	30,655	178,092	556,356		765,103
LIABILITIES AND EQUITY					
Current liabilities					
Current lease liabilities	—	7,067	—		7,067
Trade payables	—	16,872	—		16,872
Other payables and accruals	8,625	112,148	8,624	(a)	129,397
Total current liabilities	8,625	136,087	8,624		153,336
Non-current liabilities					
Non-current lease liabilities	—	12,566	—		12,566
Other non-current liabilities	2,838	—	—		2,838
Convertible loan from related parties	108,334	—	(108,334)	(b)	—
Total non-current liabilities	111,172	12,566	(108,334)		15,404
Total liabilities	119,797	148,653	(99,710)		168,740
EQUITY					
Ordinary shares	—	— *	136,475	(c)	136,475
	6,964	—	(6,964)	(d)	—
Additional paid in capital	274,036	423,329	547,732	(a)	1,245,097
	—	—	108,334	(b)	108,334
	—	—	(136,475)	(c)	(136,475)
	—	—	(363,178)	(d)	(363,178)
	—	—	262,699	(e)	262,699
Accumulated losses	(403,149)	(393,890)	403,149	(d)	(393,890)
	—	—	(262,699)	(e)	(262,699)
Accumulated other comprehensive income	33,007	—	(33,007)	(d)	—
Total equity	(89,142)	29,439	656,066		596,363
Total equity and liabilities	30,655	178,092	556,356		765,103

* Representing amount less than RMB1,000.

**Pro Forma Condensed Combined Statement of Loss and Comprehensive Loss
Year Ended December 31, 2021**

	Company	NaaS	Pro Forma Adjustments	Note 2	Pro Forma Combined
	RMB'000	(as restated) RMB'000	(as restated) RMB'000		(as restated) RMB'000
Net Revenues from Online EV Charging Solutions	—	17,985	—		17,985
Net Revenues from Offline EV Charging Solutions	—	15,102	—		15,102
Net Revenues from Non-Charging Solutions and Other Services	—	366	—		366
Net Revenues	—	33,453	—		33,453
Other gains, net	—	138	—		138
Operating costs					
Cost of revenues	—	(29,587)	—		(29,587)
Selling and marketing expenses	—	(193,340)	—		(193,340)
Administrative expenses	(30,003)	(34,458)	—		(64,461)
Research and development expenses	—	(30,253)	—		(30,253)
Total operating costs	(30,003)	(287,638)	—		(317,641)
Operating loss	(30,003)	(254,047)	—		(284,050)
Finance costs	2	(1,097)	—		(1,095)
Gain on troubled debt restructuring	279,097	—	—		279,097
Equity-settled listing cost	—	—	(262,699)	(e)	(262,699)
Net loss before income tax	249,096	(255,144)	(262,699)		(268,747)
Income tax expenses	—	(5,318)	—		(5,318)
Net income/(loss) from continuing operations	249,096	(260,462)	(262,699)		(274,065)
Net loss from discontinued operations, net of tax	(507,280)	—	—		(507,280)
Net loss	(258,184)	(260,462)	(262,699)		(781,345)
Net loss attributable to parent company	(248,487)	(260,462)	(262,699)		(781,345)
Net loss attributable to non-controlling interests	(9,697)	—	—		—

Notes to the Unaudited Pro Forma Condensed Combined Financial Information

Note 1—Description of Transaction and Basis of Presentation

Description of the Mergers

Pursuant to the agreement and plan of merger, dated as of February 8, 2022 (the “Merger Agreement”) by and among the Company, Dada Merger Sub Limited, an exempted company incorporated with limited liability under the laws of the Cayman Islands and wholly-owned subsidiary of the Company (“Merger Sub”), Dada Merger Sub II Limited, an exempted company incorporated with limited liability under the laws of the Cayman Islands and wholly owned subsidiary of the Company (“Merger Sub II”) and NaaS, Merger Sub will merge (the “Merger”) with and into NaaS, with NaaS surviving as the surviving entity (the “Surviving Entity”), followed by the merger (the “Second Merger,” collectively with the Merger, the “Mergers”) of the Surviving Entity with and into Merger Sub II, with Merger Sub II surviving as a wholly-owned subsidiary of the Company (the “Surviving Company”). As a result of the Mergers, all of the issued and outstanding shares of NaaS immediately prior to the Merger will be cancelled in exchange for the right to receive newly issued shares of the Company.

Following the consummation and as a result of the Mergers, NaaS’ business will be wholly owned by the Company. Shareholders of NaaS are expected to own approximately 93% of the fully-diluted ordinary shares of the combined company immediately following the closing of the Transaction.

For more information about the Mergers, please refer to the report on Form 6-K furnished to the SEC on April 4, 2022, including the proxy statement exhibited thereto.

Basis of Presentation

The historical financial information has been adjusted to give pro forma effect to transaction accounting adjustments required under IFRS. The adjustments presented on the unaudited pro forma combined financial information have been identified and presented to provide an understanding of the combined company upon consummation of the reverse acquisition.

The unaudited pro forma condensed combined financial information does not give effect to the potential impact of current financial conditions, regulatory matters, operating efficiencies or other savings or expenses that may be associated with the integration of the two companies.

Note 2—Pro forma adjustments

- (a) Reflects an adjustment for the pro forma effect of fund raising by NaaS through the issuance of convertible redeemable preference shares, as if it had occurred on December 31, 2021. NaaS entered into share subscription agreements on January 14 and January 26, 2022, according to which NaaS issued 9,923,135 Series A convertible redeemable preference shares with an issuance price of US\$8.8 per share, for a total cash consideration of US\$87.3 million (RMB556.4 million). The issuance costs for Series A preferred shares were RMB8.6 million, which is reflected in other payables and accruals.
- (b) Reflects an adjustment for conversion of the convertible note previously issued by the Company to Bain Capital Rise Education IV Cayman Limited in the principal amount of \$17 million at the conversion price that equals \$0.70 per American Depositary Share, each representing two ordinary shares of the Company, par value \$0.01 per share.
- (c) The unaudited pro forma condensed combined financial statements assume there will be (i) 494,048,037 Class A ordinary shares outstanding par value \$0.01 per share, of which 167,071,258 shares will be owned by shareholders of the Company as consideration for the Merger, (ii) 248,888,073 Class B ordinary shares outstanding par value \$0.01 per share, and (iii) 1,398,659,699 Class C ordinary shares outstanding par value \$0.01 per share, upon completion of the Mergers and conversion of the Series A preferred shares.
- (d) Represents the elimination of the historical equity of the Company.
- (e) Reflects an adjustment for deemed consideration in respect of the reverse acquisition. The fair value of the deemed consideration for the transaction is RMB281.9 million, and the fair value of the net assets acquired is RMB19.2 million (considered conversion of the convertible note in adjustment(b)), the difference of them is RMB262.7 million, which was recognized as expenses in the statement of operations in the year ended December 31, 2021, representing the cost of the listing under IFRS 2.



立信会计师事务所(特殊普通合伙)
BDO CHINA SHU LUN PAN CERTIFIED PUBLIC ACCOUNTANTS LLP

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Forms S-8 (No. 333-222775, 333-248729, and 333-267654) of RISE Education Cayman Ltd and its subsidiaries of our report dated May 13, 2022, relating to the consolidated financial statements of RISE Education Cayman Ltd and its subsidiaries, which appears in the Annual Report on Form 20-F for the year ended December 31, 2021.

/s/BDO China Shu Lun Pan Certified Public Accountants LLP

BDO China Shu Lun Pan Certified Public Accountants LLP

Beijing, the People's Republic of China

April 18, 2023



中正達會計師事務所
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INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-267654) and the use in this amendment to Shell Company Report on Form 20-F and any subsequent amendments thereto of NaaS Technology Inc. of our report dated May 30, 2022 and March 27, 2023 relating to the combined financial statements and schedules of Dada Auto as of December 31, 2021 and 2020, and for the years ended December 31, 2021 and 2020.

/s/ Centurion ZD CPA & Co.

Centurion ZD CPA & Co.
Certified Public Accountants
Hong Kong, April 18, 2023
