SUMMARY

This summary aims to give you an overview of the information contained in this Document. As this is a summary, it does not contain all the information that may be important to you. You should read the entire Document before you decide to [**REDACTED**] *in our Class B Ordinary Shares. There are risks associated with any* [**REDACTED**]. *Some of the particular risks in* [**REDACTED**] *in our Shares are set out in the section headed "Risk Factors" in this Document. You should read that section carefully before you decide to* [**REDACTED**] *in our Class B Ordinary Shares. Various expressions used in this section are defined in the sections headed "Definitions" and "Glossary of Technical Terms" in this Document.*

OUR MISSION

To make human life safer and better through driver assistance and autonomous driving.

OUR VISION

To empower every passenger vehicle with our advanced driver assistance systems ("ADAS") and autonomous driving ("AD") solutions.

OVERVIEW

We are a leading provider of ADAS and AD solutions for passenger vehicles, empowered by our proprietary software and hardware technologies. Our solutions combine cutting-edge algorithms, purpose-built software and state-of-the-art processing hardware, providing the core technologies for assisted and autonomous driving that enhance the safety and experience of drivers and passengers. We are a key enabler for the smart vehicle transformation and commercialization with our integrated solutions deployed on mass scale. We are the first and have consistently been the largest Chinese company providing integrated ADAS and AD solutions in terms of annual installation volume since the mass deployment of our solutions in 2021, according to CIC. We have a large, global customer base of industry-leading OEMs and tier-one suppliers. Our business has achieved significant growth at scale over the past three years as we capitalize on the mega industry tailwind as the market leader.

Notes:

1. According to CIC, on a mass production basis.
2. As of Latest Practicable Date, in terms of automotive solutions.
3. According to CIC, in terms of ADAS and AD annual installation volume since the mass deployment of our solutions in 2021.
4. As of December 31, 2023.

Smart vehicle transformation is a mega trend that has been reshaping the estimated US$13.0 trillion global automotive, mobility and road freight industries in 2023. ADAS capabilities are increasingly common in cars nowadays, thanks to the rapid technology advancement and higher consumer demand in recent years. This is demonstrated by the ADAS penetration rates of over 50% in both the global and Chinese markets in 2023, according to CIC. Meanwhile, industry participants continue to make ongoing, inexhaustible efforts to march towards broader adoption of AD with increasing level of automation. We believe the demand for driving automation solutions will continue to grow significantly in the years to come. According to CIC, the global ADAS and AD solutions market presents a RMB61.9 billion opportunity in 2023 and is expected to grow at a CAGR of 49.2% through 2030 to reach RMB1,017.1 billion.

However, a few core challenges need to be addressed to realize mass adoption of smart vehicles enabled by ADAS and AD. ADAS and AD systems are highly complex, requiring high processing capacity, high reliability, low latency and low energy consumption, and need to be produced at affordable costs. Therefore, ADAS and AD solutions require the co-design of software and hardware to achieve the necessary system-level performance and reliability of driving functions. Deployment of such solutions on vehicles also requires optimal energy efficiency while guaranteeing application performance. In addition, mass adoption of ADAS and AD needs an open platform approach where value chain participants can all join and continuously leverage the enabling technologies to develop functions and features that suit their needs while reducing time to market.

By architecting our solutions to address these fundamental challenges, we build the core enabling technology for smart vehicle revolution. Our solutions enable the full spectrum of driving automation functions for passenger vehicles from mainstream assisted driving to advanced levels of autonomous driving. Built through nine years of development, testing and iterative improvements, our integrated solutions have been successfully validated, commercialized and deployed on mass scale. With our product maturity, technological advantage and commercial success, we have established ourselves as a clear market leader. The comprehensiveness and uniqueness of our solution matrix, as summarized below, allow us to rapidly penetrate the market, achieve high customer stickiness and capture a significant portion of the value chain.

We offer a comprehensive portfolio of ADAS and AD solutions, namely Horizon Matrix Mono, Horizon Matrix Pilot and Horizon Matrix SuperDrive, to address different customer needs from mainstream assisted driving to advanced level autonomous driving:

- ***Horizon Mono.*** Horizon Mono is our active safety ADAS solution designed to improve daily driving safety and comfort. It enables basic functions such as automatic emergency braking (AEB) and intelligent high beam (IHB) to improve passenger and road-user safety, as well as comfort functions such as adaptive cruise control (ACC) and traffic jam assist (TJA) to improve driving experience.

- ***Horizon Pilot.*** Horizon Pilot is our highway navigate on autopilot (NOA) solution that provides safe and efficient driving experience. In addition to enhanced active safety features, Horizon Pilot performs more advanced tasks such as automatic ramp on/off, autonomous merge-in and exit during traffic congestion, automated lane change, highway autopilot and more. These functions improve driving and riding experience for end users, especially in long-distance commute. At the same time, Horizon Pilot provides advanced parking functions such as auto parking assist (APA) and automated valet parking assist (VPA).

- ***Horizon SuperDrive.*** Horizon SuperDrive is our cutting edge AD solution equipped with our most advanced processing hardware. It is designed to achieve smooth and human-like autonomous driving in all urban, highway and parking scenarios. It is expected to tackle a comprehensive range of complex road conditions with more assertive and interactive driving style, featuring smooth execution of obstacle avoidance, gentle and human-like braking, dynamic speed control, smooth execution of unprotected left turns, and more.

Our ADAS and AD solutions are built on a comprehensive stack of technologies, including algorithms for driving functions, the underlying processing hardware, as well as various tools to facilitate software development and customization. Our fundamental technology pillars, namely, algorithm, BPU, OpenExplorer, TogetheROS and AIDI, also hold potential for standalone commercialization.

- ***Algorithm.*** Our algorithms play an important role for our proprietary software-hardware co-designed solution. They are purpose-built and optimized for a wide spectrum of driving scenarios. Our full spectrum of algorithm capabilities range from perception, environmental modeling, planning and control to driving automation functions, fulfilling the development requirement for all levels of ADAS and AD solutions.

- ***Brain Processing Unit (BPU).*** BPU is our proprietary processing architecture tailored for automotive applications, including ADAS and AD functions. We incorporate our deep understanding of advanced software and algorithms into BPU architecture to empower the processing hardware with outstanding performance, high energy efficiency, low latency when running automotive algorithms.

- ***Horizon OpenExplorer.*** Horizon OpenExplorer is our flexible algorithm development toolkit that encompasses a series of ready-to-use modules and reference algorithms. With a user-friendly interface and abundant auxiliary tools, OpenExplorer enables the users to accurately and efficiently deploy algorithms and software on our processing hardware.

- ***Horizon TogetheROS.*** Horizon TogetheROS is a safe, simple and user-friendly autonomous driving embedded middleware. TogetheROS provides standardized automotive grade services and tools to help accelerate development, integration and verification efforts to boost mass production readiness.

- ***Horizon Automotive Intelligence Development Instrument (AIDI).*** Horizon AIDI is our software development platform, designed to accomplish automatic iterative improvements of models with enhanced efficiency. By offering various tools and application interfaces, as well as streamlined workflow, AIDI helps software developers optimize the entire software development process from deployment, training, verification, evaluation, to iteration.

We take a software and hardware co-optimization approach, which we believe is crucial in ensuring optimal processing efficiency at affordable costs, hence the right technological path towards an autonomous driving future. We also believe that by offering flexible collaboration methods and open development tools, we enable our ecosystem partners to accelerate mass adoption of autonomous driving solutions. Such key philosophies underpin our product design and technology architecture, leading to these clear differentiating advantages of our solutions:

- System performance. Our software and hardware are developed and optimized hand-in-hand to ensure optimum system performance when integrated.

- High efficiency at affordable costs. Our solutions are highly efficient due to our co-optimization approach, delivering outstanding processing performance with low power consumption and low latency, which are crucial for automotive-grade deployment. In addition, our solutions are produced at affordable costs, laying the foundation for mass scale adoption.

- Open platform. We make available a series of base models, toolchains, frameworks and reference solutions to enable our customers and ecosystem partners to develop their own software applications catering to specific needs, helping them significantly shorten development cycles and reduce development costs.

Our distinguishing solutions and open platform approach have won us a growing and loyal base of customers and ecosystem partners. We work both with OEMs directly and through tier-one suppliers to install our integrated ADAS and AD solutions into mass-produced vehicles. Our integrated solutions have been selected by 24 OEMs (31 OEM brands) for implementation in over 230 car models as of the Latest Practicable Date. All top 10 Chinese OEMs have selected our solutions for mass production into their passenger vehicle models. We obtained more than 100 new design-wins for car models in 2023 alone. The following table presents selected and publicly announced key OEMs and tier-one suppliers who have adopted our solutions, as well as selected ecosystem partners. These ecosystem partners collaborate with us to address challenges ranging from software development to the integration of our solutions.

Selected OEM / Brand Customers

Selected Tier-one Customers

Selected Ecosystem Partners

We have a highly flexible and scalable business model. Our customers can choose any solution or any combination of components in our whole stack offerings from algorithms to software and development tools and to processing hardware. Such flexibility has helped us continuously acquire new customers and expand market share. In addition, our business model is highly scalable. We typically scale deployment of our solutions with mass production of our OEM customers' nominated vehicles. In addition, OEM customers who have found success with our solutions in one of their vehicle models would typically expand collaboration with us to more vehicle models. Furthermore, we have the opportunity to sell more advanced solutions and additional components from our offering to our customers. These help us build a stable pipeline of contracts in the years to come. See "Business — Our Product and Services."

Our flexible and scalable business model has led to significant growth of our business in the Track Record Period and lays the foundation for our continued success in the future. Our revenue increased by RMB439.0 million, or 94.1%, from RMB466.7 million in 2021 to RMB905.7 million in 2022, and further increased by RMB645.9 million, or 71.3%, to RMB1,551.6 million in 2023. Our gross profit increased from RMB331.0 million in 2021 to RMB627.7 million in 2022, and further to RMB1,094.3 million in 2023. We had high and stable gross profit margin of 70.9%, 69.3% and 70.5% in 2021, 2022 and 2023, respectively.

OUR COMPETITIVE STRENGTHS

We believe that the following strengths have contributed to our success and differentiated us from our competitors:

- Established Market Leader with Significant Commercial Success and Deep Moat;
- Localized Expertise in China Ensuring Our Win in the Largest Market Today and in the Future;

- Large, Blue-chip Customer Base with High Stickiness;
- Integrated Solutions with Co-optimized Software and Hardware;
- Open Technology Platform to Foster Thriving Ecosystem;
- Highly Flexible and Scalable Business Model; and
- Visionary and Experienced Management Team, World Class Talent and a Winning Culture.

For details, see "Business – Our Competitive Strengths."

OUR GROWTH STRATEGIES

We plan to execute the following strategies to drive our future growth:

- Continue to Invest in Technology and Expand Our Solutions Portfolio to Capitalize on the Industry Tailwind;
- Win Additional Mass Production Contracts with Existing and New Customers;
- Continue to Enrich Our Ecosystem;
- Attract Top Talents and Expand Our Team; and
- Continue to Enable Global Partners.

For details, see "Business – Our Growth Strategies."

CUSTOMERS AND SUPPLIERS

During the Track Record Period, we derived a majority of our revenues from our automotive solutions. In 2021, 2022 and 2023, the aggregate revenue generated from our five largest customers were RMB283.1 million, RMB482.1 million and RMB1,067.0 million, representing 60.7%, 53.2% and 68.8% of our revenue, respectively. Revenues generated from our largest customer in the same years were RMB115.2 million, RMB145.3 million and RMB627.3 million, representing 24.7%, 16.0% and 40.4% of our revenue, respectively. Our five largest customers during the Track Record Period included OEM and tier-one customers. Saving for Volkswagen Group and SAIC, both Shareholders of the Company, to the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, our five largest customers were independent third parties. Saving for CARIZON and SAIC, none of our Directors, their associates or any of our Shareholders (who or which to the knowledge of the Directors owned more than 5% of our issued share capital) had any interest in any of our five largest customers.

In 2021, 2022 and 2023, the aggregate purchase amounts from our five largest suppliers were RMB251.6 million, RMB890.2 million and RMB1,177.9 million, representing 52.0%, 61.8% and 50.2% of our total purchase amount, respectively. The purchase amounts from our largest supplier in the same years were RMB100.7 million, RMB226.3 million and RMB458.5 million, representing 20.8%, 15.7% and 19.5% of our total purchase amount, respectively. Our five largest suppliers during the Track Record Period included manufacturers, assembly and testing service providers, and IP vendors and EDA vendors. During the Track Record Period, we did not experience any significant fluctuation in prices set by our suppliers or material breach of contract on the part of our suppliers. As of the Latest Practicable Date, none of our Directors, their associates or any of our shareholders (who or which to the knowledge of the Directors owned more than 5% of our issued share capital) had any interest in any of our five largest suppliers.

OUR PARTNERSHIP WITH VOLKSWAGEN GROUP

We strategically partner with affiliates of Volkswagen Group ("Volkswagen") through the joint venture Carizon (Beijing) Technology Co., Ltd ("CARIZON"), which was established in 2023, to capture the future opportunities of customized driving automation solutions in China. CARIZON engages in the business of research and development, manufacture of autonomous driving application software and self-driving systems, and it also provides aftersales services, training, consulting, testing and technical services of its products. In the short term, its primary customer will be the Volkswagen Group, and its products will be applied towards vehicles Volkswagen sells in China. Volkswagen holds 60% and we hold 40% of the equity interest in CARIZON, respectively. For further details, please refer to "Business — Our Partnership with Volkswagen Group — CARIZON — Our Joint Venture with Volkswagen Group."

WEIGHTED VOTING RIGHTS STRUCTURE

The Company has a weighted voting rights structure. Under our weighted voting rights structure, our share capital comprises Class A Ordinary Shares and Class B Ordinary Shares. Each Class A Ordinary Share entitles the holder to exercise ten votes, and each Class B Ordinary Share entitles the holder to exercise one vote, respectively, on any matters subject to the vote at general meetings of the Company, subject to Rule 8A.24 of the Listing Rules that requires the Reserved Matters to be voted on a one vote per share basis.

The table below sets out the beneficial interests entitled to, and voting rights to be held by, the WVR Beneficiaries through their controlled entities upon the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and the Conversion at Mid-point):

	Number of Class A Ordinary Shares held	Approximate percentage of beneficial interests in the issued share capital	Approximate percentage of voting rights[1]
Dr. Yu[2]	1,733,612,127	[**REDACTED**]%	[**REDACTED**]%
Dr. Huang[2]	390,777,143	[**REDACTED**]%	[**REDACTED**]%

Notes:

(1) On the basis that each Class B Ordinary Share entitles the Shareholder to one vote per Share and each Class A Ordinary Share entitles the Shareholder to ten votes per Share.

(2) For details of the shareholding structure of our WVR Beneficiaries, please refer to note 1 and note 2 in the section headed "History, Reorganization and Corporate Structure — Capitalization."

Our Company is adopting the WVR structure to enable the WVR Beneficiaries to exercise voting control over our Company. This will enable our Company to benefit from the continuing vision and leadership of the WVR Beneficiaries who will control our Company with a view to its long-term prospects and strategy. Taking into account the WVR Beneficiaries' contribution to the Group, such arrangement is in the best interests of the Company and its Shareholders as a whole.

Prospective [**REDACTED**] are advised to be aware of the potential risks of [**REDACTED**] in companies with weighed voting rights structures, in particular that interests of the WVR Beneficiaries may not necessarily always be aligned with those of our Shareholders as a whole, and that the WVR Beneficiaries will be in a position to exercise their higher voting power to influence the affairs of our Company and the outcome of Shareholders' resolutions, irrespective of how other Shareholders vote.

Prospective [**REDACTED**] should make the decision to [**REDACTED**] in the Company only after due and careful consideration. For further information about the risks associated with the WVR structure adopted by the Company, see "Risk Factors — Risks Related to the WVR Structure." Save for the weighted voting rights attached to Class A Ordinary Shares, the rights attached to both classes of Shares are identical. For further information about the rights, preferences, privileges and restrictions of the Class A Ordinary Shares and Class B Ordinary Shares, please see "Summary of the Constitution of our Company and Cayman Islands Company Law — 2 Articles of Association" in Appendix III to this Document for further details.

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and the Conversion at Mid-point), 1,733,612,127 Class A Ordinary Shares, representing approximately (i) [**REDACTED**]% of the voting rights in our issued share capital in general meetings (except for resolutions with respect to the Reserved Matters), and (ii) [**REDACTED**]% of the voting rights in our issued share capital in general meetings for resolutions with respect to the Reserved Matters, will be held by Everest Robotics Limited, which is held by Bigsur Robotics Limited as to 99% and Horizon Robotics, Inc. as to 1%. Horizon Robotics, Inc. is wholly owned by Dr. Yu. Bigsur Robotics Limited is wholly owned by the trustee of Rock Street Trust, the family trust established by Dr. Yu (as settlor) for the benefit of Dr. Yu and his family. Accordingly, Dr. Yu, Everest Robotics Limited and Horizon Robotics, Inc. together will constitute a group of Controlling Shareholders of our Company after the [**REDACTED**].

PRE-[REDACTED] INVESTMENTS

We have undertaken several rounds of Pre-[**REDACTED**] Investments. For details of the background of our major Pre-[**REDACTED**] Investors and the principal terms of the Pre-[**REDACTED**] Investments, see "History, Reorganization and Corporate Structure — Pre-[**REDACTED**] Investments."

DILUTIVE EFFECT UNDER THE PRE-[REDACTED] EQUITY INCENTIVE PLAN AND THE CONVERTIBLE LOAN

All the Class B Ordinary Shares under the options and share awards granted under the 2018 Share Incentive Plan [has been] issued to the employee shareholding platform set up by our Company with independent professional trustee company before [**REDACTED**]. Accordingly, there will not be any dilution effect on the shareholdings of our Shareholders nor any impact on the earnings per share arising from the exercise of the outstanding options and share awards after [**REDACTED**].

Based on the indicative [**REDACTED**] range, upon the completion of the [**REDACTED**], all the principal amount and accrued interest (the "**Conversion Amount**") under the convertible loan issued to CARIAD Estonia AS shall be automatically and mandatorily converted into Class B Ordinary Shares, subject to the total beneficial interests of CARIAD Estonia AS in the Company being [**REDACTED**]% upon [**REDACTED**]. The Company will repay the remaining Conversion Amount by cash on the [**REDACTED**], if any. Accordingly, there will not be any dilution effect on the shareholdings of our Shareholders nor any impact on the earnings per share arising from the conversion of the convertible loan after [**REDACTED**].

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

Summary of Consolidated Statements of Profit or Loss

The following table sets forth our consolidated statements of profit or loss for the years indicated.

	For the Year Ended December 31,		
	2021	2022	2023
	(RMB in thousands)		
Revenue from contracts with customers	466,720	905,676	1,551,607
Cost of sales	(135,734)	(277,963)	(457,297)
Gross profit	**330,986**	**627,713**	**1,094,310**
Research and development expenses	(1,143,642)	(1,879,888)	(2,366,255)
Administrative expenses	(319,003)	(373,909)	(443,366)
Selling and marketing expenses	(211,390)	(298,500)	(327,249)
Net impairment losses on financial assets	(5,098)	(13,039)	(20,793)
Other income	14,483	43,662	66,222
Other losses, net	(1,669)	(238,055)	(33,391)
Operating loss	**(1,335,333)**	**(2,132,016)**	**(2,030,522)**
Finance income	28,239	104,528	167,473
Finance costs	(16,592)	(7,548)	(8,651)

	For the Year Ended December 31,		
	2021	2022	2023
	(RMB in thousands)		
Finance income, net	11,647	96,980	158,822
Share of results of investments accounted for using the equity method	(2,530)	(34,298)	(112,074)
Fair value changes of preferred shares and other financial liabilities through profit or loss	(763,984)	(6,655,367)	(4,760,354)
Loss before income tax	**(2,090,200)**	**(8,724,701)**	**(6,744,128)**
Income tax benefit	26,650	4,273	5,075
Loss for the year	**(2,063,550)**	**(8,720,428)**	**(6,739,053)**
Loss is attributable to:			
Owners of the Company	(2,061,293)	(8,719,410)	(6,739,021)
Non-controlling interests	(2,257)	(1,018)	(32)
Adjusted operating loss (Non-IFRS measure)[(1)]	**(1,138,964)**	**(1,958,318)**	**(1,686,991)**
Adjusted net loss (Non-IFRS measure)[(2)]	**(1,103,197)**	**(1,891,363)**	**(1,635,168)**

Notes:

(1) Adjusted operating loss is a non-IFRS measure. We define adjusted operating loss (Non-IFRS measure) as operating loss for the years adjusted by adding back (i) share-based payments, which are non-cash in nature, and (ii) [**REDACTED**], which relate to the [**REDACTED**]. Adjusted operating loss is not a measure required by, or presented in accordance with, IFRS. The use of adjusted operating loss has limitations as an analytical tool, and you should not consider it in isolation from, as a substitute for analysis of, or superior to, our results of operations or financial condition as reported under IFRS. For details, see "Financial Information — Non-IFRS Measures."

(2) Adjusted net loss is a non-IFRS Measure. We define adjusted net loss (Non-IFRS measure) as loss for the years adjusted by adding back (i) share-based payments, which are non-cash in nature, (ii) [**REDACTED**], which relate to the [**REDACTED**], and (iii) fair value changes on preferred shares and other financial liabilities, which are non-cash items. Upon the completion of this [**REDACTED**], all of the preferred shares will be automatically converted into ordinary shares, and all the principal amount and accrued interests of the convertible loan will be automatically and mandatorily converted into ordinary shares, subject to certain beneficial interest cap. All preferred shares and other financial liabilities will be reclassified to equity upon conversion, and no longer measured at fair value going forward. Adjusted net loss is not a measure required by, or presented in accordance with, IFRS. The use of adjusted net loss has limitations as an analytical tool, and you should not consider it in isolation from, as a substitute for analysis of, or superior to, our results of operations or financial condition as reported under IFRS. For details, see "Financial Information — Non-IFRS Measures."

Non-IFRS Measures

The following tables reconcile Non-IFRS measures for the years presented with the nearest measures prepared in accordance with IFRS Accounting Standards:

	For the year ended December 31,		
	2021	**2022**	**2023**
	(RMB in thousands)		
Reconciliation for adjusted operating loss (Non-IFRS measure):			
Operating loss	(1,335,333)	(2,132,016)	(2,030,522)
Add back:			
Share-based payments	196,369	173,698	341,751
[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Adjusted operating loss	**(1,138,964)**	**(1,958,318)**	**(1,686,991)**
Reconciliation for adjusted net loss (Non-IFRS measure):			
Loss for the year	(2,063,550)	(8,720,428)	(6,739,053)
Add back:			
Share-based payments	196,369	173,698	341,751
[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Fair value changes of preferred shares and other financial liabilities	763,984	6,655,367	4,760,354
Adjusted net loss	**(1,103,197)**	**(1,891,363)**	**(1,635,168)**

To supplement our consolidated statements of profit or loss which are presented in accordance with IFRS, we use adjusted operating loss (Non-IFRS measure) and adjusted net loss (Non-IFRS measure) as non-IFRS measures, which are not required by, or presented in accordance with IFRS. See "Financial Information — Non-IFRS Measures" for details. Our adjusted operating loss (non-IFRS measure) and adjusted net loss (non-IFRS measure) as a percentage of revenue significantly narrowed during the Track Record Period.

SUMMARY OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The table below sets forth selected information from our consolidated statements of financial position as of the dates indicated.

	As of December 31,		
	2021	2022	2023
	(RMB in thousands)		
Total non-current assets	683,445	1,091,548	2,335,798
Total current assets	9,913,442	8,803,680	13,538,075
Total assets	**10,596,887**	**9,895,228**	**15,873,873**
Total non-current liabilities	84,836	182,343	287,144
Total current liabilities	18,905,972	27,151,422	40,252,113
Total liabilities	**18,990,808**	**27,333,765**	**40,539,257**
Net liabilities	**(8,393,921)**	**(17,438,537)**	**(24,665,384)**

We recorded net current liabilities of RMB8,992.5 million, RMB18,347.7 million and RMB26,714.0 million as of December 31, 2021, 2022 and 2023, respectively. We also recorded net liabilities of RMB8,393.9 million, RMB17,438.5 million and RMB24,665.4 million as of December 31, 2021, 2022 and 2023, respectively. Our net current liabilities and net liabilities were primarily attributable to the preferred shares and other financial liabilities at fair value through profit or loss of which the carrying value is driven by the fair value of our business. We expect to achieve a net assets position upon the [**REDACTED**], as the preferred shares will be reclassified from financial liabilities to equity as a result of the automatic conversion into ordinary shares. For details, see "Financial information — Discussion of Selected Items from Our Consolidated Statements of Financial Position — Current Assets and Liabilities."

SUMMARY OF CONSOLIDATED STATEMENTS OF CASH FLOWS

The following table sets forth our cash flows for the years indicated.

	For the Year Ended December 31,		
	2021	2022	2023
	(RMB in thousands)		
Net cash used in operating activities	(1,111,016)	(1,557,285)	(1,744,508)
Net cash used in investing activities	(1,384,168)	(214,506)	(667,286)
Net cash generated from financing activities	6,299,413	212,412	7,218,868
Net increase/(decrease) in cash and cash equivalents	3,804,229	(1,559,379)	4,807,074

	For the Year Ended December 31,		
	2021	2022	2023
	(RMB in thousands)		
Cash and cash equivalents at the beginning of the year	4,296,055	8,050,034	6,608,657
Effects of exchange rate changes on cash and cash equivalents	(50,250)	118,002	(56,090)
Cash and cash equivalents at the end of the year	**8,050,034**	**6,608,657**	**11,359,641**

KEY FINANCIAL RATIO

The following table sets forth our key financial ratios as of the dates or for the years indicated.

	For the year ended December 31,		
	2021	2022	2023
Revenue growth	N/A	94.1%	71.3%
Gross profit growth	N/A	89.6%	74.3%
Gross margin	70.9%	69.3%	70.5%

PATH TO PROFITABILITY

Despite our rapid growth, we were loss-making during the Track Record Period. In 2021, 2022 and 2023, we incurred losses for the year of RMB2,063.6 million, RMB8,720.4 million and RMB6,739.1 million, respectively, and adjusted net loss (non-IFRS measure) of RMB1,103.2 million, RMB1,891.4 million and RMB1,635.2 million, respectively. Our revenue increased significantly during the Track Record Period and amounted to RMB466.7 million, RMB905.7 million and RMB1,551.6 million in 2021, 2022 and 2023, respectively. Our adjusted net loss (non-IFRS measure) as a percentage of revenue significantly narrowed during the Track Record Period. In the coming years, we plan to break-even and realize profitability by expanding revenue scale, maintaining gross margin profile, enhancing operating leverage and improving operations of CARIZON. Our losses during the Track Record Period were primarily due to:

- Substantial upfront investment required;
- Economy of scale is still materializing;
- Share of results of investments accounted for using the equity method; and
- Fair value change of preferred shares and other financial liabilities.

Expanding Our Revenue Scale

We are a company under rapid growth. Our revenue increased significantly during the Track Record Period and amounted to RMB466.7 million, RMB905.7 million and RMB1,551.6 million in 2021, 2022 and 2023 respectively, representing revenue growth rates of 94.1% in 2022 and 71.3% in 2023, respectively. We expect that our revenue will grow further due to the following factors:

- *Leverage positive industry tailwind.* Benefiting from the consumer acceptance and preferences for smart vehicles, enhanced driving safety standards and robust technology development, the smart vehicle market in China and globally is expected to maintain significant growth momentum in the future. Looking ahead, benefiting from our cutting-edge algorithms, purpose-built software and state-of-the-art processing hardware, we are poised to maintain this momentum and continue our revenue growth trajectory.

- *Capitalize on robust backlogs.* We have secured robust backlogs of orders for vehicles not yet mass produced. As of December 31, 2023, vehicle models that have yet to achieve mass production represented more than 50% of all vehicle models of which we have obtained design-wins. Future commercialization of such vehicle models that have yet to achieve mass production can further support our future revenue growth in the years to come.

- *Attract new customers.* We plan to further grow the size of our customer base, leveraging our current flexible business model and industry-leading open platform.

- *Expand collaboration with existing customers.* Our future growth is dependent on our ability to maintain and deepen relationships with our existing customers. By committing to expand and deepen such relationships, we can scale deployments of our solution in tandem with our customers' increasing production volumes of vehicles equipped with our solutions. Moreover, OEMs who have found success with our solutions in one of their vehicle models would typically expand collaboration with us to more vehicle models. Furthermore, we have the opportunity to offer more advanced solutions and more components from our offering to our customers.

- *Expand to new geographies.* We aim to extend our reach beyond markets in China and bring our solutions to enable global partners. We intend to enhance our international presence through partnering with global OEMs and tier-one suppliers to explore global markets, particularly in Japan, South Korea and Europe.

- *Introduce new solutions with higher price meeting the surging demand for smart vehicles.* We plan to introduce new solutions with more advanced technologies. We believe more advanced driving automation technologies allow us to charge a higher price, which can further boost our revenue growth.

Maintaining Our Gross Margin Profile

Our future profitability also depends on our ability to sustain the current level of margin profile and introduce new solutions with high margin profile. Specifically, we expect to optimize our gross margin profiles by implementing (i) continuous innovation, (ii) supply chain management and improvement and (iii) business mix optimization.

Enhancing Operating Leverage

During the Track Record Period, we incurred significant operating expenses, including research and development expenses, administrative expenses and selling and marketing expenses, to develop, manage and promote our automotive solutions. In the future, we will continue optimizing our research and development as well as sales and administrative functions to support our long-term business growth.

Improving Operations of CARIZON

We strategically partner with Volkswagen Group, a global industry giant through CARIZON, to capture the future opportunities of customized driving automation solutions in China. CARIZON was established in November 2023 and is still in ramping up stage with no revenue generated yet. We have picked up CARIZON's losses as share of losses of investments accounted for using the equity method since its establishment. As CARIZON is still ramping up, we expect to continue to pick up such share of losses. Benefiting from synergies with Volkswagen Group (CARIZON's largest shareholder and customer), CARIZON has a clear go-to-market strategy and can effectively drive revenue growth by fulfilling orders from Volkswagen Group. Therefore, we believe CARIZON will be able to continuously deploy its products to mass produced vehicles, especially the ones of the Volkswagen Group. In addition, we, as a shareholder of CARIZON, will also actively participate in its business operation by bringing agile research and development process and local insights.

For more details, see "Financial Information — Path to Profitability."

RISK FACTORS

Our business and the [**REDACTED**] involve certain risks as set out in "Risk Factors" in this Document. You should read that section in its entirety carefully before you decide to [**REDACTED**] in our Shares. Some of the major risks we face include:

- We operate in a competitive market subject to an evolving landscape. If we fail to meet evolving customer needs or the pace of industry innovation by improving our existing solutions and introducing new solutions in a timely and cost-effective manner, our competitive position would be impacted and our business, results of operations and financial condition may be materially adversely affected;

- We have been and intend to continue investing significantly in research and development, and to the extent our research and development efforts are unsuccessful, our competitive position would be negatively impacted and our business, results of operations and financial condition would be adversely affected;

- We cannot ensure that there will be sufficient future market adoption of ADAS and AD solutions to drive our growth, nor can we ensure that industry developments as well as market acceptance of ADAS and AD solutions will develop in our favor. If the markets toward smart vehicles and ADAS and AD solutions falter, or if these trends do not grow as rapidly or as positively as expected, our business, results of operations and financial condition may be adversely affected;

- The interruption of requisite services from third-party partners may expose us to supply chain risk that could harm our business;

- We depend on a limited number of third-party business partners for certain essential materials, equipment and services;

- Our customer concentration has been high and we currently generate a significant share of our revenue from a limited number of customers. Although our number of customers is expanding and we expect our concentration to decrease as our number of customers increase, there still exists a risk of customer concentration, and our revenue could be adversely affected if we lose or are prevented from selling to any of our top customers; and

- We have a history of losses and operating cash outflow as well as net current liabilities and negative equity during the Track Record Period, and there is no assurance that we will become or subsequently remain profitable.

WORKING CAPITAL SUFFICIENCY

Our Directors are of the opinion that, taking into account the financial resources available to us , including (i) cash and cash equivalents, (ii) available equity financing and bank facilities and (iii) the estimated net [**REDACTED**] from the [**REDACTED**], we have sufficient working capital for our present requirement and for at least the next 12 months from the date of this Document.

After making reasonable inquiries of our management about our working capital, nothing has come to the Joint Sponsors' attention that would reasonably cause the Joint Sponsors to cast doubt on the Directors' view.

[**REDACTED**]

DIVIDENDS

We have never declared or paid regular cash dividends on our Shares. Any declaration and payment as well as the amount of dividends will be subject to our Articles and the Cayman Companies Act. Our board of directors has the discretion to pay interim dividends and to recommend to Shareholders to pay final dividends, and will depend on a number of factors, including our earnings, capital requirements, overall financial condition and contractual restrictions.

If we pay dividends in the future, in order for us to distribute dividends to our Shareholders, we will rely to some extent on any dividends distributed by our PRC subsidiaries. Any dividend distributions from our PRC subsidiaries to us will be subject to PRC withholding tax. In addition, regulations in the PRC currently permit payment of dividends of a PRC company only out of accumulated distributable after-tax profits as determined in accordance with its articles of association and the accounting standards and regulations in China. See "Financial Information — Dividends."

LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any actual or pending legal, arbitration or administrative proceedings (including any bankruptcy or receivership proceedings) that we believe would have a material adverse effect on our business, results of operations, financial condition or reputation and compliance.

According to our PRC Legal Adviser, the business operations we engaged in had been carried out in compliance with applicable PRC laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date.

FUTURE PLANS AND USE OF [REDACTED]

We estimate that we will receive net [**REDACTED**] from the [**REDACTED**] of approximately HK$[**REDACTED**], after deducting [**REDACTED**], fees and estimated expenses payable by us in connection with the [**REDACTED**], assuming no [**REDACTED**] is exercised and an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**], being the mid-point of the indicative [**REDACTED**] range stated in the Document, resulting in the gross [**REDACTED**] of HK$[**REDACTED**] and [**REDACTED**] of HK$[**REDACTED**].

We intend to use the net [**REDACTED**] for the following purposes, subject to changes in light of our evolving business needs and changing market conditions:

- Approximately [**REDACTED**]%, or approximately HK$[**REDACTED**], of the net [**REDACTED**] will be allocated over the next five years for research and development purposes;

- Approximately [**REDACTED**]%, or approximately HK$[**REDACTED**], of the net [**REDACTED**] will be allocated for sales and marketing related expenses;

- Approximately [**REDACTED**]%, or approximately HK$[**REDACTED**], of the net [**REDACTED**] will be allocated for future strategic investment with our joint ventures, thus broadening and strengthening our technology capabilities; and

- Approximately [**REDACTED**]%, or approximately HK$[**REDACTED**], will be allocated for general corporate purposes and working capital needs.

For details, please see "Future Plans and Use of [**REDACTED**]."

[**REDACTED**]

The total [**REDACTED**] payable by our Company are estimated to be approximately HK$[**REDACTED**] (or approximately RMB[**REDACTED**]) assuming the [**REDACTED**] is not exercised and based on an [**REDACTED**] of HK$[**REDACTED**] (being the mid-point of our [**REDACTED**] range of HK$[**REDACTED**] to HK$[**REDACTED**] per [**REDACTED**]), accounting for approximately [**REDACTED**]% of gross [**REDACTED**]. Among such estimated total [**REDACTED**], (i) [**REDACTED**]-related expenses, including [**REDACTED**], are expected to be approximately HK$[**REDACTED**], and (ii) non-[**REDACTED**]-related expenses of approximately HK$[**REDACTED**], comprising (a) fees and expenses of legal advisers and Reporting Accountant of approximately HK$[**REDACTED**] and (b) other fees and expenses of approximately HK$[**REDACTED**].

Among the total [**REDACTED**] payable of HK$[**REDACTED**], HK$[**REDACTED**] is expected to be expensed through the statement of profit or loss and the remaining amount of HK$[**REDACTED**] is directly attributable to the issue of shares and deducted from equity. As of December 31, 2023, we incurred [**REDACTED**] of HK$[**REDACTED**] expensed through the statement of profit or loss and expected HK$[**REDACTED**] to be charged to the statement of profit or loss after the Track Record Period.

[**REDACTED**]

RECENT DEVELOPMENTS

As of January 31, 2024, we had cash and cash equivalent of RMB10,306.7 million and unutilized banking facilities of RMB701.0 million.

No Material Adverse Change

Our Directors confirm that, up to the Latest Practicable Date, there has been no material adverse change in our financial, operational or trading position since December 31, 2023, being the date on which the latest audited consolidated financial information of our Group was prepared in Appendix I in this Document, and there had been no event since December 31, 2023 that would materially affect the information shown in the Accountant's Report set out in Appendix I to this Document.