



IN THE GRAND COURT OF THE CAYMAN ISLANDS

FINANCIAL SERVICES DIVISION

FSD CAUSE NO: 190 OF 2021 (DDJ)

IN THE MATTER OF THE COMPANIES ACT (2021 REVISION)

AND IN THE MATTER OF HQP CORPORATION LIMITED

AMENDED WINDING-UP PETITION

To the Grand Court

THE HUMBLE PETITION of:

- I. JenCap Helmet ("**JenCap**"), of PO Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands; and
- II. DCM Ventures China Fund (DCM VIII), L. P., DCM VIII, L. P. and DCM Affiliates Fund VIII, L.P., each of 2420 Sand Hill Road, Suite 200, Menlo Park, CA 94025 USA, (collectively, "**DCM**")

(together, the "**Petitioners**"), shows that:

THIS **AMENDED** WINDING-UP PETITION is filed by Campbells LLP, Attorneys-at-Law for and on behalf of the Petitioners, whose address for service is Floor 4, Willow House, Cricket Square, PO Box 866, George Town, Grand Cayman KY1-1103 (GCX/HS/19833-35461)

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A. INTRODUCTION

1. The Petitioners present this Petition for the winding up of HQP Corporation Limited (the “Company” or “HQP”) pursuant to Section 92(e) of the Companies Act (2021 Revision) (the “Act”), on the grounds that, for all the reasons which are particularised below, it is just and equitable that the Company be wound up. Further, or in the alternative, the Petitioners seek a winding-up order against the Company pursuant to Section 92(d) of the Act, on the basis that the Company is unable to pay its debts. The Petitioners are contingent or prospective creditors of the Company¹.

B. FACTUAL BACKGROUND**I. The Parties****The Company**

1. The Company was incorporated under the laws of the Cayman Islands on 21 December 2017 as an exempted company with limited liability and registration number 330773 pursuant to the Companies Act (as amended).
2. The registered office of the Company is at Vistra (Cayman) Limited, P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands.
3. The Company is the principal entity of a group of companies founded in Shanghai, Mainland China by Alex Chen Xi, the former CEO and a former director of the Company (“Alex Chen” or the “Former CEO”). The business of the Group Companies (as defined in paragraph 4 below) comprises a business-to-business (“B2B”) automobile parts trading platform, which is operated via the online platform and mobile application “好汽配” (“Haoqipei”) (the “Business” or “Haoqipei”). The platform provides market price comparisons in respect of vehicle parts and components, and facilitates transactions between vehicle repair shops and auto part suppliers, allowing payments to be made online. The Business is operated and has a presence in multiple cities in Mainland China.
4. At all material times:

¹ DCM is also a contributory of the Company, holding 15,094,798 Series B Preferred shares, in respect of which no redemption requests have been submitted. However, DCM presents this petition solely in its capacity as a contingent or prospective creditor.

² THIS AMENDED WINDING-UP PETITION is filed by Campbells LLP, Attorneys-at-Law for and on behalf of the Petitioners, whose address for service is Floor 4, Willow House, Cricket Square, PO Box 866, George Town, Grand Cayman KY1-1103 (GCX/HS/19833-35461)

- 4.1 Alex Chen has owned 100% of Parts Base Inc. ("**Founder Holdco**"), a limited liability company incorporated in the British Virgin Islands, which in turn owned certain shares in the Company. Founder Holdco's shareholding in the Company decreased with each round of financing conducted by the Company (see paragraph 5 below);
- 4.2 the Company has been the sole legal and beneficial owner of HQP Technology Limited (the "**HKCo**"), a limited liability company incorporated in Hong Kong, which in turn is the sole legal and beneficial owner of Qihe (Shanghai) Business Consulting Co., Ltd. (奇和(上海)商务咨询有限公司) (the "**WFOE**"), a wholly foreign owned enterprise incorporated in Mainland China. The Company was formed to hold and manage securities in the HKCo, and the HKCo was formed to hold and manage securities in the WFOE;
- 4.3 WFOE has controlled Shanghai Xiangling Business Consulting Co., Ltd (上海翔翎商务咨询有限公司) ("**DomCo**"), a limited liability company incorporated in Mainland China, through a set of control documents. Whilst DomCo is wholly legally owned by Alex Chen, the WFOE exercises full control and enjoys full economic interest of the DomCo, as if it were the 100% recorded and beneficial owner of the DomCo, through a set of control documents; and
- 4.4 the Business has been operated by DomCo and the WFOE

(the Company, the HKCo, the WFOE, the DomCo and any other direct or indirect subsidiary of the Company are collectively referred to as the "**Group Companies**", and each, a "**Group Company**").
5. Since its incorporation, the Company has conducted several rounds of private equity funding through the issuance of preferred shares ("**Preferred Shares**") to investors (including the Petitioners), in order to raise capital for the Business. These shares consist of:
 - 5.1. Series Seed Preferred Shares, completed with the relevant transaction documents executed on 28 December 2017, with subsequent amendments on 20 June 2018 ("**Series Seed**");

- 5.2. Series A Preferred Shares, consisting of Series A-1 Preferred Shares and Series A-2 Preferred Shares, with the relevant transaction documents executed on 28 December 2017, with subsequent amendments on 20 June 2018 ("**Series A**");
 - 5.3. Series A+ Preferred Shares, with the relevant transaction documents executed on 8 August 2018 ("**Series A+**");
 - 5.4. Series B Preferred Shares, with the relevant share purchase agreement executed on 28 September 2018 and completed on 30 September 2018 ("**Series B**");
 - 5.5. Series C Preferred Shares, consisting of Series C-1 Preferred Shares and Series C-2 Preferred Shares, with the relevant share purchase agreement executed on 30 November 2018 and completed on 6 December 2018 ("**Series C**"); and
 - 5.6. Series D Preferred Shares, with the relevant share purchase agreement executed on 11 June 2019 and completed on 14 June 2019 ("**Series D**").
6. Each of the Preferred Shares were redeemable convertible preferred shares of a par value of US\$0.0001 per share in the authorised share capital of the Company, which were convertible into ordinary shares of the Company at the ratio of one to one.
 7. The current directors of the board of the Company (the "**Board**") and their respective dates of appointment are as follows:
 - 7.1. Mr Wei Li, nominated by Shunwei Ventures III Limited ("**Shunwei**") and appointed on 20 June 2018;
 - 7.2. Mr Reggie Han Zhang, nominated by Redpoint Ventures IV, L.P. ("**Redpoint Ventures**") and Redpoint Associates IV, L.L.C. ("**Redpoint Associates**") and appointed on 20 June 2018;
 - 7.3. Mr Boyu Hu ("**Boyu Hu**"), nominated by X Capital Fund LP ("**XVC**") and appointed on 20 June 2018;
 - 7.4. Mr Yaning Gao, nominated by SIG Global China Fund I, LLLP ("**SIG**") and appointed on 8 August 2018;

- 7.5. Mr Hurst Frank Lin ("**Hurst Lin**"), nominated by DCM and appointed on 30 September 2018;
 - 7.6. Mr Ziquan Zhang ("**Ziquan Zhang**" or "**Tony Zhang**"), nominated by JenCap and appointed on 6 December 2018;
 - 7.7. Mr Pueo Keffer ("**Pueo Keffer**"), nominated by Access Industries Holdings LLC ("**Access**") and appointed on 21 January 2021; and
 - 7.8. Mr Nan Bai ("**Nan Bai**"), appointed as a director and interim CEO on 22 February 2021 to fill the vacancy on the board of directors of the Company arising from Alex Chen's resignation on the same day (see paragraph 9 below).
8. All of the current members of the Board as set out above, with the exception of Nan Bai, were nominated by external investors to the Company (including the Petitioners) and appointed to the Board (collectively referred to as the "**Investor Directors**", and each an "**Investor Director**").
 9. Alex Chen was the CEO and the founder of the Company. He was appointed as a director of the Company from 21 December 2017 until 22 February 2021, and to the best of the Petitioners' knowledge, he was CEO of the Company during the same period. Alex Chen resigned from his positions with immediate effect on 22 February 2021 (see Section E III below.)

The Petitioners

10. As set out below, the Petitioners are shareholders in the Company and, having submitted redemption requests in respect of some/all of their shares, are also contingent or prospective creditors.

JenCap and Jeneration Capital

11. JenCap is an exempted company incorporated in the Cayman Islands on 16 October 2018.
12. JenCap is a subsidiary of Jeneration Capital Partners II L.P., an exempted liability partnership organised under the laws of the Cayman Islands on 11 September 2018 and a private fund registered with the Cayman Islands Monetary Authority (JenCap, together with its affiliates, "**Jeneration Capital**").

13. JenCap is the largest Series C preferred shareholder (by investment amount), and is also a Series D preferred shareholder in the Company. As at the date of this Petition, JenCap holds 12,835,713 Series C-2 Preferred Shares in the Company (representing 8.2384% of the entire issued share capital of the Company) and 1,334,761 Series D Preferred Shares in the Company (representing 0.8567% of the entire issued share capital of the Company).

DCM

14. DCM Ventures China Fund (DCM VIII), L. P., DCM VIII, L. P. and DCM Affiliates Fund VIII, L.P. were each incorporated as an exempted limited partnership and were registered in the Cayman Islands on 10 July 2013, 8 December 2015 and 9 March 2016, respectively.
15. DCM Ventures China Fund (DCM VIII), L. P., DCM VIII, L. P. and DCM Affiliates Fund VIII, L.P. share the same general partner and belong to a larger group known as DCM or DCM Ventures. DCM is an early-stage venture capital firm which invests in technology companies across the U.S.A and Asia. It has offices in Silicon Valley, Beijing and Tokyo. Its investments focus on mobile, consumer internet, software and technology companies.
16. DCM is the largest Series B preferred shareholder (by investment amount), and is also a Series C and Series D preferred shareholder in the Company. As at the date of this Petition, DCM holds, in aggregate, 15,094,798 Series B Preferred Shares (representing 9.6884% of the entire issued share capital of the Company), 8,073,668 Series C (including Series C-1 and Series C-2) Preferred Shares (representing 5.1819% of the entire issued share capital of the Company), and 266,952 Series D Preferred Shares (representing 0.1713% of the entire issued share capital of the Company).

Other Shareholders of the Company

17. The other shareholders of the Company are listed in the following tables, showing their respective total investment amounts and shareholdings upon completion of the Series D round:
- 17.1. Shareholding in the Company based on the total number of issued shares of the Company (excluding shares that are reserved for the employee share option plan which have not yet been issued) on completion of the Series D round:

Shareholder	Share#	Share%
Ordinary Share		
Founder HoldCo	38,000,000	24.3898%

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Series Seed Preferred Share		
Redpoint Ventures *	5,850,000	3.7547%
Redpoint Associates *	150,000	0.0963%
Shunwei	6,000,000	3.8510%
Series A-1 Preferred Share		
Redpoint Ventures*	4,875,006	3.1290%
Redpoint Associates*	125,000	0.0802%
Shunwei	5,000,006	3.2092%
Series A-2 Preferred Share		
XVC	20,000,004	12.8367%
Series A+ Preferred Share		
SIG	11,396,014	7.3144%
Series B Preferred Share		
DCM Ventures China Fund (DCM VIII), L.P.	13,631,357	8.7491%
DCM VIII, L.P.	1,127,582	0.7237%
DCM Affiliates Fund VIII, L.P.	335,859	0.2156%
Gemini Investments, L.P. ("Gemini")	3,773,700	2.4221%
SIG	608,620	0.3906%
Redpoint Ventures*	572,784	0.3676%
Redpoint Associates*	14,687	0.0094%
XVC	1,068,129	0.6856%
Series C-1 Preferred Share		
DCM Ventures China Fund (DCM VIII), L.P.	4,252,497	2.7294%
DCM VIII, L.P.	351,765	0.2258%
DCM Affiliates Fund VIII, L.P.	104,776	0.0672%
Series C-2 Preferred Share		
JenCap	12,835,713	8.2384%
Gemini	2,567,143	1.6477%
XVC	2,053,714	1.3181%
Access	2,053,714	1.3181%
SIG	1,026,857	0.6591%
DCM Ventures China Fund (DCM VIII), L.P.	3,038,429	1.9502%
DCM VIII, L.P.	251,338	0.1613%
DCM Affiliates Fund VIII, L.P.	74,863	0.0480%

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Series D Preferred Share		
AI Autoparts LLC ("AI Autoparts")	10,678,091	6.8536%
XVC	2,116,783	1.3586%
JenCap	1,334,761	0.8567%
SIG	266,952	0.1713%
DCM Ventures China Fund (DCM VIII), L.P.	241,071	0.1547%
DCM VIII, L.P.	19,941	0.0128%
DCM Affiliates Fund VIII, L.P.	5,940	0.0038%
Total	155,803,096	100%

*Redpoint Ventures and Redpoint Associates, collectively, "Redpoint"

17.2. Total investment amounts by shareholder on completion of the Series D round:

SERIES	Total investment amount from Series A to Series D (US\$) ('000) (to the nearest 2 decimal places)					
	A	A+	B	C	D	Total
XVC	5,000.00		816.48	4,000.00	7,929.45	17,745.92
DCM			11,538.46	14,807.83	1,000.00	27,346.30
JenCap				25,000.00	5,000.00	30,000.00
Access**				4,000.00		4,000.00
AI Autoparts**					40,000.00	40,000.00
Gemini			2,884.62	5,000.00		7,884.61
SIG		5,000.00	465.23	2,000.00	1,000.00	8,465.23
Redpoint	1,000.00		449.06			1,449.06
Shunwei	1,000.00					1,000.00
Total	<u>7,000.00</u>	<u>5,000.00</u>	<u>16,153.85</u>	<u>54,807.83</u>	<u>54,929.45</u>	<u>137,891.12</u>

II. The Petitioners' investment in the Company

Introduction to the Company and to Alex Chen

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18. On or around 22 November 2017, Hurst Lin of DCM received a message from Boyu Hu of XVC via WeChat about the opportunity to invest in a company which operated an online platform, similar to Alibaba's "Taobao" platform, for the procurement of auto repair parts. In that WeChat message, Boyu Hu stated (amongst other things) that:
- 18.1. XVC had invested in (or had decided to invest in) the Company, and that recently there was talk of a further round of financing being conducted;
 - 18.2. since the Company's products had gone online for six quarters, the transaction volume had basically doubled every quarter, and that the monthly gross merchandise value ("GMV") of the Company was RMB30 million to RMB40 million;
 - 18.3. profits were already being recorded on sales orders, and that in one or two more quarters, the size of the Business could surpass that of the market leader at the time; and
 - 18.4. the team running the Company were capable entrepreneurs who had experience in startups.
19. On 2 December 2017, through the introduction of Boyu Hu, Hurst Lin met with Alex Chen in person in Shanghai to learn more about the Company. At the time, the Company was going through its Series A and Series A+ financing rounds.
20. After the meeting, Hurst Lin asked his DCM colleague Nan Bai (who specialises in B2B market investments) to follow up with the Company on their initial discussions, and introduced Nan Bai to Alex Chen via WeChat on the same day. Also on the same day, Alex Chen sent the Company's business plan and other information to Nan Bai and Hurst Lin. In particular, those documents contained the following purported operational and financial data of the Business:
- 20.1. there were over 20,000 auto parts repair shops actively using "Haoqipei";
 - 20.2. there were over 5,000 auto parts suppliers registered on "Haoqipei";
 - 20.3. both the transaction volume and the number of active buyers on "Haoqipei" had been growing steadily and strongly over the previous seven quarters, since February 2016; and

- 20.4. in the previous six months, the Company's monthly GMV had grown at an average rate of 16% and that, at its peak, the Company had recorded a monthly GMV of RMB30 million. Further, the expected average monthly growth rate for 2018 was estimated to be 12.6%. The documents further showed that the total GMV was forecasted to be RMB 230 million to RMB 300 million for 2017, and the expected total GMV for 2018 was approximately RMB1.2 billion.
21. Nan Bai then met with Alex Chen on 15 December 2017 in the Company's office in Shanghai, during which Alex Chen gave an overview of the Business to Nan Bai. Alex Chen presented a few business metrics of the Company, showing that the Company had achieved impressive growth and good retention numbers which were better than those that DCM had seen in other similar companies before.
22. At the time, both Hurst Lin and Nan Bai felt that the Company represented a promising investment opportunity for DCM, and asked Alex Chen to present a pitch to DCM's China team on 18 December 2017 at DCM's office in Shanghai.
23. Subsequently, DCM started conducting market research on the Company.
24. Eventually, DCM was told that the Series A round had closed and that another investor, SIG, had already invested with the Company for the Series A+ round. Consequently, DCM did not end up investing in those rounds.
25. The Series A round closed towards the end of December 2017 with US\$7 million being raised for the Company. Three investors invested in the Company in the Series A round: XVC (US\$5 million), Redpoint (US\$1 million) and Shunwei (US\$1 million). The Series A+ round also closed with SIG (the only participant) investing US\$5 million in the Company.

Events leading up to DCM's Series B Investment (February 2018 to September 2018)

26. Although DCM did not invest in either the Series A or Series A+ rounds, Alex Chen informed DCM that the Company was still actively raising money and looking to conduct further financing rounds. After several more meetings in early 2018, Alex Chen presented another pitch to DCM's global investment team for the Series B round on 6 February 2018.
27. For the purposes of the meeting on 6 February 2018, Nan Bai of DCM received a set of pitch documents from Mr Ivan Li Zhe ("**Ivan Li**") of Palm Capital (棕榈资本), the financial advisers to

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the Company, on 5 February 2018. These documents included a pitch document, presentation slides, and a data pack (the "**Series B Data Pack**") containing certain purported financial data of the Company, including the Company's purported profit and loss figures for the period from January 2016 to January 2018, as well as a forecast in respect of the Company's profit and loss from February 2018 to December 2019 (together, the "**Series B Pitch Documents**").

28. According to the information contained in the Series B Pitch Documents, in respect of the Company's monthly GMV:

28.1. since the inception of the Business in 2016, the Company had been operating at a loss for most of the prior months (which was common in a start-up business);

28.2. however, its monthly GMV had been increasing rapidly since commencing operations in 2016; a little more than six months after the establishment of the business, its monthly GMV had increased nearly one hundred times (from RMB48,570 in March 2016 to RMB4,788,922 in November 2016);

28.3. the Company's GMV continued to surge month-to-month in 2017: the monthly GMVs for year 2017 ranged from approximately RMB6.2 million (February 2017) to approximately RMB43 million (December 2017);

28.4. throughout 2017, the monthly GMV growth rate ranged from approximately 15% to over 30% (with the exception of one or two months);

28.5. since July 2017, the Company's monthly GMV was increasing at the rate of RMB10 million every 2 months; and

28.6. there was a significant increase in monthly GMV from RMB41 million in December 2017 to RMB65 million in January 2018.

29. The Series B Data Pack also contained an optimistic forecast of the monthly GMVs for 2018 and 2019:

29.1. the estimated monthly GMVs for the period from February 2018 to December 2018 ranged from approximately RMB70 million to approximately RMB133 million; and

29.2. the monthly GMVs for the year 2019 were estimated to range from approximately RMB143.8 million to approximately RMB209 million.

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30. In terms of the Company's profit model, according to the Series B Pitch Documents:
- 30.1. the Company's profits came from (i) "take rates" (explained below) and "SaaS fees" (also explained below); (ii) wholesale of auto parts in which the Company would not be responsible for taking inventory; and (iii) the direct sale of secondary and refurbished auto parts;
 - 30.2. in particular, in respect of item (i) in paragraph 30.1 above, the Company's "take rate" (explained below) in respect of products on which the Company had decided to charge a "take rate" on, was approximately 4% to 5% of the total GMV; and
 - 30.3. apart from the "take rate", the Company was also going to charge a service fee from core suppliers registered on "Haoqiwei", which represented 10% of the Company's suppliers, for using "Haoqiwei"'s online services (known as a "Software as a Service fee" or a "SaaS fee").
31. Furthermore, in terms of the Company's business operations, the Series B Pitch Documents represented that:
- 31.1. the Company's buyer retention rate had stabilised at around 45% since early 2017, indicating that approximately 45% of buyers who started using the online platform "Haoqiwei" would continue to use it in the long run;
 - 31.2. the number of transaction orders of each buyer, and the volume of transaction orders of each buyer had increased significantly over the period from July 2016 to December 2017; and
 - 31.3. the number of buyers using the platform had increased from 485 in March 2016 to 52,700 in December 2017, and the number of suppliers using the platform had grown from 352 in March 2016 to 5000 in December 2017.
32. On 6 February 2018, Alex Chen visited DCM's office in Shanghai to pitch to DCM's global investment team. Members of DCM's team in DCM's Shanghai office joined the pitch in person whilst members of DCM's team in DCM's overseas offices (including the Silicon Valley office, Tokyo office and Beijing office) joined via video conference (the "Series B Pitch Meeting"). At the Series B Pitch Meeting, Alex Chen:

- 32.1. ran through his presentation deck and painted a very attractive business picture using the figures contained in the Series B Pitch Documents (including those set out above in respect of the Company's monthly GMVs, impressive user growth and retention numbers);
 - 32.2. explained how the auto parts market in China was a big and growing market (with an estimated market value of RMB700 billion to RMB 800 billion for the year of 2017). He further pointed out that, in China, suppliers of auto parts were extremely scattered and did not provide after-sales services, which was a huge problem for auto repair shops which demanded such auto parts. He explained how the Company's online platform would be able to solve such problems by match-making suppliers with auto repair shops; and
 - 32.3. showed his business projections for 2018 and 2019 which looked very promising and positive. During the presentation, he said that the Company wanted to raise capital to develop the Business as soon as possible.
33. Of the financial information and operational data presented by the Company to DCM, the monthly GMV was of particular significance and interest to DCM. This was because:
- 33.1. essentially, GMV measures the total monetary value of merchandise sold over a given period of time by a business through a platform (including an e-commerce platform). It enables a business to review the total sales volume from one period to another and is a measure of growth of a business in terms of sales;
 - 33.2. the revenue of the business would in turn be a function of gross merchandise sold and fees charged (what is called a "take rate") by the business in selling the merchandise;
 - 33.3. in terms of the Company, its monthly GMV was the total value of auto parts or merchandise transacted on the online platform, "Haoqipei", in a particular month;
 - 33.4. a high month-on-month or year-on-year increase of the monthly GMV of the Company would indicate that the Business was growing and expanding rapidly (as it would indicate that the total monetary value of the merchandise being transacted via "Haoqipei" was increasing, and suggest a growing market share on the Company's part);

further, such numbers would show that the Company's business and operational models were working successfully in the market; and

- 33.5. although start-up companies generally take time to break even and become profitable, the GMV is a good indicator of the business potential of the company and its business, and in turn was a significant factor to be considered by investors when deciding whether to invest.
34. The Company, through Alex Chen as well as Palm Capital, indicated to DCM that it wished to raise approximately US\$15 million to US\$25 million for the Series B financing round.
35. Before deciding to invest in Series B, DCM requested that the Company provide customer data as part of DCM's financial due diligence on the Business and its operating data (including its user growth and retention numbers as presented in the Series B Pitch Documents). The Company asked DCM which city's customer data it wished to look at; in response, DCM requested a copy of the Company's Zhongshan customer data (the "**Zhongshan List**") to conduct sample checks via telephone interviews. The Company provided the Zhongshan List on 24 April 2018. According to the Zhongshan List, "Haoqipei" had 194 buyers in the city of Zhongshan alone. DCM then conducted telephone interviews with a sample of the customers in Zhongshan according to the Zhongshan List, and the sample test was passed.
36. Based on the strong financial and operational data which was presented to DCM in the Series B Pitch Meeting and in the Series B Pitch Documents (which were later discovered to have been falsely inflated, as set out in Section E below), and upon completing the financial due diligence steps above, DCM negotiated with the Company and decided to be the lead investor for the Series B round, investing approximately US\$11.5 million in the Company. DCM further negotiated with the Company that, in addition to having the pro-rata right to subscribe for further shares in subsequent funding rounds in order to maintain its shareholding in the Company, DCM would have the option to increase its ownership by 3% in subsequent funding rounds to be conducted by the Company.
37. Apart from DCM, Gemini also participated in the Series B round, investing an amount of approximately US\$2.88 million in the Company. XVC, Redpoint and SIG also invested small amounts in the Series B round. They were existing investors in the Company at that point in time, and were exercising their pro-rata rights to invest in Series B to maintain their shareholding in the Company.

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38. The Series B Preferred Share Purchase Agreement (the "Series B SPA") was signed on 28 September 2018, and completed on 30 September 2018. Pursuant to the terms and conditions of the Series B SPA, Hurst Lin was appointed as an Investor Director of the Board on 30 September 2018.
39. Pursuant to the terms and conditions of the Series B SPA, upon satisfaction of the conditions for completion of the transaction, the shareholders of the Company passed unanimous written resolutions on 30 September 2018 to, inter alia, amend its existing Memorandum and Articles of Association of the Company and adopt the Third Amended and Restated Memorandum and Articles of the Company (the "Third M&A").

Events leading up to JenCap's and DCM's Series C Investments (November 2018)

40. Shortly after the Series B financing round was completed in September 2018 or around the same time when the Series B round was conducted, the Company contemplated conducting a further round of financing (which eventually became the Series C round).
41. In respect of JenCap:
 - 41.1. in around early September 2018, Jeneration Capital was told that the Company was raising a further round of funding. On 7 September 2018, Ms Zhen Gong ("Zhen Gong" or "Cindy Gong") of Jeneration Capital met with Alex Chen and Ivan Li to discuss the Company and the investment opportunity;
 - 41.2. at the meeting on 7 September 2018, Alex Chen and Ivan Li gave an overview of the Business and, amongst other things, told Zhen Gong that the monthly GMV for August 2018 alone was RMB100 million, with 70% of the total GMV being charged with a take rate of 5.5%. Further, they also said that the total GMV for 2018 was expected to be around RMB1 billion, and that the total GMV for 2019 was expected to be two times that of 2018. Alex Chen told Zhen Gong that DCM and Gemini had invested approximately US\$15 million in Series B (although at that time, DCM and Gemini had not yet entered into the Series B SPA which was only executed on 28 September 2018), and that the Company was looking to raise around US\$30 million in Series C;
 - 41.3. the purported financial figures presented by the Company and Palm Capital at the meeting on 7 September 2018 were attractive and promising, and, on 14 September

2018, Ziquan Zhang and Zhen Gong of Jeneration Capital met with Alex Chen again to discuss the investment opportunity further; and

- 41.4. at the meeting on 14 September 2018, Alex Chen provided more information to Ziquan Zhang and Zhen Gong about the previous financing rounds of the Company, as well as the operational and business model of the Company. Alex Chen further represented that, since early 2018, the Business had expanded to having a presence in seven provinces in Mainland China (from just two provinces at the start of the year), and that the monthly GMV had increased from RMB50 million to RMB100 million in just seven months.
42. As part of its due diligence efforts on the Company, Jeneration Capital requested that the Company provide information about its buyers and sellers and requested access to conduct site visits to the Company's buyers and sellers. The Company provided the details of some purported sellers/suppliers and buyers in two cities, namely Guangzhou and Nanjing, and on 26 and 27 September 2018, Zhen Gong conducted site visits of over ten sellers/suppliers and five buyers in those two cities. Whilst the premises of some of the sellers and buyers were quite small, no major abnormalities or issues were identified by Jeneration Capital during the site visits. Further, Jeneration Capital also relied on the financial due diligence report, and the customer call notes, each obtained from DCM in the Series C round (see paragraphs 51 and 52 below).
43. On 26 October 2018, in response to Jeneration Capital's request, Ivan Li provided Jeneration Capital with a data pack containing the purported financial data of the Company's Business up until September 2018 (the "**Series C Data Pack for Jeneration Capital**"). The data in the Series C Data Pack for Jeneration Capital corresponded with certain data shared by Alex Chen during the meetings with Jeneration Capital on 7 September 2018 and 14 September 2018. In particular, according to the information contained in the Series C Data Pack for Jeneration Capital:
- 43.1. the monthly GMVs of the Business for each of the months in the period from January to September 2018 ranged from approximately RMB50 million to RMB110 million (with the exception of February 2018); and
- 43.2. the monthly revenues from take rates for each of the months in the period from January to September 2018 (with the exception of February 2018) ranged from approximately RMB840,000 to approximately RMB3.9 million.

44. In addition, the Company (through Palm Capital) also provided Jeneration Capital with a forecast of the financials of the Business for Q4 2018 and in respect of 2019 (the "**Series C Forecast for Jeneration Capital**") on around 29 November 2018. According to the Series C Forecast for Jeneration Capital, monthly GMV were forecasted to range from approximately RMB150 million to approximately RMB344 million (excluding February 2019, the forecast for which was only RMB75 million (presumably due to the Chinese New Year holidays)).
45. In fact, and as later revealed by the forensic investigation conducted by EY (as defined in paragraph 98.3 below) in early 2021 (see Section F below), the actual monthly GMV of the Company for the period from January 2019 to March 2019 ranged from approximately RMB 8 million to RMB 14 million per month.
46. The Company's GMV and GMV growth rate were amongst the most important performance indicators considered by Jeneration Capital before JenCap deciding to make the investment in the Company for Series C. According to the Series C Data Pack for Jeneration Capital, its monthly GMV for September 2018 (i.e. the latest month on which data was available and provided) was RMB 110 million, and compared to its monthly GMV in September 2017 (which was approximately RMB 26.2 million), had grown by over four times in just one year. Based on the data provided by the Company, Jeneration Capital believed that the Company was among the leading players in the auto parts B2B space, and had a strong growth trajectory which looked promising to Jeneration Capital.
47. Based on the strong financial and operational data which was presented to Jeneration Capital, and upon completing the financial due diligence steps above, JenCap decided to become the lead investor for Series C. The Company told Jeneration Capital that it hoped that the lead investor for Series C would invest at least US\$25 million in the Company, which was the amount that was eventually invested into the Company by JenCap in this round.
48. In or around September 2018, the Company advised DCM (which was already a Series B investor as explained above) that it had been in discussions with new investors, some of which had shown a strong interest in investing in the Series C round (including Jeneration Capital). Alex Chen asked if DCM wished to exercise its pro-rata right to subscribe for Preferred Shares in the Series C round in order to maintain its shareholding in the Company.
49. On or around 25 September 2018, Alex Chen visited DCM's Shanghai office to pitch to DCM's global investment team in respect of Series C (the "**Series C Pitch Meeting for DCM**"). According

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to the presentation slides which were shown to DCM during the meeting and delivered by Alex Chen:

- 49.1. since early 2018, *“the Company has maintained a steady GMV growth with around 22.6% MOM [i.e. month-to-month] growth rate (~33% without February), and will reach 100m RMB this month and expect a total of 1b RMB in 2018”*, and that there was a substantial increase in the *“take rate”* from around 3% to 5%;
- 49.2. the monthly GMVs for each of the months from January 2018 to August 2018 ranged from approximately RMB52 million to RMB95 million (except for February 2018, the transaction volume for which was much lower (presumably due to the Chinese New Year holidays));
- 49.3. the cost of goods sold and general and administrative expenses were steadily increasing but at a reasonable and stable level, indicating that the Business was growing organically;
- 49.4. on a subsequent presentation slide, a forecast of the total GMV for 2019 was shown, indicating that the Company *“expected to accumulate 2.5-3b RMB GMV in 2019 with average take rate of 4.5-5%”*;
- 49.5. the sellers' and buyers' retention rate was at around 70% and 40%, respectively;
- 49.6. the monthly total number of orders and monthly total transaction amount made on *“Haoqipei”* were increasing; and
- 49.7. the Company's Business had expanded in six provinces to nearly 60 cities in 2018, and the Company expected its Business to cover 12 to 15 more provinces in Mainland China with around 120 to 150 new cities in 2019.

50. In addition, Palm Capital provided DCM with updated financial data showing the Company's purported profit and loss figures up to August 2018 (the **“Series C Data Pack for DCM”**). In respect of the figures from February 2018 (i.e. since the Series B Data Pack) to August 2018:

- 50.1. apart from the month of February which recorded a negative GMV growth rate (presumably due to the Chinese New Year Holidays in Mainland China), the GMV growth

rate for the rest of March to August was positive and ranged from approximately 5% to 170%;

- 50.2. the monthly GMV for each month from March to August 2018 increased from approximately RMB64.5 million to RMB97.2 million; and
 - 50.3. there was indeed an increase in the “take rate” as presented by Alex Chen during the Series C Pitch Meeting for DCM.
51. The Series B and Series C rounds took place in close succession and, as mentioned above, DCM had already conducted financial due diligence on the Company before subscribing for its Series B Preferred Shares. In addition to the steps that had been taken prior to the Series B round, DCM also cross-checked certain sample customer payment records and order information recorded in the Company's system, and also further conducted telephone interviews to randomly selected customers to verify their order on the Business, “Haoqipei”. Throughout these additional due diligence steps, minor inconsistencies were identified by DCM in respect of one customer's orders made on “Haoqipei”. At the time, DCM asked the Company to explain such inconsistencies (in relation to which the Company provided a plausible response), and DCM also called the customer again to verify the Company's explanation. In fact, and as was later confessed by Alex Chen, such due diligence phone calls had not been answered by genuine customers at all, but by the Company's own business development staff who held themselves out to be customers on the express instructions of the Company and/or Alex Chen (see paragraph 102 below).
52. Further, DCM also commissioned CanAsia Group to conduct financial due diligence on the Company, and no major issues were found in respect of the Company's represented financial data and GMVs. Although the Company's finance systems and IT capabilities were relatively weak and basic, and there were certain discrepancies and inconsistencies found in the Company's operational data, DCM did not find this to be a major deterrent from investing in the Company as such issues were fairly common amongst start-up companies which were still building their business and developing their finance and IT systems.
53. At the time, the Company told DCM that it wished to raise around US\$50 million in its Series C round. Based on the financial and operational data provided by the Company to DCM (which was later discovered to have been falsely inflated, see Section F below), which indicated that the Company had great growth momentum, healthy unit economics and an impressive user retention showing user satisfaction, DCM expressed an interest in subscribing for Preferred Shares in the

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Series C round, and further exercised its option (as mentioned in paragraph 36 above) to increase its overall shareholding by 3%. The total amount invested by DCM into the Company in the Series C round was approximately US\$14.8 million.

54. The Series C Preferred Share Purchase Agreement (the “**Series C SPA**”) was signed on 30 November 2018, and completed on 6 December 2018. Pursuant to the terms and conditions of the Series C SPA, Ziquan Zhang was appointed as an Investor Director to the Company's board on 6 December 2018.
55. Pursuant to the terms and conditions of the Series C SPA, upon satisfaction of the conditions for completion of the transaction, the shareholders of the Company passed unanimous written resolutions on 6 December 2018 to, inter alia, amend its existing Memorandum and Articles of Association of the Company (i.e. the Third M&A) and adopt the Fourth Amended and Restated Memorandum and Articles of the Company (“**Fourth M&A**”).

Events leading up to the Series D Investment – Investment Negotiations and Discussions (November 2018 – May 2019)

56. In around March or April 2019, Alex Chen again raised the idea of conducting another round of fund raising (which eventually became the Series D round) and started to engage with investors. On 27 March 2019, a Board meeting was held to provide business updates to the Investor Directors. At that Board meeting, which he chaired, Alex Chen mentioned that the Company had received a further funding request and was hoping to raise another US\$80 million from investors.
57. At around the same time, Alex Chen reached out to JenCap and mentioned that there were potential investors approaching the Company seeking to invest, and asked if JenCap would be interested in participating in the new round of financing (as an existing shareholder of the Company).
58. On 26 April 2019, Alex Chen told Ziquan Zhang that Access had agreed to invest in the Series D round. At around the same time, Ivan Li of Palm Capital sent a data pack to JenCap containing the purported latest financial figures for the Company up to March 2019 (the “**Series D Data Pack for JenCap**”). To the best of JenCap's knowledge, the Series D Data Pack for JenCap was prepared by the Company with the assistance of Ivan Li. At the time, the Company did not have a financial controller or Chief Financial Officer.

59. The Series D Data Pack for JenCap showed that in respect of the four months from December 2018 to March 2019 (i.e. the four months after the Series C round), the monthly GMV ranged from RMB94 million to RMB238 million. In particular, the monthly GMV for March 2019 was purportedly RMB238,726,540.
60. Based on the financial data presented to JenCap in the Series D Data Pack for JenCap, which showed that the performance of the Company was on track, JenCap exercised its pro-rata rights to subscribe for preferred shares in Series D to maintain its shareholding in the Company. JenCap invested a sum of US\$5 million in the Company for the Series D round.
61. Similarly, in around early May 2019, Alex Chen informed DCM that Access would be leading the Series D round, and again asked if DCM would be interested in exercising its pro-rata rights to subscribe for preferred shares in the Series D round.
62. On or around 12 May 2019, Alex Chen visited DCM's office in Shanghai to deliver the pitch for Series D (the "**Series D Pitch Meeting for DCM**").
63. For the purposes of this meeting, the Company circulated a presentation deck containing a business update on the purported financial performance and operations of the Business, together with a data pack (the "**Series D Data Pack for DCM**") containing the purported updated financial figures of the Business up to the month of March 2019 to DCM (together, the "**Series D Pitch Documents for DCM**"). To the best of DCM's knowledge, the Series D Data Pack for DCM was prepared by a group of the Company's staff led by Alex Chen, with the assistance of Ivan Li.
64. The financial information presented at the Series D Pitch Meeting for DCM and in the Series D Pitch Documents for DCM (which is now known to have been falsely inflated (see Section [F] below)), indicated that in respect of the Business:
- 64.1. the monthly GMVs for the period from January 2018 to December 2018 ranged from RMB 23 million to RMB 215 million per month;
- 64.2. the monthly GMVs for the period from January 2019 to March 2019 ranged from RMB 94 million to RMB 238 million per month;
- 64.3. the monthly revenue for the period from January 2018 to December 2018 ranged from approximately RMB 1.75 million to RMB 12.6 million per month;

- 64.4. the monthly revenue for the period from January 2019 to March 2019 ranged from RMB 4.6 million to RMB 14.1 million per month; and
- 64.5. the “take rate” continued increasing from 3.5% to 5.8% from January 2018 to March 2019.
65. At the Series D Pitch Meeting for DCM, Alex Chen informed DCM that the Company wanted to raise between US\$60 million and US\$65 million for the Series D round and that, whilst the Company had already secured Access as the lead investor for Series D, Alex Chen wanted DCM to support the Company by participating in the Series D round as well.
66. Initially, DCM did not want to invest further in the Company by participating in the Series D round. However, Alex Chen asked DCM to participate with a minimum investment amount of US\$1 million in order to help the Company close the Series D funding round. He further explained to Nan Bai that it was very important to Access (as the lead investor for this round) that DCM (as one of the largest and most active shareholders in the Company) would agree to participate in the Series D round. Eventually, because of Alex Chen's requests, and because the financials presented by the Company remained promising, DCM agreed to invest US\$1 million in the Series D round.
67. The Series D SPA was signed on 11 June 2019, and completed on 14 June 2019.
68. Pursuant to the terms and conditions of the Series D SPA, upon satisfaction of the conditions for completion of the transaction, the shareholders of the Company passed unanimous written resolutions on 14 June 2019 to, inter alia, amend its existing Memorandum and Articles of Association (i.e. the Fourth M&A) and adopt the Fifth Amended and Restated Memorandum and Articles of the Company (the “**Current M&A**”).
69. The Petitioners only agreed to approve such amendments to the Company's authorised share capital and to its Memorandum and Articles (thereby permitting the Series D Preferred Shares to be issued and introducing the preferential Series D waterfall) *because* of the Fraud (as defined in paragraph 102 below). Had the Petitioners known about the Company's true financial position, they would not have allowed the Series D round to be issued and the Series D shareholders to be given a preferential claim on the Company's assets in priority to (and to the material detriment of) the Petitioners' interests arising out of their Series B Preferred Shares and/or Series C Preferred Shares. Regardless of any other investor's position, the Petitioners would have had a

blocking vote in respect of these changes² and would have exercised that blocking vote accordingly.

C. RELEVANT RIGHTS AND OBLIGATIONS OF THE PARTIES

70. The Series B, C and D SPAs contained substantially the same salient terms in connection with the rights and obligations of the parties to it.

I. The Company's representations and warranties

71. Pursuant to the terms and conditions of the Series D SPA, the Company, together with its subsidiaries, the HKCo, the WFOE, the DomCo, Parts Base Inc., and Alex Chen (collectively, the "Warrantors"), provided the following representations and warranties regarding, inter alia, the truthfulness of the financial statements and projections provided to the investors (including the Petitioners):

71.1. the Company had made available to the Petitioners (amongst others), unaudited financial statements (including balance, income statement and statement of cash flows) of the Company and its subsidiaries, the HKCo, the WFOE, the DomCo as of and for the periods from 1 March 2016 to 31 December 2018 and 1 January 2019 to 31 March 2019 (collectively, the "Financial Statements") (Section 14, Schedule 3 of the Series D SPA³);

71.2. the Financial Statements had been prepared in accordance with the Accounting Standards for Business Enterprises promulgated by the Ministry of Finance of the People's Republic of China ("PRC") in effect at that time (Section 14, Schedule 3 of the Series D SPA⁴);

71.3. the Financial Statements fairly presented in all material respects the financial condition and operating results of the Group Companies as of the dates, and for the periods, indicated therein; (Section 14, Schedule 3 of the Series D SPA⁵);

71.4. the Company had made available to the Petitioners (amongst others) all the information available to the Warrantors that the purchasers of the Series D Preferred Shares had

² Pursuant to clause 6(b) of Schedule A to the Third M&A, and clause 6(b) of Schedule A to the Fourth M&A.

³ A similar representation and warranty (but in respect of the time period from 1 March 2016 to 30 September 2018) was provided in Section 14, Schedule 3 of the Series C SPA, although no such representation and warranty was provided in the Series B SPA.

⁴ See fn 3 above.

⁵ See fn 3 above.

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requested for deciding whether to acquire the subject shares, including financial projections with respect to each Group Company (the "Projections"), each of which were prepared in good faith (Section 26, Schedule 3 of the Series D SPA⁶); and

- 71.5. the Warrantors further represented and warranted that no representation or warranty of any Warrantor contained in the Series D SPA, and no certificate furnished or to be furnished to the purchasers of the Series D Preferred Shares at completion, contained or would contain any untrue statement or any omission contained herein or therein, or be misleading in any respect (Section 26, Schedule 3 of the Series D SPA⁷).
72. It was further stated in Clause 2.4(b) and Clause 4 of the Series D SPA that the representations and warranties set out in the Series D SPA, and in particular those set out in paragraph [71] above were true, correct, complete and not misleading as of 11 June 2019 (the Series D SPA execution date) and 14 June 2019 (the Series D completion date).
73. In addition, the Warrantors gave the following undertakings in the Series D SPA:
- 73.1. If at any time before completion of the Series D financing round, if any Warrantor came to know of any material fact or event which: (i) was in any way inconsistent with any of the representations and warranties; (ii) suggested that any fact warranted thereunder may not be as warranted or may be misleading; or (iii) might affect the willingness of a prudent investor to purchase the Series D Preferred Shares or the amount of the consideration a prudent investor would be prepared to pay for the Series D Preferred Shares, then the Warrantors would immediately notify the purchasers in writing, describing such fact or event in reasonable detail (Clause 6.4 of the Series D SPA⁸);
- 73.2. as practicable as possible but no later than 3 months after completion of Series D round, the Group Companies would:
- (i) appoint a CFO and COO;
 - (ii) establish and improve the financial system, technology system, operation and internal control system of the Group Companies;

⁶ A similar representation and warranty was provided in Section 25, Schedule 3 of the Series B SPA, and in Section 26, Schedule 3 of the Series C SPA.

⁷ See fn 6 above.

⁸ A similar clause was included at Clause 6.4 of both the Series B SPA and the Series C SPA.

- (iii) establish a competent financial team and hire adequate staff of financial expertise;
- (iv) establish a competent internal control team and hire adequate staff of internal control expertise, to timely monitor, guide and control the day-to-day business operation (especially the payments made by employees on behalf of the Group Companies); and
- (v) improve the management team by hiring adequate senior staff of competent financial, technical and operating expertise,

to the satisfaction of Access, JenCap and DCM (Clause 6.19 of the Series D SPA⁹).

II. The Shareholders' Agreement

74. Pursuant to the terms and conditions of the Series D SPA, upon satisfaction of the conditions for completion of the transaction, the Group Companies, Alex Chen, Parts Base Inc., each of the purchasers of the Series D Preferred Shares pursuant to the Series D SPA (including the Petitioners), all other investors in the Company who had participated in previous rounds of financing and certain other parties, entered into the Fourth Amended and Restated Shareholders' Agreement on 14 June 2019 (the "**SHA**") to govern and regulate the relationship between and amongst the shareholders of the Company and the Company.
75. Pursuant to the terms of the SHA, the Company is obliged to deliver to the investors financial information regarding the Group Companies from the Company periodically, including but not limited to:
- 75.1. audited consolidated financial statements of the Group Companies (including balance sheet, income statement, statement of cash flows), all of which is to be prepared with reasonable detail and prepared in accordance with international accounting standards determined by the Board, as well as a management report of the Group Companies, as soon as practicable but within 90 days after the end of each financial year of the Company (Clause 3.1(a) of the SHA);

⁹ A similar clause was provided in Clause 6.19 of the Series C SPA, and a similar but shorter clause (only covering undertakings to appoint a chief financial officer and chief operative officer within 12 months after closing Series B as well as to establish and improve the financial system, operation and internal control system of the Group Company in the form and substance to the satisfaction of DCM) was also provided at Clause 6.21 of the Series B SPA.

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- 75.2. unaudited consolidated financial statements of the Group Companies (including balance sheet, income statement, statement of cash flows) and a management report of the Group Companies, as soon as practicable but within 45 days after the end of each quarter of each financial year of the Company (Clause 3.1(b) of the SHA); and
- 75.3. unaudited consolidated financial statements of the Group Companies (including balance sheet, income statement, statement of cash flows) and a management report of the Group Companies, as soon as practicable but within 30 days after the end of each month (Clause 3.1(c) of the SHA).
76. Pursuant to Clause 3.1(f) of the SPA, the Company is also obliged to deliver such other information relating to the financial condition, business, prospects, corporate affairs or other aspects of the Group Companies as determined by the Company's board or required by any investor.
77. Pursuant to Clause 3.2 of the SHA, the Company and any other Group Company agreed to permit any of the investors to visit and inspect the Company or any other Group Company's properties and facilities, to examine and copy its books of account and records.

III. The M&A – Redemption rights

78. As mentioned above, the Current M&A were adopted by the Company by Special Resolution on 14 June 2019.
79. Pursuant to the Current M&A, the Preferred Shares are redeemable at the option of holders of any Preferred Shares upon the occurrence of certain events. In summary:
- 79.1. pursuant to Clause 5(c)(i) of Schedule A to the Current M&A, if, at any time, there has been a material breach or violation of, or inaccuracy or misrepresentation in, any representation, undertaking or warranty contained in, inter alia, the Series D SPA, Series C SPA, Series B SPA, including the failure of the Company to deliver audited annual financial statements upon Access' (in respect of Series D), JenCap's (in respect of Series C) or DCM's (in respect of Series B) reasonable request, the Company is to redeem any and all of the then outstanding Preferred Shares in the subject Series at the redemption price per share equal to, the greater of 150% of the original Series issue price, or the fair market value of the subject Preferred Shares, whichever was higher;

- 79.2. pursuant to Clause 5(c)(iv) of Schedule A to the Current M&A, following receipt of the request for redemption from one investor, the Company is obliged to give written notice to each non-requesting holder of the Preferred Shares, specifying the redemption date and the redemption price (the "**Redemption Notice**") within 15 business days;
- 79.3. the non-requesting holders of the Preferred Shares can then elect to participate in such redemption by giving the Company written notice of such election to participate within 15 business days following receipt of the Redemption Notice;
- 79.4. the closing of the redemption of any Preferred Shares then takes place within 120 days of the Redemption Notice; and
- 79.5. pursuant to Clause 5(d) of Schedule A to the Current M&A, if the Company has insufficient funds to pay all redemption payments in full, the redemption would occur in a "waterfall" manner, starting with holders of Series D Preferred Shares having the priority of redemption and payment by the Company, followed by holders of Series C Preferred Shares, then Series B Preferred Shares, and so forth. Further, should the Company be unable to make the redemption payments in full out of its legally available assets, it will be required to issue promissory notes in respect of the outstanding unpaid balance of the redemption payments, such notes to provide for a one-year limit for the Company to repay the same (together with any interest on the amount at a compound rate of 10% per annum from the date of redemption date until the repayment date by the Company).

IV. Liquidation Preference

80. Clause 2(a) of Schedule A to the Current M&A also provides for a distribution and payment mechanism upon any "*liquidation, dissolution or winding up of the Company, whether voluntary or involuntary*". Pursuant to Clause 2(a)(i) of Schedule A to the Current M&A:
- 80.1. before any distribution or payment shall be made to the holders of the ordinary shares, holders of the Preferred Shares are entitled to receive an amount equal to 120% of the original issue price of each of the Series A-1 Preferred Shares (being US\$0.200 per share), Series A-2 Preferred Shares (being US\$0.250 per share), Series B Preferred Shares (being US\$0.764 per share), Series C-1 Preferred Shares (being US\$1.7529 per

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share), Series C-2 Preferred Shares (being US\$1.9477 per share) and Series D Preferred Shares (being US\$3.7460 per share);

- 80.2. the distribution under Clause 2(a) of Schedule A to the Current M&A also occurs in a "waterfall" manner, starting with all holders of Series D Preferred Shares having the priority to receive payment first, followed by all holders of Series C Preferred Shares, then Series B Preferred Shares, and so forth; and
- 80.3. if the assets of the Company available for distribution are insufficient to pay all holders of a particular Series of Preferred Shares, the holders of that Series of Preferred Shares will share rateably in any distribution of the assets available for distribution in proportion to the respective amounts which would otherwise be payable to them if all amounts payable were paid in full.

D. FINANCIAL INFORMATION PROVIDED TO THE INVESTORS AFTER COMPLETION OF THE SERIES D ROUND

81. Following the completion of the Series D investment round in June 2019 (the details of which are set out in Section B above), the Company continued to provide updates to the shareholders on its purported financial performance (including KPIs) from time to time. The data provided to the shareholders, as it later transpired, had been falsified and substantially inflated (see paragraphs 101-107 and 118-120 below).
82. In August 2019, Alex Chen provided a financial update to the Board (the "August 2019 Update"). According to the August 2019 Update:
 - 82.1. the monthly GMV for the period from July 2018 to July 2019 ranged from approximately RMB91 million to RMB293 million;
 - 82.2. the monthly revenue for the period from July 2018 to July 2019 ranged from approximately RMB7.7 million to RMB15.9 million (with the exception of February 2019, presumably due to the Chinese New Year holidays);
 - 82.3. the monthly GMV and revenue continued to surge in 2019 as compared to the respective figures presented to the investors for 2018 (see paragraph 64 above); and
 - 82.4. the "take rate" continued to stabilize between 5-5.5% during July 2018 to July 2019.

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83. In December 2019, Alex Chen provided a further update to the Board regarding the purported financial performance of the Business in September and October 2019 (the “**December 2019 Update**”). According to the December 2019 Update:
- 83.1. the monthly GMV for September 2019 and October 2019 was approximately RMB298 million and RMB330 million respectively, and the monthly GMV for November 2019 was estimated to be RMB350 million; and
 - 83.2. the monthly revenue for September 2019 and October 2019 was approximately RMB15 million and RMB16 million respectively.
84. In or around May 2020, the Company provided to the Board and to the shareholders a data pack containing the Company's purported financial data for the period from January 2019 to April 2020 (the “**2019-2020 Data Pack**”). According to the 2019-2020 Data Pack:
- 84.1. the monthly GMV for the period from January 2019 to December 2019 ranged from approximately RMB 94 million to RMB 355 million, and the total GMV for 2019 was approximately RMB3.17 billion;
 - 84.2. the monthly revenue for the period from January 2019 to December 2019 continued to surge rapidly and ranged from RMB3.7 million to RMB16.5 million, and the total revenue for 2019 was approximately RMB145.6 million; and
 - 84.3. with the exception of February 2020 which only recorded a monthly GMV of approximately RMB6.6 million (presumably due to the Chinese New Year holiday) the monthly GMV for the period from January 2020 to April 2020 ranged from approximately RMB67 million to RMB277 million.
85. In or around July 2020, the Company circulated to the Board and shareholders a short data pack (the 2020 Q1/Q2 Data Pack) containing the Company's purported financial data for the first six months of 2020. According to the 2020 Q1/Q2 data pack, the GMV for April – June 2020 was RMB746,794,942 (around RMB250 million per month on average).
86. As it later transpired from EY's (as defined in paragraph 98.3 below) investigation, the genuine financial data of the Company for 2019 and 2020 was in fact much lower than suggested by the data presented by the Company to the shareholders after the Series D round (including as set out

above). In particular, the GMV figures for the year 2019 had been inflated more than 14 times: see paragraph 119 below.

87. Even according to the Company's own (inflated) financial data, except for one or two months, the Company has never made a net profit in any given month since it was founded.
88. Subsequent to the Series D round, Hurst Lin (on behalf of DCM) and Ziquan Zhang (on behalf of JenCap) verbally requested, on a number of occasions, that the Company should instruct auditors to provide the investors with audited financial statements (as required under Clause 3.1 of the SHA). In response, Alex Chen dismissed the requests, merely repeating that he and his team were very busy.

E. DISCOVERY OF THE FORMER CEO'S FRAUD

i. Whistleblower Report

89. On 4 January 2021, XVC, among other shareholders, received an email from an unknown sender and email account "brownblack007@outlook.com" (the "**Anonymous Email**").
90. The Anonymous Email contained the subject line "好汽配真实数据" [*The real data of Haoqipei*] (English translation) but did not contain any message in its body. The attachments to the Anonymous Email included, among other things, a set of power point slides titled: "好汽配真实数据" [*The real data of Haoqipei*] (the "**Anonymous Report**") (together with the Anonymous Email, the "**Whistleblower Report**").
91. The Anonymous Report contains a series of allegations regarding certain financial data, operation and management, and customers' data of the Business, including the following:
 - 91.1. On Slide 4, in respect of "汽配平台的交易现状" [*Status of Transactions on Haoqipei Platform*]:
 - 91.1.1. "*During the four years since its establishment, the platform retains a monthly GMV of around RMB20 million, with the peak month recorded in 2019 seeing a GMV of no more than RMB25 million.*" (English translation); and

- 91.1.2. *"The number of monthly active users of the platform remained at around 10,000 or so" (English translation).*
- 91.2. On Slide 5, in respect of "已确认的事实" [*Facts that have been confirmed*]:
- 91.2.1. *"Serious data fraud by creating a falsified annual GMV of over RMB3 billion; GMV figures provided to investors in Series C and D financings are 13 times more than the real numbers" (English translation);*
- 91.2.2. *"The financials presented in shareholder meeting of Q3 2020 records a GMV 10 times the real number. These were created by Operations within a few hours' time in response to request for information from investors" (English translation);*
- 91.2.3. *"The company has three sets of accounts – internal accounts, accounts for external investors, and accounts for potential financiers of re-financing" (English translation);*
- 91.2.4. *"Finances are basically controlled by YE Yichun, the CEO's wife" (English translation); and*
- 91.2.5. *"CFO and COO have no powers in the company, more like strategic positions set up to cope with investors' needs" (English translation).*
92. Shortly after XVC received the Whistleblower Report, on or around 12 January 2021, representatives of a majority of the shareholders in the Company, including DCM, JenCap, XVC and Access, organised a telephone conference among themselves to discuss the validity of the allegations in the Whistleblower Report and the need to investigate them.
93. Among others, Hurst Lin and Nan Bai of DCM, Ziquan Zhang and Zhen Gong of Jeneration Capital, Hu Boyu of XVC and Pueo Keffer and Han Wang of Access participated in the telephone conference. During this call, the parties agreed that it was necessary for the Company's Board to convene a meeting for the Board to consider the Whistleblower Report and to conduct an urgent investigation into the allegations raised.

II. Formation of the Investigation Committee

94. On 21 January 2021 at 1pm, the Board held an urgent special meeting by way of a combination of video conference and in-person meeting to determine what actions should be taken.
95. This special meeting was attended by all of the members of the Board at the time, namely, Alex Chen and the Investor Directors, including Reggie Han Zhang, Wei Li, Boyu Hu, Yaning Gao, Hurst Lin, David Yang and Ziquan Zhang. Other representatives of certain Investors, including Zhen Gong of Jeneration Capital, Nan Bai of DCM and Han Wang of Access, and the Company's PRC legal counsel, including Dafei Chen and Dong Liu of Han Kun Law Offices, were also present at the meeting.
96. Given the seriousness of the allegations against the Company and Alex Chen in the Whistleblower Report, the Board decided that it was necessary for the Board to establish an independent investigative committee and to conduct urgent investigations in connection with the allegations raised in the Whistleblower Report.
97. It was therefore resolved by the Board, among other things, that:
- 97.1. an independent investigation committee, consisting of the following Investor Directors: Ziquan Zhang, Hurst Lin, Pueo Keffer and Boyu Hu (the "**Investigation Committee**"), be established;
- 97.2. the Investigation Committee be authorized to engage external service providers to conduct investigations arising out of and related to the allegations in the Whistleblower Report and its contents (the "**Investigation**"); and
- 97.3. the Investigation Committee be authorized to deliver notice of the Investigation to the respective banks where the Company or any other Group Company have opened an account in order to limit any transaction of the bank accounts where necessary
- (the "**January Board Resolutions**").
98. Following the January Board Resolutions, the Investigation Committee engaged:
- 98.1. Han Kun Law Offices ("**Han Kun**") as legal counsel in the People's Republic of China ("**PRC**") to advise on and assist with PRC legal issues arising from and related to the Investigation;

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- 98.2. Travers Thorp Alberga as Cayman counsel to advise on and assist with Cayman legal issues arising from and related to the Investigation;
- 98.3. Ernst & Young (China) Advisory Limited Beijing Branch Office (“EY”) to perform financial and IT due diligence procedures, and conduct forensic investigations on issues arising from and related to the Investigation, for the financial period from 1 January 2019 to 31 December 2020; and
- 98.4. Huisheng Consulting (HK) Co., Limited (“Huisheng”) to perform commercial due diligence on the business of Haoqiwei and related issues arising from and related to the Investigation.
99. On 1 February 2021, Han Kun gave written notice of the Investigation to the respective banks of the Company and HKCo, to restrict the movement of funds from relevant bank accounts of the Company and the Group Companies, in accordance with the January Board Resolutions. In particular, the instruction given to the banks was that in respect of the bank accounts of the Company and HKCo, no transaction of an amount exceeding US\$500,000 for a single transaction, or US\$1,000,000 for a series of transactions within one month was allowed without the prior written approval of the Investigation Committee (“Bank Restriction Instruction”).
100. During the process of the Investigation, the Company through the Investigation Committee discovered that Alex Chen was in fact centrally involved in and/or had orchestrated the falsification of the Group's financials through the inflation of the Business' financial position, in order to induce investors (including the Petitioners) to purchase Preferred Shares in the Company or to retain shares that such investors had already acquired.

III. Confessions of Alex Chen regarding fraudulent activities

101. Following the commencement of the Investigation, and despite repeated requests from the Investigation Committee to Alex Chen seeking full access to the Company's database containing its financial records relating to the Business, Alex Chen and the management team of the Company failed to provide effective assistance, and there remained a lack of access to the Company's financial documents and information to facilitate the Investigation.
102. In the morning of 22 February 2021 (China time), it transpired that Alex Chen had, in a conversation with Han Wang of Access at the Company's office in Shanghai, admitted to having

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orchestrated and/or being involved in a series of fraudulent schemes within the Company or the Group during its fundraising process. These activities included:

- 102.1. falsification of documentation, such as the modification of Alipay and Wechat Pay records, to substantiate falsely inflated financials of the Company and/or the Group in the period prior to the Series D financing round;
- 102.2. giving instructions to the Company's and/or the Group's employees to falsify information in order to impersonate customers and participate in customer due diligence calls from then potential investors, including those from DCM, prior to the Series C financing round; and
- 102.3. as a result, substantial inflation and overstatement of the key financial information of the Company and/or the Group which covered the relevant periods prior to the Series C and Series D financing, through the fraudulent misrepresentations of the Company's financial information, such as the GMV, revenues and costs of Haoqipei, to the investors of Series C and Series D, and/or existing shareholders of the Company

(the "Fraud").

103. Subsequent to Alex Chen's confession, certain shareholders of the Company were informed by Puelo Keffer on behalf of Access and AI Autoparts, that as a consequence of the Whistleblower Report, Access and AI Autoparts had already submitted requests to the Company to exercise their rights to redeem their preferred shares in Series C and D respectively under the Current M&A.
104. Given the scale and gravity of the Fraud, the Investigation Committee convened an urgent meeting with Alex Chen by video conference on 22 February 2021 (namely the same day) at 2.05 pm (China time). The purpose of the meeting was, among other things, to obtain more details as to Alex Chen's admissions made in respect of the Fraud, and to attempt to formulate and carry out appropriate remedial actions.
105. The video conference meeting was attended by, among others, Alex Chen, all four members of the Investigation Committee, Nan Bai of DCM and Dafei Chen of Han Kun. The meeting was recorded on videotape for the purposes of record-keeping and documentation (the "Confession Meeting").

106. During the Confession Meeting, Alex Chen confirmed the admissions made earlier in the day to Han Wang in respect of the Fraud and apologized to the Investigation Committee for the manner in which he had conducted the business and affairs of the Company. He admitted that the Company had *"made many mistakes"* and engaged in *"cheating activities"* during the previous fundraising process, and said that he wanted to *"confess"* (all English translations).
107. In particular, Alex Chen confessed to knowingly and artificially inflating and/or falsifying the GMVs, revenues and costs (or losses) of the Business, in order to induce investors to subscribe for the Company's Preferred Shares and to promote financing available to the Company. When asked to particularize the extent of the Fraud, Alex Chen admitted to overstating the Company's financial position to the Series C and Series D investors and/or existing shareholders of the Company:
- 107.1. by about three times, for the period after the Series D round (in or around January 2020 to December 2020);
- 107.2. by about four to five times, for the period prior to the Series D round (in or around January 2019 to June 2019); and
- 107.3. by about less than one time, for the period prior to the Series C round (in or around January 2018 to November 2018).
108. Given the scale and the gravity of the Fraud, and Alex Chen's admission to having orchestrated and/or participated in the Fraud, the members of the Investigation Committee considered that it was appropriate for Alex Chen to be made accountable for his alleged misfeasance and misconduct, and be removed from his position in the Company.
109. Alex Chen then signed a resignation letter, which was prepared by Dafei Chen of Han Kun (legal counsel to the Investigation Committee), pursuant to which he stepped down as the Company's CEO with immediate effect.
110. Following the Confession Meeting, a Board meeting was convened on short notice at 5.50pm (China Time) on the same day. Alex Chen did not attend this Board meeting as he had just resigned from the Company.
111. At the Board meeting, it was unanimously resolved by the Board, among other things, that:

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- 111.1. the resignation of Alex Chen be reflected in the register of directors of the Company filed with the Register of Companies in the Cayman Islands;
 - 111.2. Nan Bai be appointed as the interim CEO of the Company to fill the vacancy of the Board resulting from Alex Chen's resignation; and
 - 111.3. all authorities granted to Alex Chen in respect of bank accounts in the names of the Company and its subsidiaries or affiliates be terminated.
112. On 19 February 2021, it transpired that Alex Chen had, without any legitimate commercial reason or justification, transferred US\$500,000 from the Company's bank account (being the maximum value of any single transaction allowed under the Bank Restriction Instructions), in an apparent attempt to dissipate the Company's funds to onshore bank accounts in the PRC.
113. As a result of Alex Chen's confession, and to prevent any further dissipation of the Company's assets by him, on 22 February 2021, Han Kun on behalf of the Investigation Committee issued further instructions to the banks of the Company and HKCo to completely freeze the remaining sums of monies in the respective bank accounts with immediate effect (the "**Account Freezing Instruction**"). The Petitioners have to date been unable to establish with any certainty whether Alex Chen still in fact holds and/or controls the Company's chops but it appears that Alex Chen still retains the chops belonging to at least certain PRC entities of the Group Companies.
114. On 4 March 2021, an extraordinary general meeting of the Company was convened to consider a special resolution to amend the Current M&A to remove Alex Chen's power to appoint an ordinary director to the Board. It was resolved as a special resolution that the relevant provisions in the Schedule to the Current M&A (paragraphs 7b(viii) and 7(d)) be deleted in their entirety.

F. PRELIMINARY FINDINGS OF THE INVESTIGATIONS INTO THE FRAUD

I. Forensic and IT due diligence investigations by EY

115. As set out at paragraph 98 above, the Investigation Committee engaged EY to perform financial and IT due diligence procedures, and to conduct a forensic investigation for the financial period 1 January 2019 to 31 December 2020. In particular:
- 115.1. the Investigation Committee engaged EY to conduct an investigation into allegations in the Whistleblower Report in relation to the financial period from 1 January 2019 to 31

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December 2020. The investigation would focus on inter alia the Company's GMV figures, and verification of vendors and customers; and

- 115.2. the Investigation Committee also engaged EY to perform financial and IT information due diligence procedures on the results of the Group Companies for the financial period 1 January 2019 to 31 December 2020. Such due diligence involved, *inter alia*, an assessment of the quality of financial information and management reporting and verification of key KPIs (key performance indicators) (including GMV and revenue figures).
116. Shortly after the commencement of the investigation by EY, on 7 February 2021, in a WeChat message, Ms Audrey Liu of EY (WeChat display name "Liu Xiao Au") provided an update to the Investigation Committee on EY's data collection due diligence as part of its investigation into the allegations contained in the Whistleblower Report and the Fraud. For this purpose, EY had been given access by the management of the Company to a database maintained by the Company, which purportedly contained copies of its financial records and information relating to the Business.
117. According to Ms Liu:
 - 117.1. the Company's database inspected by EY did not contain any data for the time period prior to or in 2018 (subsequently, Shenglong Zhao, the chief technology officer of the Company informed Mr Nan Bai (in his capacity as interim CEO of the Company) that an engineer employed by the Company had deleted all the pre-2018 data contained in the database sometime prior to the commencement of EY's investigation during a system upgrade, purportedly by accident);
 - 117.2. no logs were kept of the formal platform database operations, so there was no record of operations performed in the database; and
 - 117.3. preliminary "walk-through" checks conducted by EY revealed alarming issues with respect to the customers' information on the Company's database:
 - 117.3.1. the contact provided for one purported customer was, in fact, a business development employee of the Haoqipei Business;

- 117.3.2. the profile for one purported supplier was set up in June 2020, but there were order entries for that supplier in March 2020; and
- 117.3.3. the telephone numbers for several suppliers appeared to be fabricated.
118. On 11 March 2021, EY circulated the first draft of an IT Due Diligence Investigation Report (the “**EY IT Due Diligence Report**”) to the Investigation Committee. As part of EY’s investigation process, EY conducted interviews with Alex Chen, Shenglong Zhao (the chief technology officer of the Company) and Cui Aiwen (software architect). The EY IT Due Diligence Report states that:
- 118.1. the Company’s management (believed to be Alex Chen or employees acting at his direction) provided EY with two different versions of the Company’s database: one version named “0209DB” provided on 9 February 2021, and a second version named “0222DB” provided on 22 February 2021;
- 118.2. the data contained in “0222DB” was completely different to the data contained in “0209DB”;
- 118.3. according to the Company’s management, the database “0222DB” provided on 22 February 2021 reflected the actual business performance of the Group;
- 118.4. EY accordingly conducted verification of the KPIs of the Company’s Business based on the data extracted from “0222DB”; and
- 118.5. the data extracted from “0222DB” was reliable as *“a majority of the transactions in 0222DB can be matched with the Alipay and Wechat transaction statements provided by management”*.
119. The EY IT Due Diligence Report also confirms that the monthly GMV of the Company’s business previously provided to investors had been falsely inflated. Specifically, EY made the following findings as a result of its investigation:
- 119.1. the GMV and revenue figures as previously provided to the investors were substantially inflated. According to EY, *“the total GMV of the Group in the database (0222DB) was Rmb219.4 million and Rmb614.5 million in FY19 and 9m20 [the first nine months of 2020] respectively, accounting for 6.9% and 30.6% of the operating data management previously provided to the shareholders”* (emphasis added). EY also found that the actual

GMV for FY 2019 and 9m20 was RMB 219,388,000 and RMB 614,452,000 respectively, whilst the GMV data reported by the Company to the investors for the same periods were RMB 3,174,368,000 and RMB 2,010,760,000 respectively, representing an inflation of approximately 14.5 times and 3.3 times respectively compared with the actual GMV for the respective time period;

119.2. EY therefore concluded that “[t]he monthly gross GMV of Auto parts platform reached around Rmb20 million with approximately 10,000 trading customers, **roughly close to those disclosed in the Whistleblower Report**” [emphasis added]; and

119.3. the monthly GMV of the Company for the period from January 2019 to March 2019 ranged from *approximately* RMB 8 million to RMB 14 million per month, compared to the range of approximately RMB 94 million to RMB 238 million per month for the same period as reported in the data provided to the investors prior to the Series D round. In addition, the monthly revenue of Haoqiwei for the period from January 2019 to March 2019 ranged from approximately RMB 220,000 to RMB 330,000 per month, compared to the range of RMB 892,970 to RMB 4,329,850 for the same period as reported in the data pack for the Series D round.

120. The EY IT Due Diligence Report contained findings that the post-Series D round financial data provided to the shareholders (including the data presented in the August 2019 Financial Update, the December 2019 Business Update, the 2019-2020 Data Pack and 2020 Q1/Q2 Data Pack as described in paragraphs 82-85 above) had been substantially inflated. The EY IT Due Diligence Report also found that financial data provided to the investors at the time of Series D investment (June 2019) (to the extent this related to 2019 financial data) had been substantially inflated.

121. As noted at paragraph 117.1 above, EY was unable to access any data for 2018 and earlier, as the Company had deleted the same prior to the commencement of EY's investigation. As a result, the Investigation Committee is unable to verify the extent of falsification of financial data (including GMVs and revenues) provided to the investors at the time of the Series B (September 2018) and Series C (November/December 2018) investment rounds. However, given Alex Chen's confession that the financial position of the Company for the period prior to Series C round (in or around January 2018 – November 2018) were inflated by about less than one time (see paragraph 107 above), and the proven falsification of data for 2019 and the first nine months of 2020, the

Petitioners believe that the financial figures presented to the Petitioners prior to Series B and C for the relevant periods in financial year 2018 were similarly inflated.

122. Further, the EY IT Due Diligence Report reported anomalies of customer data. For instance, one particular phone number ("15975277147") had 86 recorded addresses. The EY Due Diligence Report found that "[a]s of report date, management did not provide reasonable explanations [to the anomaly]".

II. Investigation by Huisheng

123. Huisheng was engaged by the Investigation Committee to investigate inter alia the financials and customers data of the "Haoqipei" platform.

124. On 13 March 2021, Huisheng circulated its investigation report (the "**Huisheng Report**") to the Investigation Committee.

125. As part of Huisheng's investigation process, DCM provided Huisheng with the customer list which had been provided by the Company to DCM in April 2018 (prior to the Series B round investment) (see paragraph 35 above). Huisheng then selected samples from the customer list to conduct verification by trying to contact the relevant customers to verify their orders placed on the Haoqipei platform.

126. In summary, Huisheng found that a large number of purported customers on the customer list had been fabricated ("好汽配在买家端捏造大量虚假交易", translated as "*Haoqipei cooked up a large number of fake transactions on the buyers side*"). Out of the 99 sample customers selected by Huisheng, Huisheng was only able to conduct valid interviews with 33 customers, as the other 66 customers were not contactable; either the telephone numbers provided were invalid or the purported customer did not answer the call. Among the 33 samples for which Huisheng was able to perform verification interviews, 18 samples were found to be potentially tainted by fraud. Among these 18 samples: (1) three interviewees answered that they had no prior business relationship with Haoqipei; (2) ten interviewees reported although they had prior business relationship with Haoqipei, they had not conducted any transaction with Haoqipei in March and April 2018 (despite the customer list showing that there were business relationships with the interviewees in question in March and April 2018); (3) the information of three interviewees did not match the data provided in the customer list (meaning that although Huisheng was able to call these interviewees using the contact information provided in the customers' list, the

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interviewed entities were not in fact the entities reported on the customer list); and (4) for two interviewees, it was found out that the Company had inflated their transaction volume.

127. The findings by Huisheng clearly showed that a large portion of the customer data provided by the Company was fabricated. Huisheng concluded that "[Huisheng] have identified a large number of fabrications in the Zhongshan buyers list provided by Haoqipei in terms of transaction authenticity and other issues" [emphasis added].

III. Related-Party Transactions

128. The investigation by EY, Huisheng and Han Kun further identified a number of related-party transactions between the WFOE, one of the Group Companies (see paragraph 4 above), on the one hand, and Alex Chen himself as well as companies connected to Alex Chen and/or his relatives on the other.
129. In addition to the EY Report dated 11 March 2021, EY circulated another investigation report on 5 March 2021 titled "Forensic Investigation Preliminary Observations Update" (the "EY Forensic Report"), containing EY's findings that: (i) abnormal payments totalling approximately RMB 4 million were channelled from the WFOE's bank account to Alex Chen; (ii) abnormal payments totalling approximately RMB 45.1 million were channelled from the WFOE's bank account to companies connected to Alex Chen and/or his relative(s); and (iii) abnormal payments totalling approximately RMB 1.1 million were made from the WFOE's bank account to Alex Chen's wife, Ms YE Yichun. Similarly, the Huisheng Report also identified suspect related party transactions between the WFOE and companies controlled by Alex Chen and/or his relative(s) totalling RMB 31.34 million. Notably, the four companies identified by Huisheng to have suspect related party transactions were also mentioned in the EY Forensic Report.
130. As set out above, in addition to EY and Huisheng, Han Kun was engaged by the Investigation Committee as its legal adviser to provide legal advice to the Investigation Committee and to participate in the investigation as instructed by the Investigation Committee. Based on the results of the forensic investigation completed by EY, Han Kun selected five suspicious related-party transactions (the "**Suspect Related-party Transactions**") and conducted further investigations into the same, including conducting interviews with Alex Chen and requesting supporting documents (including vouchers for purported expenses). The Suspect Related-party Transactions involved payment to Alex Chen and/or companies affiliated with him and/or his relatives of sums totalling approximately RMB42.7 million:

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- 130.1. bank transfers from the WFOE to Alex Chen totalling approximately RMB3.5 million for the period from January 2019 to December 2020 for purported travel reimbursements;
 - 130.2. bank transfers from the WFOE to Shanghai Maifou Investment Management Co Ltd (上海脉否投资管理有限公司), a company controlled by Alex Chen, totalling approximately RMB1 million from August 2019 to January 2021 for purported payment of employees' wages and social insurance charges;
 - 130.3. bank transfers from the WFOE to Ningbo BangCheng Commercial Consulting Co Ltd (宁波邦诚商务咨询有限公司), in which Alex Chen's mother-in-law was the shareholder, ("**Ningbo Bangcheng**") totalling approximately RMB10.6 million during the period from July 2019 to January 2021 for purported payment of rent owed by the WFOE to Ningbo BangCheng;
 - 130.4. bank transfers from the WFOE to Shanghai Dequ Trading Co Ltd (上海德趣贸易有限公司) ("**Shanghai Dequ**"), a company controlled by Alex Chen's wife, totalling approximately RMB7.6 million during the period from January 2019 to September 2020 for purported reimbursements of payments made for batteries ordered by Shanghai Dequ on behalf of WFOE; and
 - 130.5. bank transfers from the WFOE to Jiutong Yibao (Beijing) Investment Consulting Co Ltd (玖通乙宝(北京)投资咨询有限公司) ("**Jiutong Yibao**"), a company controlled by Alex Chen, totalling RMB 20 million during the period from May 2019 to January 2021 for purported reimbursement of orders placed by WFOE using Jiutong Yibao's Alipay account.
131. Han Kun issued its investigation report (the "**Han Kun Report**") to the Investigation Committee on 12 May 2021. Nan Bai, as the interim CEO of the Company, circulated the Han Kun Report to the shareholders of the Company (excluding the shareholder vehicle(s) owned by Alex Chen) including DCM and JenCap on 13 May 2021. The Han Kun Report concluded that "*based on the information provided by Alex Chen and other employees of HQP, **four of the five [Suspect Related-party Transactions] listed above are still questionable, and Alex Chen is suspected of committing criminal embezzlement [sic] and/or torts of causing damage to the Company's interests***" (emphasis added). The Han Kun report found that most of the explanations provided by Mr Alex Chen did not stand up to scrutiny (except for the transaction between the WFOE and Shanghai

Maifou). In short, Han Kun concluded that there was no reasonable justification or explanation provided for the remaining four related-party transactions involving a total amount of RMB41.7 million. Han Kun concluded its report by making a number of recommendations to the Investigation Committee, including to (i) proceed with civil actions against Alex Chen in Mainland China; and (ii) file criminal reports against Alex Chen for having misappropriated assets from the WFOE. The investigation Committee is in the process of seeking Han Kun's further legal advice in relation to commencing potential legal actions against Alex Chen.

132. The Suspect Related-party Transactions (with the possible exception of the payment from the WFOE to Shanghai Maifou) apparently orchestrated by Alex Chen constituted a breach by Alex Chen of the following obligations:

132.1. breach of Clause 7.2(a)(xvi) of the SHA pursuant to which the Founder (i.e. Alex Chen) covenants that he shall procure that each of the Group Companies (which includes the WFOE) shall not, without the shareholders' consent, enter into or be a party to any related party transactions with any Group Company's shareholders, directors, officers, employees or other insiders and any of their affiliates or associates;

132.2. breach of his fiduciary duties to the Company, in that, by causing payment to be made by the WFOE (the subsidiary of the Company enjoying all the economic benefits of the Business conducted by the DomCo, see paragraph [4]) to himself and/or companies affiliated with himself and/or his associates and failing to disclose the same, Alex Chen *inter alia*:

132.2.1. breached his duty to act *bona fide* in the best interests of the Company;

132.2.2. breached his duty to avoid conflicts of interest with the Company;

132.2.3. breached his duty to exercise his powers as a director for a proper purpose;

132.2.4. breached his duty to disclose his personal interest in transactions involving the Company; and

132.2.5. breached his duty not to make secret profits from his director's office by diverting funds belonging to the WFOE (a subsidiary of the Company) for use by himself and/or companies affiliated with himself and/or his associates.

133. On 18 March 2021, the Company convened a Board meeting to update the shareholders on the progress of the investigation and the next steps for the Company. Prior to the meeting, Nan Bai, as the interim CEO of the Company, circulated the EY IT Due Diligence Report, EY Forensic Report and the Huisheng Report to the shareholders of the Company, including DCM and JenCap (excluding the shareholder vehicle(s) owned by Alex Chen). This meeting was attended by the Investor Directors along with the following individuals:
- 133.1. Mr Jian Zhao (the chief operating officer);
 - 133.2. Michael Chen of DST (as observer);
 - 133.3. representatives from EY and Huisheng;
 - 133.4. additional representatives from Jeneration Capital (Zhen Gong), Access (Han Wang) and XVC (Neo Yang); and
 - 133.5. attorneys from Han Kun (PRC law legal adviser to the Investigation Committee) and Travers Thorp Alberga (Cayman law legal adviser to the Investigation Committee).
134. During the meeting, EY and Huisheng provided an update to the Board and the Investigation Committee on the progress and findings of the investigation, and answered questions from the Board and the other participants of the meeting.

G. REDEMPTION REQUESTS AND SUBSEQUENT EVENTS

I. Redemption Requests of Access and AI Autoparts

135. Approximately six weeks after the Whistleblower Report had been received, Access and AI Autoparts, each a holder of the Preferred Shares of Series C and Series D respectively, issued written requests to the Company to exercise their rights under the Current M&A to redeem their preferred shares held with the Company (the "**Access Redemption Requests**"). The Access Redemption Requests were dated 17 February and 18 February 2021; however, the Access Redemption Requests were only sent by Access to the Company (via email to Alex Chen) on 22 February 2021, following the confession of Alex Chen. On 2 March 2021, the Access Redemption Requests were then forwarded to Dafei Chen of Han Kun at the request of Pueo Keffer of Access, and on the same day Dafei Chen sent the same to Nan Bai as the Interim CEO of the Company.

136. In the Access Redemption Requests, Access and AI Autoparts relied on alleged material breaches of certain Series C and Series D transaction documents which constituted grounds for redemption under the Redemption Clause of the Current M&A, including, namely:
- 136.1. the failure of the Company to (i) appoint a chief financial officer, (ii) to establish and improve the financial, operation and internal control systems of the Group, and (iii) establish teams and hire senior staff with competent financial and internal control expertise, to the satisfaction of Access (under the same Clause 6.19 of the Series C and Series D Share Purchase Agreements); and
 - 136.2. the failure of the Company to deliver audited annual financial statements upon reasonable request of Access (under sub-clause 3 of Section 5(c)(i) and sub-clause 3 of Section 5(c)(ii) of Schedule A to the Current M&A).
137. On 22 March 2021, following the Access Redemption Requests, the Company provided a Redemption Notice to all shareholders, which informed such shareholders, among other things, that (i) the Company received the Access Redemption Requests on 2 March 2021; (ii) the shareholders are entitled to their rights to elect to participate in the redemption initiated by the Redemption Requests within the following 15 business days (namely by 14 April 2021); and (iii) the date for the closing of the redemption being 20 July 2021 ("**Redemption Closing**").
138. Given the 15-day time limit as provided for in the Redemption Notice for shareholders to elect to participate in the "waterfall" redemption mechanism triggered by the Access Redemption Requests, the Petitioners considered that it was necessary for them to take protective steps to preserve their respective positions as to their redemption rights in respect of their Series C and Series D Preferred Shares, pending the findings from the Investigation, and any evidence regarding the liquidity and/or net financial position of the Company. Had the Petitioners not elected to participate in the redemption process, and it later transpired that the Business were not performing as represented and/or the Company were insolvent, the Preferred Shares would likely be worthless. For this reason, the Petitioners decided to preserve their rights to participate in the redemption triggered by the Access Redemption Requests, as set out in paragraph 139 below.

II. Further Redemption Requests

139. Between 12 April 2021 and 14 April 2021, various shareholders, including the Petitioners, exercised their respective rights to request redemption of their Preferred Shares under Clause 5(c) of Schedule A to the Current M&A ("**Further Redemption Requests**"). Details of these redemption requests, including the dates of redemption and the series of preferred shares redeemed in respect of each redeeming shareholder (together, the "**Additional Redeeming Shareholders**") are set out below:

Date	Additional Redeeming Shareholder	Series of Shares to be redeemed
12 April 2021	DCM	Series C-1, C-2 and D Preferred Shares (exclusive of any Series B Preferred Shares)
14 April 2021	JenCap	Series C and D Preferred Shares
14 April 2021	Redpoint	Series Seed, A and B Preferred Shares
14 April 2021	SIG	Series C-2 and D Preferred Shares
14 April 2021	XVC	Series A-2, B, C-2 and D Preferred Shares
April 2021	DST (Gemini)	Series B and C-2 Preferred Shares
(Undated)	Shunwei	Series Seed and Series A Preferred Shares

140. Following receipt of the Further Redemption Requests, the Company is obliged to redeem the relevant shares and make redemption payments to all of the Additional Redeeming Shareholders, in addition to AI Autoparts and Access, in accordance with the Company's obligations under the specified "waterfall" mechanism under Clause 5 of Schedule A to the Current M&A (the "**Redemption Clause**") (see paragraph 79 above).

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III. The Company's Lack of Liquidity

141. The Additional Redeeming Shareholders, including the Petitioners, and Access, subsequently entered into discussions with each other once it became apparent from the preliminary findings from the Investigation that, in circumstances where there are serious irregularities in the Company's financial records, accounts and internal operations (see Section F above) as a result of the Fraud, the existing assets and funds legally available to the Company would be insufficient to meet the Company's obligations to redeem all Redeeming Shareholders at the time of Redemption Closing.
142. In particular, the Petitioners are aware (following information requests made to the Company) that the primary source of funds or assets available to the Company and/or the Group amounted to a total of approximately US\$80.3 million as of 27 June 2021, as follows:

Entities in Group	Relevant Bank	Status	Amount (US\$)
HKCo	SPD Silicon Valley Bank	Subject to Account Freezing Instruction	40,230,716.41
Company	Silicon Valley Bank (USA)	Subject to Account Freezing Instruction	30,065,057.68
HKCo	Silicon Valley Bank (USA)	Subject to Account Freezing Instruction	499,989
Various onshore entities of Group, including WFOE (the "Onshore Entities")	Various banks	Account balance as of 27 June 2021 (Not subject to Account Freezing Instruction)	9,506,309.88 (equivalent to approximately RMB 64,651,014.22)
	Total:		<u>80,302,072.97</u>

143. The Petitioners also understand (from information requests made to the Company) that the Business has continued to incur substantial expenses of at least RMB 9.5 million (equivalent to approximately US\$1.46 million at current exchange rates) on a monthly basis, since the Confession Meeting and the Account Freezing Instruction were issued on 22 February 2021. Since

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then, the expenses incurred by the Business have been funded through the cash available in the Onshore Entities' bank accounts, which were not subject to the Account Freezing Instruction, and which amounted to a total sum of around RMB 64.65 million (equivalent to approximately US\$9.5 million) as of 27 June 2021 (see the table above).

144. In contrast, the total outstanding amount to be paid by the Company at the Redemption Closing is at least US\$180 million, comprising the amounts to be paid under the Access Redemption Requests (at least US\$66 million) and the Further Redemption Requests (at least US\$114 million) (together, the "**Redemption Payments**"). Details of the Redemption Payments in respect of each financing series and the Additional Redeeming Shareholders are set out in the table below:

Redemption Payments due on Closing (US\$'000) (to the nearest 2 decimal figures)									
	Seed	A-1	A-2	A+	B	C-1	C-2	D	Sub-Total (by sharehold ers)
XVC			5,000		1,224.08		6,000.03	11,894.20	24,118.31
DCM					(Not redeemed: \$17,298.64)	12,381. 71	9,829.94	1,500	23,711.65
JenCap							37,500.18	7,500.02	45,000.20
Access							6,000.03		6,000.03
AI Autopa rts								60,000.19	60,000.19
DST (Gemin i)					4,324.66		7,500.04		\$11,824.7 0
SIG				(Not redeemed: \$7,521.37)	(Not redeemed: \$697.48)		3,000.01	1,500	\$4,500.01
Redpoi nt	1,200	1,000			673.24				\$2,873.24
Shunw ei	1,200	1,000							\$2,200
Sub- total	\$2,4 00	\$2,0 00	\$5,00 0		6,221.98	\$12,381 .71	\$69,830.2 2	\$82,394.4 3	
								Total	\$180,228. 06

Note to Table: Calculations based on the Original Issue Price as defined under the Current M&A.

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145. It is not clear to the Petitioners if the funds held in the Onshore Entities' bank accounts could properly be used by the Company to meet the Redemption Payments. However, given the Company's cash position, it will not be able to pay the Redemption Payments in full out of its legally available assets in any event, regardless of whether it has recourse to the Onshore Entities' funds. As such, the Company will be required to issue promissory notes (the "**Promissory Notes**") in respect of the outstanding unpaid balance of the Redemption Payments at the Redemption Closing, such notes to provide for a one-year limit for the Company to repay the same (together with any interest on the amount at a compound rate of 10% per annum from the date of redemption date until the repayment date by the Company), in accordance with paragraph (d) of the Redemption Clause (see paragraph 79.5 above).
146. Moreover, in circumstances where the Company is not attracting any new external investment (and where there is no reasonable prospect of that now happening), and where each of the Company's existing Preferred Shareholders has requested to redeem some or all of its shares (with approximately 58.22% of all of the Company's issued shares subject to redemption requests) such that there is plainly no prospect of its existing members contributing new capital, the Petitioners contend that the Company will become immediately insolvent after the Redemption Closing and that it has no prospect of paying all of the sums due under the Promissory Notes, as a result of:
- 146.1. its obligations to pay out all of its available funds to satisfy the Redemption Payments at the Redemption Closing, thereby exhausting the Company's available funds; and
- 146.2. the fact that, after the Redemption Closing, the Business will continue to incur expenses and require working capital in the amount of at least RMB 9.5 million per month.
147. Put simply, because the Company's shareholders are entitled to a dollar amount upon their redemption (as opposed to a pro-rata share of the Company's net asset value), there is a deficit of more than US\$100 million between the Company's available assets and its contractual liabilities which will fall due within the next 12 months or so.
148. The Petitioners believe that the Additional Redeeming Shareholders also share the same concerns as the Petitioners regarding the Company's lack of liquidity as set out in paragraphs 141 - 147 above, and will therefore in principle, support this Petition.

149. The Petitioners consider it unjust and inequitable that any shareholders should be permitted to redeem their shares, and thereby take advantage of the Company's doubtful solvency and financial uncertainty, in circumstances where the Access Redemption Requests (which triggered all of the other redemption requests) were submitted (a) after Access and AI Autoparts had received notice of the Fraud; (b) in the knowledge that, if effected, Access and AI Autoparts would receive their Redemption Payments on preferential terms that were only approved by the Company's other shareholders as a result of the Fraud; and (c) in circumstances where this will almost certainly result in the Company becoming insolvent. The Petitioners accordingly intend to make an application for the appointment of provisional liquidators to preserve the Company's assets – in particular, to prevent the Redemption Payments being made pending the determination of this Petition.

H. GROUNDS ON WHICH A WINDING-UP ORDER IS SOUGHT

I. Insolvency

150. As set out above, the Company's current financial position means that it will be unable to meet its obligations to pay the Redemption Payments in full. Further, there is no realistic prospect of the Company being able to pay the Promissory Notes in full as and when they fall due.

151. The Company is, therefore, either unable to pay its debts which will fall due in the reasonably near future (such that the Company is insolvent for the purposes of section 92(d) of the Act), or, alternatively, in circumstances where the Company's existing and probable assets will be insufficient to meet its existing liabilities such that it will not be able to pay the Redemption Payments and/or the Promissory Notes in full when they fall due, it is just and equitable for the Company to be at once wound up.

II. Fraudulent formation and/or promotion

152. Having regard to all of the foregoing, it is clear that the entire scheme for the promotion of investment into the Company, from the seeking of investment ~~in resulting~~ that resulted in the issuance of the Series C shares at the very latest, has been conducted on a fraudulent basis. The Petitioners contend that each new issuance of shares amounted to a new promotion of the Company and that the Whistleblower Report, the Confession Meeting, the EY Report, the Huisheng Report, and the Han Kun Report (collectively, the "Investigative Reports") all

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demonstrate that the Company has been promoted fraudulently. In such circumstances, it is just and equitable that the Company be wound up.

153. Moreover, the Investigative Reports also confirm that investments from the Petitioners (and other shareholders) were specifically sought by the Company through Alex Chen on an entirely fraudulent basis. The scope of the Fraud was extensive and carefully crafted: documents were falsified, financial figures were hugely inflated, false and misleading accounts were produced, customer lists were fabricated, the Company's and/or the Group's employees were instructed to answer customer due diligence calls (and provide materially incorrect information) and there appear to be numerous highly questionable related-party transactions involving millions of dollars' worth of funds being channelled from the Company and Group Companies to Alex Chen.
154. In addition to the above, however, the Investigative Reports also show that the Petitioners were fraudulently induced to authorise and approve amendments to the Company's authorised share capital and to its Memorandum and Articles (thereby permitting the Series C and Series D shares to be issued and introducing the preferential Series D waterfall). In such circumstances the Petitioners have no alternative remedy, because a claim for rescission of their Preferred Shares alone would not deal adequately or at all with the consequences of the Fraud.

III. Need for Investigation

155. In circumstances where the scope and extent of the Fraud is still not clear, where the Company's financial records have been destroyed or deleted, and where the majority of the Board members are nominated by shareholders who have submitted redemption requests such that issues of irremediable conflict arise, the Petitioners believe that there is a real and urgent need for independent liquidators to be appointed by the Court in order to:
- 155.1. allow a substantive and independent forensic investigation into the Company's business and affairs (and, in particular, the extremely serious issues raised in the Investigative Reports) to be carried out so as to establish the Company's true financial position and solvency;
- 155.2. pending such an assessment, prevent:

- 155.2.1. the redemption of any of the Company's shares in order to ensure that no shareholders wrongfully (and irreversibly) benefit from the Fraud, and that the appropriate waterfall calculation is applied to any redemption payments; and
 - 155.2.2. the dissipation, misuse or misapplication of the Company's remaining assets;
 - 155.3. investigate the validity and propriety of the issuance of the Series D shares in their entirety;
 - 155.4. rectify the Company's Register of Members, if considered necessary and appropriate by the Joint Official Liquidators;
 - 155.5. seek the Court's guidance, direction and assistance in relation to the above issues; and
 - 155.6. allow proceedings to be brought to recover assets of the Company which have been misappropriated, if the Joint Official Liquidators form the view that such proceedings are necessary.
156. In such circumstances it is just and equitable that the Company be wound up.

IV. Loss of substratum ~~Loss of substratum~~

157. As set out above, all of the Company's shareholders have now submitted redemption requests in respect of some or all of their shares, which it appears that the Company will be unable to be able to pay in full. The Company has never traded at a profit (even in its fraudulently inflated accounts). In addition, there is no reasonable prospect of the Company attracting further investment. Accordingly, the Company is now in a position whereby it cannot pursue its business without further capital, which its members will not contribute. In such circumstances, the Company's business is no longer viable, such that it is just and equitable for it to be wound up. Further, the Company cannot carry on business in accordance with the reasonable expectations of its shareholders.

YOUR PETITIONERS THEREFORE HUMBLY PRAY THAT:

1. The Company be wound up by the Court under the provisions of the Companies Act (2021 Revision).

2. Martin Trott and Christopher Smith, both of R&H Restructuring (Cayman) Ltd., 2nd Floor, Windward 1, Regatta Office Park, PO Box 897, Grand Cayman, KY1-1103, Cayman Islands be appointed as Joint Official Liquidators of the Company with the power to act jointly and severally.
3. The Joint Official Liquidators shall not be required to give security for their appointment.
4. In addition to their powers prescribed in Part II of the Third Schedule to the Companies Act (2021 Revision) which are exercisable without sanction of this Court, the Joint Official Liquidators may also without further sanction or intervention from this Court:
 - 4.1 exercise all of the powers set out in Part I of the Third Schedule to the Companies Act (2021 Revision); and
 - 4.2 take any such action as may be necessary or desirable to obtain the recognition of their appointment in any other relevant jurisdictions and to make applications to the courts of such jurisdictions for that purpose,and for the avoidance of doubt the powers bestowed on the Joint Official Liquidators may be exercised by them within and outside the Cayman Islands.
5. The costs of the Petitioners of and incidental to the Petition be paid forthwith from the assets of the Company as an expense of the liquidation, to be taxed on the indemnity basis if not agreed with the Joint Official Liquidators.
6. Such other orders and directions may be made as the Court thinks fit.

Dated this 2nd day of July 2021

Amended this 6th day of July 2021, pursuant to CWR O. 3, r.2(3)



Campbells

Attorneys-at-Law for and on behalf of the Petitioners

It is intended that this Petition be served on:

1) The Clerk of the Court, FSD Registrar

2) HQP Corporation Limited

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Notice of Hearing

TAKE NOTICE THAT the hearing of this Petition will take place at the Law Courts, George Town, Grand Cayman, Cayman Islands on ~~21 September 2021~~ ^{18th January} ~~2021~~ ²⁰²² at 10am.

Any correspondence or communication with the Court relating to the hearing of this Petition should be addressed to the Registrar of the Financial Services Division of the Grand Court at PO Box 495, George Town, Grand Cayman KY1-1106, Cayman Islands; Tel: 3459494296.