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An [REDACTED] in the [REDACTED] involves significant risks. You should carefully consider all of the information in this Document, including the risks and uncertainties described below, before deciding to [REDACTED] in the [REDACTED]. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition, results of operations and growth prospects. In any such event, the market price of the [REDACTED] could decline, and you may lose all or part of your [REDACTED]. Additional risks and uncertainties not presently known to us, or not expressed or implied below, or that we deem immaterial, could also harm our business, financial condition and results of operations.

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in the section headed “Forward-Looking Statements” in this Document.

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

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 primarily compete in the ADAS and AD solutions market in China, which are characterized by high competition and constant changes, including rapid technological evolution, frequent introductions of new solutions, continual shifts in customer demands and periodic emergence of new industry standards and practices. We also intend to expand our global presence by following the footprints of our customers into regions such as Japan, South Korea and Europe. The competitive landscape of these markets is subject to ongoing evolution as it is heavily affected by the general economic conditions of such market and the competitive advancements in technology. Despite high barriers to entry, there will be evolving uncertainties over the competitive nature of these markets as new entrants may establish themselves. We also face fierce competition from other technologically advanced ADAS and AD solutions providers and high-profile OEMs whose activities directly affect and shape the pace of competition. Under this global competitive environment, China’s passenger vehicle market is particularly competitive, and the demand for vehicles equipped with ADAS and AD solutions may be volatile. Factors affecting competition include, among others, technological innovation, product quality and safety, product pricing, sales efficiency, manufacturing efficiency, quality of services and branding. Increasing competition may lead to, among other things, lower vehicle unit sales, decreased pricing on vehicles sold and phase-out of government subsidies, which will lead to a more limited budget being allocated to ADAS and AD solutions. Our future success will depend on our ability to develop superior solutions and to maintain our leading

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competitive position with respect to our technological advances over our existing and any new competitors. Although we believe that we are one of a few providers of ADAS and AD solutions with unique software and hardware co-optimizing capabilities that are essential to compete effectively in the ADAS and AD solutions industry, there are significant challenges to stay competitive and we face competition from other competitors, some of which have greater resources than we do.

Our business and future operating results will depend on our ability to upgrade existing ADAS and AD solutions and underlying technology pillars, and introduce new ones that incorporate the latest technological advancements to satisfy evolving demands, including customer, regulatory, safety, and sensory requirements. Our success will depend, in part, on our ability to respond to these changes and invest in research and technology accordingly in a cost-effective and timely manner. We need to develop expertise across different industry sectors and constantly anticipate the emergence of new technologies and assess their market acceptance.

We must continue to accurately forecast customer demand in ADAS and AD solutions in order to design and develop technology pillars that can meet customer needs. In fast-paced industries subject to rapid technological change, our algorithms must be continually updated to remain competitive in the market to continually deliver effective solutions to our customers. We must continually refine our technology pillars underlying our ADAS and AD solutions, which include, namely, algorithm, BPU, OpenExplorer, TogetheROS, AIDI and other software to provide our customers with effective and flexible solutions that allow them to develop and upgrade algorithms and applications which enhance the competitiveness of their automobile products. If our solutions do not meet the evolving and increasing level of demands from our customers, our customers may not incorporate our solutions into their own products, which will reduce the demands for our solutions unless we invest additional resources to cater to such customers’ specific demands. To this end, we must cooperate effectively on new designs with OEMs and tier-one suppliers, respond effectively to technological changes or product announcements by our competitors, develop and deliver next-generation solutions, and adjust to changing market conditions and regulatory standards quickly and cost-effectively. We must continue to make considerable investments in research and development, which may take several years to ramp up, if at all, while improving our business capabilities in areas such as intellectual property, licensing, and customer service. We cannot assure you that our strategic direction will result in innovative solutions that provide value to our customers. For details, see “— 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.” If we are unable to effectively develop our technology pillars, launch new solutions, or keep pace with rapid technological and industry changes, our competitive position would be impacted and our business, results of operations and financial condition could be materially adversely affected.

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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 have been investing heavily in our research and development efforts. Our research and development expenses were RMB1,143.6 million, RMB1,879.9 million and RMB2,366.3 million in 2021, 2022 and 2023, respectively, representing 245.0%, 207.6% and 152.5% of our revenues in each of those years, respectively. The industries in which we operate are subject to rapid technological changes and are evolving quickly in terms of technological innovation. We need to invest significant resources, including financial resources, in research and development to make technological advances in order to expand our offerings and make our solutions innovative and competitive in the market. As a result, we expect that our research and development expenses will remain high.

However, our expenditures on research and development may not generate corresponding benefits. We have been focusing on research and development efforts that emphasize the deep integration and efficiency optimization of software, algorithms, and hardware consistently, while taking into full consideration the industry’s understanding of algorithms, as well as the usability and convenience of our development toolkits. However, we cannot guarantee that all of our efforts on research and development can deliver benefits that we anticipate. Research and development activities are inherently uncertain, and we may not be able to obtain and retain sufficient resources including qualified research and development personnel. Even if we succeed in our research and development efforts and generate the results we expect, such results may not arrive in a timely manner as anticipated and we may still encounter practical difficulties in commercializing our research and development results. Given the fast pace with which autonomous driving related technology has been and will continue to be developed, we may not be able to timely upgrade our technology pillars in an efficient and cost-effective manner, or at all. Despite our research and development expenditures, new technologies in the ADAS and AD solutions industry could render our solutions that we develop or expect to develop in the future obsolete or commercially nonviable, thereby limiting our ability to recover related product development costs, which could result in a decline in our revenues, profitability and market share.

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.

Currently, ADAS are becoming standard in the latest vehicle models and there are increasing focus on high-level AD solutions from OEMs and consumers alike. However, there is considerable uncertainty over the size is rate at which these markets will grow. Although we have successfully grown demand for our solutions thus far, this is dependent on the trend

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toward smart vehicles and ADAS and AD solutions as a growing segment of the automotive industry. Therefore, our growth is highly dependent upon the worldwide adoption by consumers of ADAS and AD solutions as well as the ability of OEMs to maintain and increase consumer acceptance of ADAS and AD solutions. Businesses and consumers have demonstrated increasing demand for advanced user experiences and technological functions, leading to growing interest in ADAS and AD solutions. However, this interest in our industry is dependent on general economic development, particularly in advanced industrialized economies.

Within the automotive industry, our long-term growth opportunity will come from the increasing emphasis on autonomous driving, which will require technological innovations of increasing complexity in algorithms, software and hardware capabilities, and which are not guaranteed developments for our industry or for our business. We cannot assure you that full autonomous driving will ever be commercialized or that our industry or technology can move from current levels of partial or conditional automation to full automation as predicted. Various functions and capabilities are in different stages of development and their reliability must continue to improve in order to meet the higher standards required for autonomous driving solutions. We are also affected by industry trends such as consumer demand and market acceptance for full autonomous driving, which has furthered interest in our ADAS and AD solutions and aided our growth to date, but there is no assurance that full autonomous driving will receive full market acceptance even if technologically feasible. Market acceptance of ADAS and AD solutions may also be adversely affected by safety incidents involving ADAS and AD solutions, even if the incidents do not involve our solutions. If the market that we operate in does not grow as we expect, our revenue may decline or fail to grow.

We have also seen an increased demand for our technology and the growth of our business that correlates with driver awareness and acceptance of the safety features our ADAS and AD solutions provide. This acceptance and awareness are primarily due to the influence of regulators and safety organizations that provide both mandates and incentives to OEMs to include active safety technology in their vehicle models. We believe that this trend in regulation and ratings will continue and even accelerate over the next decade, thus increasing awareness and acceptance of, and consequently demand for, active safety technology. However, should there be a slowing of the increasing requirements for active safety technology, our growth might be limited and our business, results of operations and financial condition may be adversely affected. Conversely, if regulatory requirements of the smart vehicle sector tighten to impose a chilling effect on the industry, we may be adversely affected if there is a diminished demand for our solutions. External economy-wide and industry trends may impact our prospects by diminishing demand for industry and our solutions, negatively affecting our business operations, results of operations and financial condition.

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

A large number of suppliers provide materials, equipment and services that are used in our ADAS and AD solutions and other aspects of our business. Where possible, we seek to have several sources of supply. However, for certain materials, equipment, and services, especially with respect to the manufacturing of our processing hardware, we rely on a single or a limited number of partners. For details, see “— We depend on a limited number of third-party business partners for certain essential materials, equipment and services.” Delays and other problems experienced by our partners could negatively affect our business operations.

Our major suppliers are primarily manufacturers, assembly and testing service providers, and IP vendors and EDA vendors. Charges from our largest supplier for the years ended December 31, 2021, 2022 and 2023 accounted for 20.8%, 15.7% and 19.5%, respectively, of our total purchase amount in each year during those respective years. Charges from our five largest suppliers for the years ended December 31, 2021, 2022 and 2023 accounted for 52.0%, 61.8% and 50.2%, respectively, of our total purchase amount in each year during those respective years. For details, see “Business — Our Suppliers — Top Five Suppliers.” The stability of operations and business strategies of our suppliers are beyond our control, and we cannot assure you that we will be able to secure a stable relationship with such suppliers. Finding and qualifying alternate or additional suppliers and vendors is often a lengthy process and can lead to production delays, interruptions to our services, or additional costs, and such alternatives are sometimes not available at all. The inability of suppliers or vendors to deliver necessary production materials, equipment, or services can disrupt our provision of required solutions and make it more difficult for us to implement our business strategy.

As our business grows, we must continue to scale and adapt our supply chain or it could have an adverse impact on our business. Therefore, we face several significant risks which could have an adverse effect on our ability to meet customer demand, scale our supply chain and/or negatively impact our business operations, gross margin, revenue and/or financial results, including:

- any accidents and natural disasters faced by our suppliers at their facilities;
- bankruptcy or challenges of financial solvency faced by our suppliers;
- a failure by our suppliers to procure raw materials or to provide or allocate adequate, or any, manufacturing or test capacity for our processing hardware;
- a failure by our suppliers to develop, obtain or successfully implement technologies;
- a lack of direct control over delivery schedules or quantity and quality of our processing hardware; and
- delays in processing hardware shipments, shortages, a decrease in processing hardware quality and/or higher expenses in the event our manufacturing partners prioritize our competitors’ orders over our orders or otherwise.

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Moreover, we face uncertainty in the continuation of these relationships if our suppliers ever choose to not partner with us and instead form collaborations with our competitors. The foregoing possibilities could reduce our ability to successfully execute our business strategy and create competitive, appealing and user-friendly solutions for our customers. In particular, our solutions may become less attractive in the market if we lose partner relations that have improved their user experience and functionalities. It may be necessary in the future to renegotiate agreements relating to various aspects of these collaborations or business partnerships. The uncertainty of our business relations and the possibility of competitive conditions leading to unfavorable outcomes may have a material adverse impact on our business operations, results of operations, and financial condition.

Although we strive to diversify our supplier network and localize our overall supply chain, finding alternate or additional suppliers is often a lengthy process and can lead to production delays, interruptions to our services, or additional costs, and such alternatives are sometimes not available at all. The inability of suppliers to deliver necessary production materials, equipment, or services can disrupt the production processes of our solutions and make it more difficult for us to implement our business strategy. Our suppliers may periodically extend lead times, face capacity constraints, limit supplies, increase prices, experience quality issues, or encounter cybersecurity or other issues that can interrupt or increase the cost of our supply and services. Production of our solutions can be disrupted by the unavailability of resources. The unavailability or reduced availability of materials or resources would require us to reduce production or incur additional costs, which would harm our business, results of operations and financial condition.

Moreover, given that we use several materials and services and rely on several suppliers and vendors, but do not directly control the procurement or employment practices of such suppliers and vendors, we could be subject to financial or reputational risks as a result of our suppliers’ and vendors’ conduct. To the extent we are unable to manage these risks, our ability to timely supply competitive solutions will be harmed, our costs will increase, and our business, results of operations and financial condition would be adversely affected.

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

We do not manufacture the processing hardware ourselves, and we do not own or operate the relevant manufacturing facility. Instead, we are dependent on a limited number of partners for their services, which reduces our control over quality, manufacturing yield, development, enhancement and delivery schedules. In particular, we depend on an industry-leading multinational semiconductor manufacturer (“Supplier A”), to manufacture our processing hardware. For details on the background and transaction amount of Supplier A, see “Business — Our Suppliers.” Because of the complex technology involved in our processing hardware, any transition from Supplier A to a new manufacturer or, if there were a disaster or other business disruption at any of Supplier A’s facilities involved in manufacturing our processing hardware, introducing new manufacturers would take a significant period of time to complete and would likely result in our having insufficient inventory and adversely affect our business,

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results of operations and financial condition. Despite the fact that we have strategically increased our inventory level of processing hardware, we are still vulnerable to the risk that Supplier A may be unable to meet our future demand for processing hardware or cease operations altogether. We do not enter into any long-term agreement with Supplier A, which, according to CIC, is Supplier A’s customary practice. Moreover, we are vulnerable to the risk that Supplier A may raise costs resulting from the global semiconductor shortage, especially when our contractual relations with Supplier A are made on a purchase order basis and does not lock in rates for the long term while both we and Supplier A remain free to terminate the arrangement at any time.

Similarly, we also rely on certain other key third-party business partners for manufacturing our processing hardware. For instance, we rely on an assembly and testing service provider (“Supplier C”) to assemble and test interim processing hardware manufactured by Supplier A. For details on the background and transaction amount of Supplier C, see “Business — Our Suppliers.” Supplier C helps us to complete processing hardware as a typical outsourced assembly and testing vendor and delivers the completed products to us. In addition, we depend on the use of electronic design automation (“EDA”) tools to validate our processing hardware’s design and rely on our EDA partners for provision of required EDA services to support us in designing processing hardware. If any of our partners cannot perform its respective obligations in the manner, quality and timeline as agreed, we may not be able to, on a timely basis, find a suitable alternative on commercially acceptable terms. Any inability to acquire sufficient quantities of high-quality supplies and other components in a timely manner from these third-party partners could have a negative impact on our business operations and financial condition.

In addition to manufacturing our processing hardware, we have established partnership relationships with various third-party hardware and software partners to further enhance the capabilities of our ADAS and AD solutions. These partners generally include software and algorithm developers, tier-one suppliers, and peripheral hardware manufacturers. However, our partners may change their cooperation model at any time and any potential loss of these relations may adversely affect our business. Our software and algorithm partners develop application software using our technology pillars in areas of their expertise, and if we cannot effectively provide technologies for their development use, the availability of software offerings of our solutions in areas outside our technical expertise could decline and the openness of our solutions may correspondingly diminish. Our tier-one suppliers customize and optimize their products on a system-wide level to develop controllers and other modules meeting automotive-grade standards of safety, reliability and quality. Collaboration with these tier-one suppliers helps our ADAS and AD solutions reach more OEMs through the established business network of these tier-one suppliers, and without their collaboration, the commercial reach of our solutions and our ability to meet automotive-grade standards would diminish. Peripheral hardware manufacturers collaborate with us to provide hardware that is compatible with our solutions, and without their collaboration, we would be unable to provide effective reference designs to our customers incorporating important peripheral hardware components.

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Furthermore, our ability to receive required services or supplies could also be adversely affected by international trade, export control, and sanctions policies and measures, geopolitics and trade protection measures, including imposition of trade restrictions and sanctions. See “— We are subject to the risks associated with sanctions and export controls laws and regulations, international trade policies, and developing domestic and foreign laws and regulations on smart vehicles, and our business, financial condition and results of operations could be adversely affected.”

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.

Our operating results in the foreseeable future will continue to depend on contracts with a limited number of OEMs and tier-one suppliers, as well as the ability of these customers to sell products that incorporate our solutions. Revenue generated from our largest customer for the years ended December 31, 2021, 2022 and 2023 accounted for 24.7%, 16.0% and 40.4%, respectively, of our total revenue in each year during those respective years. Revenue generated from our five largest customers for the years ended December 31, 2021, 2022 and 2023 accounted for 60.7%, 53.2%, and 68.8%, respectively, of our total revenue in each year during those respective years. For details, see “Business — Our Customers — Top Five Customers.” Although we have entered into framework procurement agreements with many of our customers, such agreements typically do not obligate them to purchase our solutions in any certain quantity. Although we believe our business, financial condition and results of operations will still be affected from purchases of a limited number of customers, we expect our concentration to decrease as our number of customers increase, yet there still exists a risk that any loss of sales from our current customers could adversely affect our revenue. In the future, these customers may decide to purchase fewer solutions than they did in the past, not to incorporate our solutions into their business, delay their purchases of our solutions, purchase solutions from our competitors, or to alter their purchasing patterns in some other way, particularly because:

- our customers may cancel, change or delay solutions purchase commitments with little or no notice to us and without penalty;
- OEM customers cannot guarantee their volume of purchase as they are subject to market acceptance of their products, which is also beyond their control to a large extent;
- although the business of ADAS and AD solutions bears high barriers to entry, some of our customers may develop their own solutions;
- our customers may purchase solutions from our competitors, particularly if there are delays or shortages in our supply chain or of our solutions; and
- our partners may also discontinue sales or lose market share in the markets for which they purchase our solutions.

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The occurrence of any of the foregoing factors may adversely affect our business, results of operations, and financial condition.

Many of our OEM and tier-one supplier customers are large, multinational corporations with substantial negotiating power relative to us and, in some instances, may have internal solutions that are competitive to ours. These large, multinational corporations also have significant development resources, which may allow them to acquire or develop independently, or in partnership with others, competitive technologies. Meeting the technical requirements of any of these companies and being selected by them for supplying ADAS and AD solutions will require a substantial investment of our time and resources. We cannot assure you that our ADAS and AD solutions will be selected by these or other companies or that we will generate meaningful revenue from the sales of our solutions to these key potential customers. If our solutions are not selected by these large corporations or if these corporations develop or acquire competitive technology, our business, financial condition and results of operations could be adversely affected.

Our business could also be adversely affected if our customers are not able to settle accounts regularly or make payments on schedule. We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of certain of our customers to make required payments. In the future, we may have to record additional provisions or write-offs and/or defer revenue on certain sales transactions, which could negatively impact our financial results, and we may not be able to acquire credit insurance on the credit we extend to these customers or in amounts that we deem sufficient. Thus, as we generate a significant share of our revenue from a limited number of customers, any loss or fluctuation in their business may adversely affect our results of operations and financial condition.

We have a limited operating history, which makes it difficult to forecast our future results of operations, and our historical growth may not be indicative of our future performance.

We commenced operations in 2015. As a result of our limited operating history, our ability to accurately forecast our future results of operations is subject to a number of uncertainties such as our ability to plan for and model future growth. We have experienced rapid growth since the inception of our operations. However, our historical results may not provide a meaningful basis for evaluating our business, results of operations, financial condition and prospects, and we may encounter unforeseen expenses, difficulties, complications, delays and other known and unknown factors, and may not be able to achieve promising results in future periods. In future periods, our revenue growth may slow down or even decline for a number of reasons, including slowing demand for our solutions and technologies, intensified competition, material changes in technology, declining growth rate of our total addressable market, or our failure to continue to take advantage of growth opportunities. If our assumptions regarding risks and our future revenue growth turn out to be incorrect or if we do not respond effectively to uncertainties and challenges, our operating and financial results could differ from our forecast, and our results of operations and financial condition could be materially and adversely affected.

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As we continue to grow, we may not be able to effectively manage our growth and expand our operations, which could negatively impact our operation performance, financial condition and results of operations.

We have experienced significant growth in the past years. We generate the vast majority of our revenue from the sale of ADAS and AD solutions to OEMs and tier-one suppliers as well as related license and services. We primarily make money from sale and delivery of our ADAS and AD solutions (“Solution Delivery Model”) and/or providing licensing and related services (“Licensing and Service Model”) to our customers. For details, see “Business — Our Products and Services.” Benefiting from our monetization strategy, our revenues increased significantly from RMB466.7 million in 2021 to RMB905.7 million in 2022, and further to RMB1,551.6 million in 2023. As of December 31, 2023, Horizon Mono has been the choice of more than 200 OEM car models and Horizon Pilot has been the choice of more than 25 OEM car models. We plan to further grow our business by, among other things, investing in technology, winning additional mass production contracts with existing and new customers, strengthening our brand recognition, and expanding our solutions to enable global partners. Our future operating results will depend to a large extent on our ability to manage our expansion and growth successfully.

Risks that we face in undertaking this expansion include, among others:

- managing a larger organization with a greater number of employees in different divisions;
- managing our supply chain to support fast business growth;
- controlling expenses and investments in anticipation of expanded operations;
- establishing or expanding research and development, sales and service facilities;
- implementing and enhancing administrative structure systems and processes;
- executing our strategies and business initiatives successfully;
- addressing new markets and potentially unforeseen challenges as they arise;
- improving our operational, financial and management controls, compliance programs and reporting systems; and
- addressing new markets and potentially unforeseen challenges as they arise.

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To effectively manage the expected growth of our operations, we will also be required to refine our operational, financial and management controls and reporting systems and procedures. Our current and planned staffing, systems, policies, procedures and controls may not be adequate to support our future operations. If we fail to efficiently manage the expansion of our business, our costs and expenses may increase faster than we planned and we may not respond timely to competitive challenges or otherwise successfully execute our business strategies. Our solutions mix may continue to change in the future, affecting our revenue mix, and this may have an adverse impact on our profit margin. Our growth requires significant financial resources and will place significant demands on our management. If we fail to effectively manage the growth of our business and operations, our reputation, overall prospects, and results of operations could be negatively impacted.

We may be subject to risks associated with ADAS and AD technologies. The ADAS and AD technologies used on passenger vehicles are highly complex and may contain defects or otherwise fail to perform in line with expectations, which could reduce the market adoption of our ADAS and AD solutions, damage our reputation with current or prospective customers, expose us to product liability, quality and other claims domestically or globally and adversely affect our results of operations.

ADAS and AD solutions and related products and services are sold to tier-one suppliers and OEMs to be installed on vehicles. Those solutions are highly technical and very complex and require high standards to manufacture and will likely in the future experience defects, errors or reliability issues at various stages of development. We may be unable to timely release new solutions, manufacture existing solutions, correct problems that have arisen or correct such problems to our customers' satisfaction. Additionally, undetected errors, defects or security vulnerabilities, especially as new solutions are introduced or as new versions are released, could result in serious injury or even death to the end users and/or passengers of vehicles equipped with ADAS and AD solutions or those in the surrounding area, litigation against the underlying ADAS and AD solutions providers, negative publicity and other consequences. These risks are particularly prevalent in the ADAS and AD solutions industry.

ADAS and AD solutions are subject to risks and from time to time there have been accidents associated with such technologies. Some errors or defects in our solutions may only be discovered after they have been tested, commercialized and deployed by customers, in which case we may incur significant additional development costs and product recall, repair, replacement costs or compensation. The safety of ADAS and AD solutions depends in part on driver interaction, and drivers may not be accustomed to using such technologies. To the extent accidents associated with our ADAS and AD solutions occur, we could be subject to liability, claims, government scrutiny and further regulation. Our reputation or brand may be damaged as a result of these problems and customers may be reluctant to buy our solutions, which could adversely affect our ability to retain existing customers and attract new customers and could adversely affect our financial results. Although we attempt to remedy any issues we observe in our ADAS and AD solutions as effectively and rapidly as possible, such efforts may not be

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timely, may hamper production or may not be to the satisfaction of our customers. Furthermore, accidents or defects caused by third parties’ ADAS and AD solutions may negatively affect public perception, or result in regulatory restrictions, with respect to autonomous driving technology.

Furthermore, any defects in or significant malfunctioning of our ADAS and AD solutions may weaken customer confidence in ADAS and AD solutions. As the markets for ADAS and AD solutions are emerging and evolving, loss of customer confidence in ADAS and AD solutions could have a material adverse impact on the future of such markets in general and our business prospects in particular.

Our ADAS and AD solutions may be affected by regulatory restrictions. For example, our research and development activities on ADAS and AD solutions are subject to regulatory restrictions on autonomous driving. See “Regulatory Overview — Regulations on Autonomous Driving” for more details. Any tightening of regulatory restrictions could have a material adverse impact on our development of ADAS and AD solutions.

In addition, the success of our ADAS and AD solutions depend on our successful development of algorithms, and processing efficiencies of our processing hardware, and there is no assurance that we can effectively develop our algorithms or improve efficiencies of our processing hardware to maintain our competitiveness. Failure to deliver constant algorithm innovation may adversely affect our business, financial condition and results of operations. In addition, the performance level of advanced and sophisticated algorithms is often limited by processing efficiencies, capacity and power efficiency of the processing hardware that runs the algorithms. Such constraint is exacerbated in the domain of autonomous driving technology, as smart vehicles require continuous, accurate, and real-time situational awareness by processing a massive amount of multi-modal inputs. As such, our business and financial condition depend on our ability to effectively improve the processing efficiencies and capacity of our processing hardware to meet the future development of our algorithms for ADAS and AD solutions.

Our research and development as well as business operations are dependent on our executives and key employees. If we are unable to attract, retain and motivate these executives and employees, we may not be able to improve our solutions, obtain new business opportunities and successfully execute our business strategies.

The market for high-caliber workers and leaders in our industry is extremely competitive. To execute our business strategies successfully, we must attract, retain and motivate our executives and key employees. In particular, hiring qualified executives, scientists, engineers, technical staff and research and development personnel is costly and critical to our business. Competition for personnel results in increased costs in the form of cash and stock-based compensation. Nonetheless, we must recruit and develop diverse talent to remain competitive in our industry. Effective succession planning is also important to our long-term success. Failure to ensure effective transfer of knowledge and smooth transitions involving key

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employees could hinder our strategic planning and execution. If we are less successful in our recruiting efforts, or if we cannot retain key employees or their knowledge, our ability to develop and deliver successful solutions may be adversely affected.

The interpretation and application of employment-related laws to our workforce practices may result in increased operating costs and less flexibility in how we meet our workforce needs. Changes in immigration and work permit laws and regulations or the administration or interpretation of such laws or regulations could impair our ability to attract and retain highly qualified employees. If we do not continue to anticipate and address the needs of our employees sufficiently and/or in a timely manner, their productivity could be impacted, or we could fail to retain them, which could have a material adverse impact on our future business operations, results of operations and financial condition.

The data privacy and data security laws, including those in China, are subject to rapid and evolving changes, imposing significant compliance requirements on us, and any failure or perceived failure to comply with such laws, or other concerns about our practices or policies with respect to the processing of data, could materially and adversely affect our business, financial condition, reputation and results of operations.

As our customers are OEMs and tier-one suppliers rather than individual consumers, we do not collect personal information from third parties for our research and development purposes. In the course of our research and development, we process data in compliance with the applicable legal requirements and cooperate with qualified partners responsible for desensitizing data and anonymizing personal information to ensure the data security. Nonetheless, our operations subject us to laws and regulations on data privacy and security. Failure to comply with the increasing number of data protection laws in the PRC as well as data security and privacy laws in jurisdictions where we intend to operate as well as concerns from our customers, employees and third parties with whom we conduct business, even if unfounded, could damage our reputation and operating results. If we were to expand our business globally, we would increasingly become subject to various laws, regulations and standards, such as the General Data Protection Regulation, or GDPR, as well as contractual obligations relating to data privacy and security in the jurisdictions in which we were to operate. The regulatory and legal frameworks regarding data privacy and security issues in many jurisdictions are constantly evolving and developing and can be subject to significant changes from time to time, including in ways that may result in conflicting requirements among various jurisdictions. Interpretation and implementation standards and enforcement practices are similarly in a state of flux and are likely to remain uncertain for the foreseeable future. As a result, we may not be able to comprehensively assess the scope and extent of our compliance responsibility at a global level, and may fail to fully comply with the applicable data privacy and security laws, regulations and standards. Moreover, these laws, regulations and standards may be interpreted and applied differently over time and from jurisdiction to jurisdiction, and it is possible that they will be interpreted and applied in ways that may be inconsistent with our existing practices. We will need to maintain heightened internal control and risk management policies to ensure sound compliance with such evolving policies, which requires significant resources and efforts. The theft, loss, or misuse of data to run our business or by

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our partners could result in significantly increased security costs, damage to our reputation, regulatory proceedings, litigation, fines, investigations, remediation efforts, indemnification expenditures, disruption of our business activities or other increased costs related to defending legal claims.

In recent years, government authorities across the world have been increasingly focusing on privacy and data protection. Particularly in China, the substantial base of our business operations, the PRC government has enacted a series of laws and regulations on the protection of data and personal information. For instance, the PRC Cybersecurity Law (《中華人民共和國網絡安全法》) came into effect on June 1, 2017, the Standing Committee of the National People’s Congress of China promulgated the PRC Data Security Law (《中華人民共和國數據安全法》) which came into effect on September 1, 2021, the Provisions on Management of Automotive Data Security (Trial) 《汽車數據安全管理若干規定(試行)》 came into effect on October 1, 2021, the PRC Personal Information Protection Law (《中華人民共和國個人信息保護法》) came into effect on November 1, 2021, the Measures on Data Export Security Assessment (《數據出境安全評估辦法》) came into effect on September 1, 2022. For details, please see the section of “Regulatory Overview — Laws and Regulations on Information Security and Data Privacy.”

We may be subject to laws and regulations regarding privacy and data protection in China and other areas and jurisdictions, if applicable. In addition, as our customers expand their footprints globally, they may leverage our solutions in other countries or territories outside China and are thus required to comply with laws and regulations regarding privacy and data protection in such jurisdictions. As a result, we may be required to upgrade our solutions to help them comply with such laws and regulations. Up to the Latest Practicable Date, we had not been subject to any inspection, action, compulsory administrative measure or penalty from the PRC authorities or any other relevant regulatory bodies in relation to our compliance with privacy and data protection laws and regulations.

We have adopted various measures to ensure legal compliance. See “Business — Data Security and Privacy” for more information. However, the laws and regulations regarding privacy and data protection in China, as well as in other jurisdictions, are generally complex and evolving, with uncertainty as to the interpretation and application thereof. As such, we cannot assure you that our privacy and data protection measures are, and will be, always considered sufficient under applicable laws and regulations.

In addition to government regulation, privacy advocates and industry groups have and may in the future propose self-regulatory standards from time to time. These and other industry standards may legally or contractually apply to us, or we may elect to comply with such standards. We expect that there will continue to be new proposed laws and regulations concerning data privacy and security, and we cannot yet determine the impact such future laws, regulations and standards may have on our business. New laws, amendments to or re-interpretations of existing laws, regulations, standards and other obligations may require us to incur additional costs and restrict our business operations. If so, in addition to the possibility of fines, lawsuits, regulatory investigations, public censure, other claims and penalties, and

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significant costs for remediation and damage to our reputation, we could be materially and adversely affected if legislation or regulations are expanded to require changes in our data processing practices and policies or if governing jurisdictions interpret or implement their legislation or regulations in ways that negatively impact our business, financial condition and results of operations. Any inability to adequately address data privacy or security-related concerns, even if unfounded, or to comply with applicable laws, regulations, standards and other obligations relating to data privacy and security, could require significant resources and efforts, which have a material effect on our business, financial condition and results of operations.

While we strive to comply with our published privacy policy as well as all applicable data privacy and security laws and regulations, and contractual obligations in respect of all data (including personal data), there is no assurance that we are able to comply with these laws, regulations and contractual obligations in all respects. Any failure or perceived failure by us, our customers or business partners to comply may result in investigations, proceedings or actions against us, including fines and penalties or enforcement orders (including orders to cease processing activities) being levied on us by government agencies or proceedings or actions against us by our business partners, customers or end users, including class action litigation in certain jurisdictions, and could damage our reputation and discourage current and future business partners and/or customers from using our solutions.

If we cannot timely upgrade our enabling software, namely our OpenExplorer, TogetheROS and AIDI, our customers’ satisfaction with our solutions may decline, which could adversely affect our future business operations, results of operations and financial condition.

We provide a comprehensive set of software tools to facilitate our customers and ecosystem partners in developing and customizing their applications. For instance, OpenExplorer provides ready-to-use modules, algorithms and interface to ensure that user algorithms are accurately and efficiently deployed on our processing hardware. TogetheROS is a set of safe, simple and user-friendly autonomous driving embedded middleware, which provides standardized automotive grade services and tools for accelerating mass production readiness. AIDI is our software development platform, designed to accomplish automatic iterative improvements of models with enhanced efficiency. For details, see “Business — Our Technologies.” We must keep updating our software to lower our customers’ algorithm development barrier and accelerate the large scale adoption of autonomous driving. If we fail to provide our customers with convenient and user-friendly development tools and platform, our value proposition and customer stickiness may decline, which may lead to reduced customer engagements and satisfaction, thus adversely affecting our business operations, results of operations, and financial condition.

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If the flexibility and user-friendliness of our software does not meet customers’ preferences, or if we are not successful in maintaining and expanding the compatibility of our solutions with third-party solutions, our business, financial condition, and results of operations could be adversely impacted.

Our software provides a flexible and user-friendly option that allows for customization but we cannot guarantee that this openness will be well received by all customers in the market. Despite our confidence in its advantages, our flexible and user-friendly approach may capture a smaller share of its total addressable market than expected. We cannot assure you of market preferences and if for some reason our flexible and user-friendly models are less well received than blackbox solutions provided by our competitors, we may capture a lower market share than expected, and our business, results of operations and financial condition may suffer.

In addition, our ADAS and AD solutions may be integrated with a variety of hardware and software platforms and software applications, and we need to modify and enhance our solutions’ compatibility to adapt to changes in hardware and software technologies in a timely and cost-effective manner. Failure to ensure compatibility of our solutions may negatively affect our competitive edge, and our business results of operations and financial condition would be harmed. The competitive position of our solutions, including but not limited to our open-ended software, depend, in part, on their ability to operate with the automotive solutions of third parties, including that of our customers. We intend to facilitate the compatibility of our solutions with various third-party hardware, software, and systems by maintaining and expanding our business and technical relationships. However, we nonetheless depend on the compatibility of our solutions with software and vehicles that we do not control. In the future, our customers and ecosystem partners may choose not to support the operation of their hardware, software, or vehicles with our solutions, or our solutions may not support the capabilities needed to operate with such hardware, software, or vehicles. As a result, our business, financial condition, and results of operations could be adversely impacted.

We invest significant effort and resources seeking OEM selection of our solutions, and there can be no assurance that these efforts will result in the selection for production models, nor is there a guarantee that our OEM customers or OEM end customers will purchase our solutions in any certain quantity or at any certain price even after we obtain the design-win, or we will retain or grow our business relations with existing OEM and tier-one suppliers and there may be significant delays between the time we obtain the design-win until we realize revenue from the vehicle model.

We invest significant effort and resources from our initial contact with an OEM until the OEM chooses our ADAS and AD solutions and incorporate such into specific vehicle models. This selection process, known as a “design-win,” involves substantial resource expenditure with no guaranteed success. Once a design-win is achieved, it becomes difficult for unselected products or technologies to replace the chosen one until a new OEM quotation request is issued. Moreover, the winning solution provider often gains an advantage in future OEM collaborations due to the established relationship, making it harder for competitors to win other production model designs. If we fail to retain existing OEM and tier-one suppliers or if we fail

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to win a significant number of design-wins in the future, we could expend our resources without success, face greater difficulty in obtaining future design-wins, and our business operations, results of operations and financial condition may be materially adversely affected.

Nevertheless, even with a design-win, there’s no guarantee that our customers will purchase our solutions in large quantities or at all and at a price that will be profitable to us. When achieving a design-win, it is common for us to get nomination letters through tier-one suppliers from OEMs. However, these nomination letters are not legally binding, and the forecasts contained within the nomination letters cannot guarantee accuracy. As a result, obtaining a design-win is not a guarantee of revenue. Moreover, pricing estimates are made at the time of a request for quotation by an OEM, so that worsening market or other conditions between the time of a request for quotation and an order for our solutions may require us to sell our solutions for a lower price than we initially expected. We may also face pricing pressures from our customers as a result of their restructuring, consolidation, and cost-cutting initiatives or as a result of increased competition. We may adjust our selling prices dynamically based on the customer profile and the sales forecast for their vehicles. If we are unable to operate efficiently or introduce solutions with additional features and functionality at higher price points to offset price reductions, our business, financial condition and results of operations could be adversely affected. In addition, it is possible that OEMs may opt to independently develop specific components for their ADAS and AD solutions. This could have an impact on the selling prices of our solutions, as well as our revenue and profitability, then our business, results of operations, and financial condition would be adversely affected.

Furthermore, our solutions are technologically complex, incorporated with many technological innovations, and are typically subject to significant safety testing, and OEMs are generally required to make significant commitments of resources to test and validate our solutions before including them in any particular vehicle model. The average industry duration of the development cycles of ADAS and AD solutions is one to three years after a design-win depending on the OEMs and the complexity of the solutions. These development cycles result in substantial investments from early engagement stage to final integration into vehicles. We typically charge our customers for such expenses. However, there is no guarantee that we will be able to recover the significant upfront costs incurred. An OEM may choose to cancel or postpone production of the vehicle model. Although during the Track Record Period, we were able to fully recover the contract fulfillment costs incurred for terminated projects, there is no guarantee that we will be able to fully recover the contract fulfillment costs in the future in case of any terminated projects. Our ADAS and AD solutions control various vehicle functions, including engine, steering and braking, and those functions have interactions with safety and navigation. Accordingly, those functions must be integrated effectively with the other systems of the vehicle developed by the OEMs and other suppliers, and we may be unable to achieve the requisite level of interoperability in a vehicle model for our solutions to be implemented even after a design-win.

In connection with the design-wins, we typically receive preliminary estimates from OEMs of their anticipated production volumes for the models relating to those nomination letters. Those estimates may be revised significantly by the OEMs, potentially multiple times,

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and may not be representative of future production volumes associated with those letters of nomination, which could be significantly higher or lower than estimated. For example, if OEMs decreased their vehicle production projections, we had to adjust our forecasts accordingly. Furthermore, long development cycles or vehicle model cancellations or postponements would adversely affect our business, results of operations and financial condition. In addition, certain customers increased their orders for our solutions to combat the negative effect of the global auto-part shortage. If such customers accrued significant excess inventory while the actual production volumes were lower than expected, such customers will utilize excess inventory on hand before placing new orders, which may significantly affect our estimates of future production volumes. Therefore, any predictions or internal budgets on our future revenue and expenses based on such estimates may not be accurate and our results of operations could differ materially from our expectations. Any downward adjustment in our estimates could materially affect our actual revenues. Furthermore, long development cycles or vehicle model cancellations or postponements would adversely affect our prediction or expectations of our future revenue and operations, and our business, results of operations, and financial condition.

If we are not able to timely and effectively support our customers, including OEMs and tier-one suppliers, during their design-win and mass production processes, our customers’ satisfaction with our solutions may decline, which could materially adversely affect our future business operations, results of operations, and financial condition.

Our solutions play an integral role in the design and mass production processes of our customers, which primarily include OEMs and tier-one suppliers. 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. After design-win and upon selection of our solutions for implementation in mass production, tier-one suppliers build a module based on our reference design that incorporates the referenced hardware, our processing hardware, and the algorithms selected by the OEMs. This module is then integrated into new cars by the OEM. If we are not able to address the needs of our OEMs and tier-one suppliers throughout this design and production process in a timely basis, any failure on our part could negatively affect their processes. Any resulting decline in their satisfaction could adversely affect their commercial engagement and business relations with us. Our ongoing success depends on our ability to adequately communicate and deliver our solutions and technologies to support OEM and tier-one suppliers’ design and mass production processes in a timely and effective fashion. If we are not able to communicate with our customers or adequately support their mass production processes, customers may lose confidence in our solutions and experience declining satisfaction with our business. Any corresponding decline in customer engagement may adversely affect our business operations, results of operations, and financial condition.

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The implementation and validation processes of our solutions could be lengthy and unpredictable, and are subject to risks of contract cancellation, postponement, supply chain shortages, or unsuccessful solution implementation.

Prospective OEM customers generally must make significant commitments of capital and resources to test and validate our solutions before implementing them in any particular model vehicle. Our ADAS and AD solutions and technologies are technologically complex and designed for applications in settings with high safety standards. Due to the complexity involved in the ADAS and AD solutions, the implementation and validation processes of ADAS and AD solutions with new OEM customers are lengthy and would take long term even after we were chosen by such OEMs as the ADAS and AD solution provider. As such, we must typically invest significant resources before generating any revenues, which presents a risk to our ability to forecast our results of operations and manage our business operations.

In addition to the large upfront investment required prior to commercialization, OEM customers may cancel or postpone implementation of our solutions due to an internal strategy shift or other reasons beyond our control. For example, shortages in supply chain procurement may be a short-term issue that delays OEMs’ manufacturing and business operations, postponing the implementation of our solutions and adversely affecting our business. Typically, we may charge customers certain design or licensing fees upfront, but due to the technological complexity of our industry, the implementation of our solutions into OEMs’ car models may not be smooth despite reference designs and extensive communication due to the complexity of our solutions, thus requiring higher costs and more investments of financial and human resources further along the process. Further, vehicle models in which our solutions are implemented may experience unfavorable sales volumes, which could lead to reduced demand for our solutions. Any of the foregoing factors may have a material adverse effect on our business operations, results of operations, and financial condition.

If we do not maintain sufficient inventory or if we do not adequately manage our inventory, we could lose sales or experience excess inventory levels, which could negatively affect our financials and operations.

Our inventory primarily consists of our processing hardware. Changing consumer demands and uncertainty surrounding new vehicle model launches could expose us to inventory risk. Demand in ADAS and AD solution markets, particularly for automotive vehicle models containing our solutions and technologies could change unexpectedly, and it is possible we may not be able to time our purchases of inventory to coincide with OEM requirements. We cannot assure you that we can accurately predict OEMs’ demand to avoid under-stocking our processing hardware and other solutions, which could cause us to lose sales, adversely affecting our business operations, results of operations, and financial condition.

To ensure adequate inventory supply, we must forecast inventory needs and expenses, place orders sufficiently in advance with our suppliers and business partners and stock inventory based on our estimates of future demand for particular solutions. Fluctuations in the adoption of our solutions may affect our ability to forecast our future results of operations. Our

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ability to accurately forecast demand for our solutions could be affected by many factors, including the rapidly changing nature of the market in which we operate, the uncertainty surrounding the market acceptance and commercialization of ADAS and AD solutions, the emergence of new markets, an increase or decrease in customer demand for our solutions or for solutions of our competitors, health epidemics and outbreaks, and any associated work stoppages or interruptions, unanticipated changes in general market conditions and the weakening of economic conditions or consumer confidence in future economic conditions. As our solutions become or continue to be commercialized, we may face challenges in meeting the demands of our customers at a satisfactory rate, which would negatively affect our revenue. If we fail to accurately forecast customer demand, we may experience excess inventory levels or a shortage of solutions available for sale.

Inventory levels in excess of customer demand may result in inventory write-downs or write-offs and the sale of excess inventory at discounted prices, which would adversely affect our business operations and financial conditions. Conversely, if we underestimate customer demand for our solutions, we may not be able to deliver solutions to meet our requirements, and this could result in damage to our brand and customer relationships and adversely affect our revenue and results of operations.

The sales results of our solutions will partially depend on the sales results of our customers, which, in turn, may depend on effective integration by our customers and the overall user experience of the vehicle models integrated with our solutions.

The sales results of our solutions will depend on the sales result of our customers, which, in turn, may depend on whether our customers effectively integrate our solutions into their vehicle models. Our solutions are technologically complex, incorporate many technological innovations, and are typically subject to significant safety testing, and OEMs also generally must devote significant resources to test and validate our solutions before integrating them in any particular vehicle model. The integration cycles of our solutions with new OEMs are expected to be approximately one to three years after a design-win, depending on the OEM and the complexity of the solution and service involved. These integration cycles result in our investment of resources prior to realizing any revenue from a vehicle model. Our ADAS and AD solutions control various vehicle functions, including engine, transmission, safety, steering, navigation and braking, and therefore must be integrated effectively with the other systems of the vehicle developed by the OEMs and tier-one suppliers, and we may be unable to achieve the requisite level of interoperability in a vehicle model for our solutions to be implemented even after a design-win. In addition, the sales results of a vehicle model depend on overall user experience, including, among others, human machine interface, vehicle space, vehicle interior and operability, which are all beyond our control. Despite the effective integration, the vehicle models integrated with our solutions may generate poor sales results due to poor overall user experience of the vehicle models, which, in turn, affect the sales results of our solutions.

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Increases in costs of materials and other components that we use in our solutions would adversely affect our business, results of operations and financial condition.

Significant changes in the markets in which we purchase materials, components, and supplies for the production of our solutions may adversely affect our profitability. Our contractual relationship with Supplier A, our manufacture of processing hardware, and with other suppliers, does not provide us with long-term pricing or quantity guarantees. As a result of the global auto-part shortage and inflationary pressures, we have experienced and may continue to experience increases in the cost of our inventories sold. We are seeking to adjust the prices charged to our customers to offset these cost increases, but anticipate that, despite such price increases, our gross profit margin may be negatively affected, at least in the short term, as a result of these cost increases. Competitive and market pressures limit our ability to recover increases in costs through increases in prices we charge to our customers, and, even where we are able to achieve price increases that would offset such increased costs, in some cases there may be a delay before we are able to do so. The inability to pass on price increases to our customers when raw material or component prices increase rapidly or are significantly higher than historic levels would adversely affect our business, results of operations, and financial condition.

Changes in the market or our solutions may affect our pricing models and adversely affect our operating results.

Our pricing models face challenges from evolving market changes. As the market for our solutions grows, as our competitors introduce new solutions that compete with ours or reduce their prices, or as we enter into new verticals or international markets, we may be unable to attract new customers or retain existing customers based on our historical pricing models. Given our limited operating history and limited experience with our historical pricing models, we may not be able to accurately predict customer renewal or retention. In addition, regardless of the pricing model used, certain users may demand higher price discounts. As a result, we may be required to reduce our prices, offer shorter contract durations or offer alternative pricing models, which could adversely affect our revenue, gross margin, profitability, financial position and cash flow.

In addition, the price of our solutions depends on the bundle included in the specific solutions, and our prices vary significantly across our solutions. Our solutions have different margin profiles, which vary between solutions depending on the amount, number and type of components that we deliver. If we adjust our business mix or fail to maintain our gross margin and operating margin for our solutions, our business, results of operations and financial condition would be adversely affected.

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Any failure by us or our business partners to comply with applicable anti-money laundering, anti-terrorism, anti-bribery, export controls, economic and trade sanctions regulations and similar laws could lead to significant penalties and damages to our reputations, adversely affecting our operating performance, financial condition and results of operations.

Any failure by us or our business partners who work with us to comply with applicable anti-money laundering ("AML"), anti-terrorism, anti-bribery, export controls, or economic and trade sanctions laws and regulations could lead to significant penalties and damage to our reputation. We and our business partners who work with us are often required to comply with certain AML requirements set out by regulators in the jurisdictions where we and our business partners operate. We are also subject to various AML, anti-terrorism, anti-bribery, export controls and economic and trade sanctions laws and regulations that prohibit, among other things, any involvement in transferring the proceeds of criminal activities and the import and export of controlled products and technologies. To comply effectively with such laws and regulations, we and our business partners must establish sound internal control policies and procedures with respect to AML, anti-terrorism, anti-bribery, export controls, economic and trade sanctions, which can require significant resources and expenditures.

The policies and procedures we and our business partners have adopted may not be effectively implemented in protecting our solutions from being exploited for money laundering, terrorist financing, bribery and corruption, terrorism, economic and trade sanctions and other illegal purposes. If we fail to comply with AML, anti-terrorism, anti-bribery, export controls and economic and trade sanction laws and regulations, we could be subject to fines, enforcement actions, regulatory sanctions, additional compliance requirements, increased regulatory scrutiny of our business, or other penalties levied by government authorities, and damages to our reputation, all of which may adversely affect our business, results of operations and financial condition. Similarly, if any of our subsidiaries, employees, business partners or other persons engage in fraudulent, corrupt or other unfair business practices or otherwise violate applicable laws, regulations or internal control policies, we could become subject to one or more enforcement actions or otherwise be found to be in violation of such laws, which may result in penalties, fines or sanctions and in turn adversely affect our reputation, business, financial condition and results of operations.

We are subject to the risks associated with sanctions and export controls laws and regulations, international trade policies, and developing domestic and foreign laws and regulations on smart vehicles, and our business, financial condition and results of operations could be adversely affected.

Our operations may be negatively affected by trade policies, sanctions and export controls regulations administered by the government authorities in the countries in and with which we operate, including, but not limited to, regulation of economic and labor conditions, increased duties, taxes and other costs. Margins on sales of our solutions in certain countries and on sales of solutions that include components obtained from certain foreign suppliers could be materially and adversely affected by international trade regulations, including duties, tariffs and antidumping penalties. In addition to trade policy measures, the United States and certain

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other governments have imposed sanctions and export controls measures that directly or indirectly affect China-based technology companies. These types of laws and regulations may be subject to frequent changes, and their implementation, interpretation and enforcement involve substantial uncertainties, which may be heightened by potential national security concerns or other factors that are out of our control. Similar or more expansive restrictions may be imposed by different jurisdictions in the future. We will need to maintain heightened internal control and risk management policies to ensure sound compliance with such restrictions, which requires significant resources and efforts. Furthermore, such potential restrictions may materially and adversely affect our and our technology partners’ abilities to acquire technologies, systems, devices or components that may be critical to business operations. Any of these developments could affect us, our customers and/or suppliers or economic conditions generally, any of which could adversely affect our business and financial condition.

Likewise, potential national security and foreign policy concerns may prompt governments to impose trade or other restrictions, which could make it more difficult to sell our solutions in, or restrict our access to, certain markets. In this regard, various trade, export controls, and economic sanctions laws and regulations may affect our businesses. For instance, in recent years, the United States has expanded sanctions and export controls restrictions on China through the Export Administration Regulations (the “EAR”), administered by the Bureau of Industry and Security of the U.S. Department of Commerce (the “BIS”). In addition to the United States, Japan, the Netherlands and various other governments are also imposing controls, licensing requirements and restrictions applicable to exports to China. These types of restrictions could impact our ability to supply customers of affected countries, territories and entities and could restrict our ability to obtain components and technologies we incorporate in or use to develop our solutions. Moreover, in August 2022, the U.S. enacted the Creating Helpful Incentives to Produce Semiconductors and Science Act of 2022 (the “CHIPS Act”). The CHIPS Act aims to strengthen U.S. domestic semiconductor manufacturing, design and research, fortify the economy and national security, and to help the U.S. compete economically against China.

With respect to U.S. export controls, in October 2022, BIS issued an interim final rule (the “BIS October 2022 IFR”) aimed at restricting China’s ability to obtain advanced computing integrated circuits, develop and maintain supercomputers, and manufacture advanced semiconductors. In October 2023, BIS issued another interim final rule (the “BIS October 2023 IFR”) that updated and expanded U.S. export controls imposed by the BIS October 2022 IFR (collectively, the “BIS 2022/23 IFRs”). Among other measures, the BIS 2022/23 IFRs add to the Commerce Control List (which is a list of commodities, software, and technologies that are subject to the EAR’s more restrictive controls) certain advanced and high-performance computing integrated circuits and computer commodities that contain these integrated circuits, and impose new or expanded license requirements for items subject to the EAR destined for an end-use in the development or production of supercomputers, certain types of advanced node integrated circuits and advanced, or semiconductor manufacturing equipment in certain jurisdictions, including China.

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In addition to the restrictions introduced by the BIS 2022/23 IFRs, BIS maintains lists of persons that are subject to enhanced export control restrictions. One such list, the Entity List, includes a list of foreign persons on which certain trade restrictions are imposed, including business, research institutions, government and private organizations, individuals and other types of legal persons. The United States in recent years has placed an increasing number of entities, including a number of entities in China, on the Entity List and other restricted or prohibited parties lists. Given the sudden and unpredictable nature of these determinations, it is difficult to predict developments in this area and we have no ability to influence such determinations.

We believe that the EAR, including the BIS 2023/23 IFRs, have not meaningfully impacted our ability to obtain the semiconductors and other technology that we incorporate into our ADAS and AD solutions or that we otherwise use in our business, or our ability to make sales to either our current customers or prospective customers that we expect to sell to as we expand our business. However, as the Entity List and other sanctions and export controls laws and regulations continue to expand and evolve, future sanctions and export controls may materially affect or target some of our significant customers or suppliers, raw materials or key components or technologies necessary for our operations, in which event our business may be affected if we fail to promptly secure alternative customers or sources of supply on terms acceptable to us. These export controls could adversely affect us and/or our supply chain, business partners, or customers, and our business, financial condition, and results of operations may be significantly affected by the continued international trade and political tensions.

If new sanctions and export controls measures were to include a complete or more restrictive ban on products sales to certain entities, it could impact not only our ability to continue supplying our solutions to affected customers, but could also negatively affect our customers’ demand for our solutions, and could even lead to changes in supply chains of ADAS and AD solutions, to the extent they involve the use of items subject to the EAR or other applicable regulations. As our solutions become more technologically advanced, there is also a greater likelihood of sanctions and export controls regulations restricting our ability to obtain the components or technologies necessary to produce them or otherwise to export or transfer our products and solutions. Even if our ADAS and AD solutions are not directly targeted by these types of sanctions and export controls, we may nonetheless face higher costs and expenses in our supply chain due to new sanctions and export controls measures as our customers and business partners may be negatively affected by sanctions and export controls measures directed at China. In addition, on February 29, 2024, the U.S. Department of Commerce commenced a study on the risks that “connected vehicles” could pose to the United States and announced its intention to propose rules to address those risks. Although we do not sell our products to customers in the United States or to customers who incorporate them into products for sale to the United States and have no intention to do so, any regulations implemented pursuant to this proposal could limit the potential market for our solutions, specifically for end users in the United States market. Accordingly, we may be adversely affected by new sanctions and export controls or other trade-related measures and our business, financial condition and results of operation may suffer as a result.

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Moreover, in response to Russia’s conflict with Ukraine, the United States, the European Union, and various other jurisdictions have imposed far-reaching sanctions and export controls restrictions on Russia and many Russian entities and individuals such that sales to or other business in Russia or with such restricted entities or individuals are subject to heightened regulatory risks. These measures, as well as other economic and trade sanctions measures maintained by the United States, the European Union, and other jurisdictions, may prohibit or restrict our ability to, directly or indirectly, conduct activities or dealings in or with certain targeted countries and territories or involving certain targeted persons, or otherwise affect our business. New measures imposed by the United States, the European Union, or others could restrict certain of our operations and adversely affect our business, results of operations, and financial condition. Although we take steps to comply with applicable laws and regulations, our failure to successfully comply with applicable sanctions or export controls rules may expose us to negative legal and business consequences, including civil or criminal penalties, the loss of access to controlled technologies, and government investigations.

We may be unable to successfully expand globally with our customers and the expansion of our international operations with our customers may expose us to additional regulatory, economic and political risks, the failure to handle which may adversely affect our business, results of operations and financial condition.

We aim to expand our global presence with our customers. However, we may not succeed in this endeavor and our success will depend on our ability to expand our sales capabilities and business relationships with our OEM and tier-one suppliers. For example, given the high regulatory and market access challenges in specific markets, such as the United States, we may not actively explore these markets in the short term, which could limit our ability to successfully achieve this objective. In addition, we face a high level of competition in our industry and we cannot be certain that the pace of growth will meet expectations. Our expansion strategy also requires significant cash investments and management resources and there is no guarantee that our business can generate additional sales of our solutions to support our expansion. As we expand, we will face risks in doing business internationally that could adversely affect our business, including:

- difficulties and costs in understanding and complying with local laws, regulations and customs in foreign jurisdictions, including laws and regulations related to the automotive industry and data security, and laws related to labor and labor unions;
- the difficulty of managing and staffing international operations and the increased operations, travel, and network costs associated with numerous international locations;
- challenges of gaining acceptance for our solutions by customers in different markets;
- our ability to effectively price our solutions in competitive international markets;

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- global or regional health crises;
- tariffs and other non-tariff trade barriers, such as quotas and local content rules;
- the complexities of complying with current and future export controls and economic sanctions administered by the Department of Commerce Bureau of Industry and Security and the Treasury Department’s Office of Foreign Assets Control and other relevant sanctions authorities;
- protectionist or national security policies that restrict our ability to develop, import or export certain technologies; and
- more limited protection for intellectual property rights in some countries.

Our failure to manage any of these risks successfully could harm our international operations, and adversely affect our business, operating results and financial condition.

If we are unable to protect or promote our brand and reputation, our business may be materially adversely affected. Negative publicity or rumors about us, our solutions, our management, directors, employees, shareholders, customers, business partners or their affiliates or our industry in general may adversely affect our reputation and business.

We must maintain and enhance our brand identity while increasing market awareness of the reputation of our business and solutions. The successful promotion of our brand will depend on our efforts to achieve widespread acceptance of our solutions, attract and retain customers, maintain our current market leadership, and successfully differentiate our offerings from those of competitors. These efforts require substantial expenditures, and we anticipate expenses will increase as our market becomes more competitive and as we expand into new markets. Furthermore, these investments in brand promotion and thought leadership may not yield increased revenue. To the extent they do, the resulting revenue still may not be enough to offset the increased expenses we incur.

In addition, adverse publicity, with or without merits, relating to events or activities attributed to us, our management, directors, employees, shareholders, business partners or their affiliates, industry, or solutions or services similar to ours, may tarnish our reputation and reduce the value of our brand. For instance, unfounded and adversarial statements or opinions could be misleading and harm our business and reputation. Given the delicate and complex nature of the industry that we operate in, we are vulnerable to such statements or opinions. If we fail to respond to such statements or opinions in a proper manner, our business reputation, financial condition and results of operations may be adversely affected. Moreover, our brand value depends on our ability to provide safe solutions that meet automobile-grade standards in our markets. Damage to our reputation and loss of brand equity may reduce demand for our solutions, have an adverse effect on our future financial results, or reduce the trading price of

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our Shares. Damage may also require additional resources to rebuild our reputation and restore the value of the brands. If we are unable to successfully enhance and protect our reputation, our business operations, results of operations, and financial condition could be materially and adversely affected.

We, our directors, management, employees and shareholders and their affiliates may be subject to lawsuits, contract disputes, employment-related controversies, and other legal and administrative proceedings or fines, which could have a material adverse effect on our business, results of operations, financial condition and reputation.

As of the Latest Practicable Date, we are not a party to any material legal or administrative proceedings. However, we may in the future be subject to or involved in lawsuits, contract disputes, employment-related controversies, and other legal and administrative proceedings or fines relating to our business operations inside and outside China. Lawsuits and other administrative or legal proceedings that may arise during our operations can involve substantial costs, including the costs associated with investigation, litigation and possible settlement, judgment, penalty or fine. Lawsuits and other legal and administrative proceedings may be costly and time consuming and may require a commitment of management and personnel resources that will be diverted from our normal business operations. There may also be negative publicity associated with litigation that could decrease consumer acceptance of our solutions, regardless of whether the allegations are valid or whether we are ultimately found liable. If any of these happens, our business, financial condition, results of operations or liquidity could be materially and adversely affected. In addition, our directors, management, shareholders and employees and their affiliates may from time to time be subject to litigation, regulatory investigations, proceedings and/or negative publicity or otherwise face potential liability and expense in relation to commercial, labor, employment, securities or other matters, which could adversely affect our reputation and results of operations.

We or certain of our directors or officers may be a target for lawsuits, including putative class action lawsuits brought by shareholders and lawsuits against our directors and officers as a result of their position in other public companies. We cannot assure you that we or our directors or officers will be able to prevail in their defense or reverse any unfavorable judgment on appeal, and we and our directors or officers may decide to settle lawsuits on unfavorable terms. Any adverse outcome of these cases, including any plaintiffs’ appeal of the judgment in these cases, could result in payments of substantial monetary damages or fines, or changes to our business practices, and thus materially and adversely affect our business, financial condition, results of operation, cash flows and reputation. Moreover, even if we or our directors or officers eventually prevail in these matters, we could incur significant legal fees or suffer significant reputational harm. For instance, Dr. Ya-Qin Zhang, our independent non-executive Director, has been named as a defendant in a pending class action filed by certain investors against a public company in the United States District Court for the Eastern District of New York, in his capacity as a former director of such public company. The plaintiff alleged that they purchased such public company’s American depositary shares at artificially inflated prices and, thus, were seeking to recover compensable damage caused by the defendants’ violation of

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the federal securities laws and to follow remedies under the Securities Exchange Act of 1934. As of the Latest Practicable Date, to our best knowledge, the case is still pending. The litigation process may utilize a significant portion of resources and divert management's attention from the day-to-day operations of our Company, all of which could harm our business. We also may be subject to claims for indemnification related to these matters, and we cannot predict the impact that indemnification claims may have on our business or financial performance.

We are subject to anti-corruption, anti-money laundering, anti-bribery and other relevant laws and regulations in the jurisdictions where we operate. We may be subject to investigations and proceedings by governmental authorities for alleged infringements of these laws if our compliance processes or internal control systems are not conducted or are not operating properly. These proceedings may result in fines or other liabilities and could have a material adverse effect on our reputation, business, financial conditions and results of operations. If any of our subsidiaries, employees or other persons engage in fraudulent, corrupt or other unfair business practices or otherwise violate applicable laws, regulations or internal controls, we could become subject to one or more enforcement actions or otherwise be found to be in violation of such laws, which may result in penalties, fines and sanctions and in turn adversely affect our reputation, business, financial condition and results of operations. Given the uncertainty, complexity and scope of many of these litigation matters, their outcome generally cannot be predicted with a reasonable degree of certainty. Therefore, our provision for such matters may be inadequate. Moreover, even if we eventually prevail in these matters, we could incur significant legal fees or suffer significant reputational harm, which could have a material and adverse effect on our prospects and future growth, including our ability to attract new business partners and customers, expand our relationships with governmental regulators and industry groups and recruit and retain employees and agents.

Failure to deal effectively with fraudulent or illegal activities or misconduct by our employees would harm our business.

Illegal, fraudulent, corrupt or collusive activities or misconduct, whether actual or perceived, by our employees, could subject us to liabilities or negative publicity. There can be no assurance that our policies and internal controls with regard to the review and approval of payment accounts, sales and marketing activities, interactions with business partners and government officials and other relevant matter will prevent fraud or illegal activities or misconduct by our employees or that similar incidents will not occur in the future. Any illegal, fraudulent, corrupt or collusive activity, misconduct, or perception of conflicts of interest and rumors could severely damage our brand and reputation, even if they are baseless or satisfactorily addressed, which could drive our clients away from us, and materially and adversely affect our business, financial condition and results of operations.

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Non-compliance with regulatory standards and requirements of any third parties with which we conduct business could disrupt our business, harm our reputation and adversely affect our financial condition and results of operations.

Third parties with which we conduct business, such as suppliers and other business partners, may be subject to regulatory penalties or punishments because of their failure to comply with relevant regulatory requirements or may be infringing upon other parties' legal rights, which may, directly or indirectly, disrupt our business. We conduct review of legal formalities and certifications before entering into contractual relationships with third parties, and will take measures to reduce the risks that we may be exposed to in case of any non-compliance by third parties. However, we cannot be certain whether such third party has violated any regulatory requirements or infringed or will not violate or infringe any other parties' legal rights. For example, the data that we obtain from our collaborating business partners may be defective, and we may not be able to identify all instances of intellectual property infringement, and we may be held liable and pay damages for such infringement. As a result, our business, financial condition and results of operations could be materially and adversely affected.

We cannot rule out the possibility of incurring liabilities or suffering losses due to any non-compliance by third parties. We cannot assure you that we will be able to identify irregularities or non-compliance in the business practices of third parties we conduct business with, or that such irregularities or non-compliance will be corrected in a prompt and proper manner. Any legal liabilities and regulatory actions affecting third parties involved in our business may affect our business activities and reputations, and may in turn affect our business, reputation, results of operations and financial condition.

Commercialization of our new solutions may give rise to potential internal competition between our own solutions in the future and adversely affect our business.

We are currently developing our new solutions. However, in practice, OEMs would make choices between different ADAS and AD solutions by weighing their respective pros and cons in various aspects, including but not limited to the availability of advanced features, risks, adaptability and costs, among others, and the needs and requirements vary significantly for different vehicle models and driving scenarios. Therefore, our new and existing solutions may compete against each other in a broad sense. Moreover, the functions and driving scenarios of our solutions might be further expanded in the future due to growing awareness of their benefits as well as technological advancements. While we try to minimize the risk of internal competition among our different solutions by developing different functions and designing different prices to target distinct needs, there may be some overlap and there can be no assurance that our promotion of new solutions will not adversely affect our sales of existing solutions. To the extent sales of certain of our solutions result in decreased sales of other of our solutions, our overall growth may be constrained and our business, financial condition and results of operations may be adversely affected.

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If we fail to plan for the next generation of autonomous driving technology and solutions ahead of time, our business, results of operations and financial condition may be adversely affected.

As the industry advances towards more advanced autonomous driving technologies, such as conditional automation technologies, there’s a tangible risk that the existing market for our current solutions could diminish swiftly. Our competitive edge hinges on our ability to not only keep pace with but also anticipate future technological advancements. Failure to proactively develop and integrate next-generation autonomous driving technologies into our solution and service lineup could result in a substantial loss of market share and revenue. This scenario underscores the critical need for strategic foresight in planning and developing future technologies. We cannot guarantee that the market environment will remain unchanged, nor can we assure that we will successfully plan for the next generation of driving automation technology and solutions in advance. Nevertheless, we operate in an industry that prizes backward compatibility. The introduction of next-generation technologies doesn’t necessarily obsolete existing systems but could significantly diminish the demand for our new solutions offerings, which may adversely affect our business, financial condition and results of operations.

Any investments or future acquisitions may have a material adverse effect on our business, reputation, financial condition and results of operations.

We have made investments in recent years in other companies. We expect to continue to evaluate and consider a wide array of investment and acquisition opportunities that we believe can extend and solidify our leading market position as part of our overall business strategy. We may be engaged in discussions or negotiations with respect to one or more of these types of transactions. These transactions involve significant challenges and risks, including:

- difficulties in integrating the acquired personnel, operations, solutions into our operations;
- potential issues with technology, internal controls and financial reporting of the companies we acquire or invest in;
- disruptions of our ongoing business, distractions of the attention of our management and employees and increase of our expenses;
- loss of skilled professionals and established client relationships of the businesses we invest in or acquire;
- for investments over which we do not obtain management and operational control, lack of influence over the controlling partner or shareholder, which may prevent us from achieving our strategic goals in such investments;

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- new regulatory requirements and compliance risks that we become subject to as a result of investments or acquisitions in new industries or otherwise;
- actual or alleged misconduct or noncompliance by any company we acquire or invest in (or by its affiliates) that occurred prior to our acquisition or investment, which may lead to negative publicity, government inquiry or investigations against such company or against us;
- unforeseen or hidden liabilities or costs that may adversely affect us following our acquisition of such targets;
- compliance matters including the antimonopoly and competition laws, rules and regulations of the PRC and other countries in connection with any proposed investments and acquisitions;
- the risk that any of our pending or other future proposed investments or acquisitions does not close;
- the costs of identifying and consummating investments and acquisitions;
- the use of substantial amounts of cash and potentially dilutive issuances of equity securities;
- the occurrence of significant amortization expenses for other intangible assets; and
- uncertainties in achieving the expected benefits of synergies and growth opportunities in connection with these acquisitions and investments.

Any such negative developments described above could disrupt our existing business and have a material adverse effect on our business, reputation, financial condition and results of operations.

We face risks related to changes in global and regional macroeconomic conditions, natural disasters, geographical tensions, regional conflicts, health epidemics and other outbreaks of contagious diseases.

Uncertainties about global economic conditions, regulatory changes, geographic tensions and other factors, including fluctuation of interest rates, inflation level, unemployment, labor and healthcare costs, access to credit, consumer confidence and other macroeconomic factors may pose risks and materially and adversely affect demand for our solutions. The escalated Palestinian-Israeli conflict, the conflict in Ukraine and the imposition of broad economic sanctions on Russia could raise energy prices and disrupt global markets. Unrest, terrorist threats and the potential for war in the Middle East and elsewhere may increase market volatility across the globe. The relationship between China and other countries with respect to

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trade policies, treaties, government regulations and tariffs, among other matters, may affect the macroeconomic environment, both domestically and internationally, and potentially leave an impact on the market we operate in.

In addition, natural disasters such as floods, earthquakes, sandstorms, snowstorms, fire or drought, the outbreak of a widespread health epidemic or any severe epidemic disease such as SARS, Ebola, Zika or the COVID-19, acts of war, terrorism or other force majeure events beyond our control may disrupt our research and development, manufacturing and commercialization activities and business operations, all of which could adversely affect our business, results of operations, financial condition and prospects.

We face exposure to foreign currency exchange rate fluctuations, and such fluctuations could adversely affect our financing arrangements, business operations, results of operations, and financial condition.

As we expand globally with our customers, we become increasingly exposed to the effects of fluctuations in currency exchange rates, especially its potential impact on our financing arrangements. The value of the Renminbi against the U.S. dollar and other currencies has fluctuated significantly in the past, and may in the future continue to do so, affected by, among other things, changes in political and economic conditions and the foreign exchange policy adopted by the PRC government. We are a holding company and we rely on dividends paid by our subsidiaries in China for our cash needs. We face translation exposure to fluctuations in currency exchange rates, which could hinder our ability to predict our future results and earnings and affect our operating results. To the extent that we need to convert any foreign currencies we receive from this [REDACTED] into Renminbi for our operations, appreciation of the Renminbi against such foreign currencies would have an adverse effect on the Renminbi amount we would receive. We cannot assure you that the Renminbi will not appreciate or depreciate significantly in value against the foreign currencies in the future. If we decide to convert our Renminbi into foreign currencies for making payments toward our financing, for dividends on our [REDACTED], or for other business purposes, appreciation of the foreign currency against the Renminbi would have a negative effect on the foreign currency amount, adversely affecting our financial position. Therefore, any significant fluctuation of Renminbi against the foreign currency could adversely affect our business, results of operations and financial condition, and the value of any dividends payable in foreign currencies.

Unfavorable economic conditions and consumer acceptance impacting China’s or global automotive industry could have a material adverse impact on our business operations, results of operations and financial condition.

Our business depends on, and is directly affected by, China’s or global automobile industries. We primarily operate our business in China, with a view to expand into global market such as Japan, South Korea and Europe with our customers. Accordingly, economic conditions in such regions can have a large impact on the production volume of new vehicles, and, accordingly, have an impact on our business operations and financial conditions. Automotive production and sales are highly cyclical and depend on general economic

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conditions, consumer acceptance and other factors, including consumer spending and preferences, changes in interest rate levels and credit availability, consumer confidence, fuel costs, fuel availability, environmental impact, governmental incentives and regulatory requirements, and political volatility, especially in energy-producing countries and growth markets. In addition, automotive production and sales can be affected by our OEM customers’ ability to continue operating in response to challenging economic conditions, such as the financial crisis that began in 2007 and the financial downturn caused by global or regional health crises, and in response to labor relations issues, regulatory requirements, trade agreements and other factors. Globally, OEMs and their suppliers continue to experience significant difficulties from weakened economies and tightened credit markets, and many are still recovering from the financial crisis. The volume of global automotive production has fluctuated, sometimes significantly, from year to year, and such fluctuations give rise to fluctuations in the demand for our solutions. Any significant adverse change in any of these factors, including, but not limited to, general economic conditions and the resulting bankruptcy of an OEM customer or the closure of an OEM manufacturing facility, may reduce automotive sales and production by our OEM customers, and could have a material adverse effect on our business operations and financial condition.

A severe or prolonged downturn in regional or global economy could materially and adversely affect our business, results of operations and financial condition.

Geopolitical, economic and market conditions, including factors such as the liquidity of the global financial markets, the level and volatility of debt and equity prices, interest rates, currency and commodities prices, investor sentiment, inflation and the availability and cost of capital and credit have been and will continue to affect the countries where we operate. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies adopted by the central banks and financial authorities of some of the world’s leading economies. There have been concerns over unrest and terrorist threats in the Middle East, Europe and Africa and over the conflicts involving Ukraine and Syria. The slow economic recoveries around the world and the high inflation, high interest environment have contributed to higher global volatility. These developments may adversely impact global liquidity, heighten market volatility and increase U.S. dollar funding costs resulting in tightened global financial conditions and fears of a recession. It is unclear whether these challenges and uncertainties will be contained or resolved, and what effects they may have on the global political and economic conditions in the long term. Any severe or prolonged slowdown in the global or PRC economy may materially and adversely affect our business, results of operations and financial condition.

Changes in international relationships and trade policies may adversely impact our business, financial condition and results of operations.

Government policies restricting international trade and investment, such as capital controls, economic or trade sanctions, export controls, tariffs or foreign investment filings and approvals, may affect the demand for our solutions, impact the competitive position of our solutions, or prevent us from being able to sell solutions in certain countries and territories. If any legislation or regulations are implemented (including those imposing economic or trade

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sanctions, export control restrictions or outbound investments restrictions), or if existing trade agreements are renegotiated or reinterpreted, such changes could adversely affect our business, financial condition, and results of operations.

We are susceptible to constantly changing international relations and trade policies. The overall international relationships between China and other foreign countries and regions may affect the business prospects of us, our business partners, suppliers and customers. Any tensions between China and relevant foreign countries or regions may cause a decline in the demand for our future solutions and adversely affect our business, financial condition, results of operations, cash flow and prospects. Rising tensions in these relationships could reduce levels of trade, investments, technological exchanges and other economic activities between China and other countries and regions, which would have an adverse effect on global economic conditions, the stability of global financial markets, and international trade and investment policies.

The United States has implemented and has proposed additional restrictions, some of which may impact Chinese companies. For example, in August 2023, an executive order was issued outlining proposed controls on certain outbound investments in certain companies, including those in China, and an advanced notice of proposed rulemaking seeking comment on proposed rules to implement such controls was concurrently issued. Such proposed rules, if implemented, may prohibit U.S. investments in entities engaged in certain activities relating to semiconductors and microelectronics, quantum information technologies, and artificial intelligence in mainland China, Hong Kong and Macau. As part of the comment process and other discussions of these proposed rules, some commenters have sought to expand the range of technologies that the rules would be applicable to, and there is a possibility that any rules ultimately adopted will be widened to cover a broader range of technologies. The United States government has also restricted transactions by any United States person in publicly traded securities, or any securities that are derivative of, or are designed to provide investment exposure to such securities of certain companies designated by the U.S. government from time to time as Chinese Military Industrial Complex (“CMIC”) companies. Similarly, on June 10, 2021, the Standing Committee of National People’s Congress enacted the Countering Foreign Sanctions Law (《中華人民共和國反外國制裁法》), which became effective on the same day, under which the competent department of the State Council may place any individual or organization that is directly or indirectly involved in making, determining, or implementing discriminatory restrictive measures specified in the law on a Countermeasure List (反制清單).

These various sanctions, counter-sanctions and other restrictions that may be taken by different countries could affect our business, including by limiting our ability to do business with suppliers and customers or restricting our access to capital. Also, it may become increasingly difficult for us to navigate compliance with the laws of multiple countries that are in tension with each other and may impose inconsistent legal obligations. Any of these developments could negatively affect our business or financial condition. Although we do not believe that we would be affected by the aforesaid regulations and governmental orders in any

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material respect, future sanctions or restrictions on investments by the different governments could apply to us, our customers or our suppliers, which could affect our access to capital or negatively impact the value of our securities.

Disruptions and unauthorized access such as cyberattacks on our IT systems or those of third-party service providers could have a material adverse effect on our business operations, results of operations, reputation and financial condition.

Our solutions and technologies may provide us with access to sensitive and/or confidential data or information, which pose a tempting target for malicious actors who may seek to carry out cyberattacks against us or our suppliers or service providers. Actual or perceived breaches of our or our service providers’ security measures or any failure to maintain reliability, security and integrity of our solutions and technical platform, including third-party cloud platform and information technology, or IT, services upon which we rely, may expose us to significant consequences. We have implemented internal rules and procedures related to our IT system as well as data security and privacy policy to ensure that security requirements are met in our operations. However, we can provide no assurance that our IT systems or those of third-party service providers are fully protected against third-party intrusions, viruses, hacker attacks, ransomware attacks and other cyberattacks, information or data theft or other similar threats. Additionally, software authorized or licensed by third parties which is incorporated into our technologies may present certain risks related to cybersecurity, such as the general lack of support for such software which could result in vulnerabilities that could compromise the security of our systems. See “— Risks Related to Our Intellectual Property — We utilize open-source software, which may pose particular risks to our business” for further detail describing the risks associated with our use of open-source software.

Therefore, our systems, servers and equipment, and those of our service providers, may be subject to such incidents, which may lead to damages to our IT systems, material disruption to our business, or theft, rendering inaccessible, improper disclosure or misappropriation of our or our customers’ business information, trade secrets, sensitive data and other confidential or proprietary information. Any such event could have a material adverse effect on our business even if we recover using our backup information. Consequences may include legal and financial exposure, loss of business and customers, loss or unauthorized disclosure of trade secrets or other proprietary information or personal information, and could give rise to litigation (including class-action litigation and litigation and indemnity claims against us by our customers based on our customer agreements and other commercial arrangements), regulatory actions and fines, consumer protection actions, other related costs (including in connection with our investigation and remediation efforts) and significant harm to our reputation. This may hinder our ability to retain existing customers and business partners and attract new partners and customers. To the extent we experience a cyberattack or security breach, we may be unsuccessful in implementing remediation plans to address exposure and future harm. Also, we do not maintain insurance coverage relating to cybersecurity incidents, and so any expenses or costs incurred as a result of, or related to, any cyberattacks or security

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breaches, which could be significant, would be at our own expense. Any such actual or perceived disruptions, access, breaches, uncertainties or events could materially and adversely affect our business operations, results of operations, and financial condition.

We face certain risks relating to the properties that we lease, which may disrupt our operations and relocation costs.

As of the Latest Practicable Date, we primarily leased 16 properties in Beijing, Shanghai, Nanjing, Shenzhen, Hangzhou, Tianjin, Chengdu, Dezhou, Xi’an and Suzhou in China with an aggregate gross floor area of approximately 34,899.43 square meters, which are mainly used as our headquarters and office space. Any limitations on the leased properties, or lessors’ title to such properties, may impact our use of the offices, or in extreme cases, result in relocation, which may in turn adversely affect our business operations.

Pursuant to applicable PRC laws and regulations, all lease agreements are required to be registered with the local land and real estate administration bureau. As of the Latest Practicable Date, 14 of our leased properties in China had not been registered with the relevant PRC government authorities. Although failure to do so does not in itself invalidate the leases, we may be subject to fines if we fail to rectify within the prescribed time period after receiving notices from the relevant PRC government authorities. The penalty ranges from RMB1,000 to RMB10,000 for each unregistered lease, at the discretion of the relevant authority. In the event that any fine is imposed on us for our failure to register our lease agreements, we may not be able to recover such losses from the lessors. As of the Latest Practicable Date, we were not aware of any notice or allegation of penalty from PRC government authorities for our failure on the registration of lease agreements.

In addition, as of the Latest Practicable Date, the actual land use of six of our leased properties was office or research and development, which is inconsistent with its approved land use as specified in its land use right certificate. If the owner of this property is required by government authorities to rectify such land use, we may have to relocate and bear relocation costs and other additional expenses. If we cannot find alternative premise in time, our business, financial condition and results of operations may be adversely affected. As of the Latest Practicable Date, we were not aware of any such rectification request by government authorities.

Our risk management and internal control systems may not be adequate or effective in all respects, which may materially and adversely affect our business and results of operations.

We seek to establish risk management and internal control systems consisting of an organizational framework, policies, procedures and risk management methods that are appropriate for our business operations, and seek to continue to improve these systems. For further information, see “Business — Risk Management and Internal Control.” However, due to the inherent limitations in the design and implementation of risk management and internal control systems, we cannot assure you that our risk management and internal control systems

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will be able to identify, prevent and manage all risks. Our internal control procedures are designed to monitor our operations and ensure their overall compliance. However, our internal control procedures may be unable to identify all non-compliance incidents in a timely manner or at all. It is not always possible to timely detect and prevent fraud and other misconduct, and the precautions we take to prevent and detect such activities may not be effective.

Our risk management and internal controls also depend on their effective implementation by our employees. Due to the significant size of our operations, we cannot assure you that such implementation will not involve any human errors or mistakes, which may materially and adversely affect our business and results of operations. As we are likely to offer a broader and more diverse range of solutions in the future, the diversification of our solution and service offerings will require us to continue to enhance our risk management capabilities. If we fail to timely adapt our risk management policies and procedures to our changing business, our business, results of operations and financial condition could be materially and adversely affected.

We may identify weaknesses and deficiencies in our internal control over financial reporting. In addition, if we fail to maintain the adequacy of our internal control over financial reporting, as these standards are modified, supplemented or amended from time to time, we could suffer material misstatements in our financial statements and fail to meet our reporting obligations, which would likely cause [REDACTED] to lose confidence in our reported financial information. This could in turn limit our access to capital markets, harm our results of operations and lead to a decline in the trading price of our [REDACTED]. Additionally, ineffective internal control over financial reporting could expose us to increased risk of fraud or misuse of corporate assets and subject us to potential [REDACTED] from the stock exchange on which we [REDACTED], regulatory investigations and civil or criminal sanctions. We may also be required to restate our financial statements from prior periods.

To address any ESG risks, we may incur additional costs, which may materially and adversely affect our financial performance.

To identify, manage, and mitigate ESG risks, we may incur additional costs and expenses which could impact our financial performance. Given the nature of our business, we do not produce any material generation of emissions and wastes and no heavy pollutions. Nonetheless, we monitor environmental and climate-related risks that may impact on our business, strategy and financial performance and evaluate the magnitude of the resulting impact over the short-, medium- and long-term horizons. We monitor a wide range of indicators such as power consumption, emission of greenhouse gas, water consumption and waste generation to manage our environmental and climate-related risks arising from our operations and are committed to providing adequate support to our employees to nurture a friendly and inspirational corporate culture. This commitment may entail incurring substantial additional costs and would potentially impact our profitability. See “Business — Environmental, Social and Governance.”

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In addition, the increasing ESG-related regulatory requirements, including various ESG disclosure mandates in the jurisdictions where we operate, may lead to rising compliance costs and cost of sales may rise. Failure to adapt to new regulations or meet evolving industry expectations and standards could result in consumers choosing products from other companies, which may materially and adversely affect our results of operations and financial conditions.

If we fail to maintain our existing distribution channel for our non-automotive solutions, our business, financial condition and results of operations could be adversely affected.

During the Track Record Period, we generated a minor portion of revenue from non-automotive solutions of RMB56.6 million, RMB104.5 million and RMB81.2 million, accounting for 12.1%, 11.5% and 5.2% of our total revenue in 2021, 2022 and 2023, respectively. The revenue from our distributors for non-automotive solutions only account for an immaterial portion of our total revenues, and we expect the percentage of total revenue contribution from them to continue to decline. Our ability to maintain and grow our non-automotive solutions will depend on our ability to maintain an effective distribution channel that ensures the timely delivery of our solutions to relevant customers. However, we have relatively limited control over our distributors, who may fail to distribute our products in the manner we contemplate. If price controls or other factors substantially reduce the margins our distributors can obtain through the resale of our solutions to customers, they may terminate their relationship with us. Although non-automotive solutions are not our core priorities, given the revenue contribution, any decrease in sales from, or loss of, one or more of our distributors without a corresponding increase in sales from our automotive solutions or for any other reasons would harm our business, operating results, financial condition, and cash flows.

We may not have sufficient insurance coverage to cover our business risks.

Our ADAS and AD solutions are used for vehicle driving, which presents the risk of significant injury, including fatalities. We may be subject to claims if a vehicle using one of our solutions is involved in an accident and persons are injured or purport to be injured or if property is damaged. Any insurance that we carry may not be sufficient or it may not apply to all situations. If we experience such an event or multiple events, our insurance premiums could increase significantly or insurance may not be available to us at all. Further, if insurance is not available on commercially reasonable terms, or at all, we might need to self-insure. In addition, lawmakers or governmental agencies could pass laws or adopt regulations that limit the use of ADAS and AD technology or increase liability associated with its use. Any of these events could adversely affect our brand, relationships with users, operating results, or financial condition.

Higher labor costs and inflation may adversely affect our business, results of operations, financial condition and prospects.

Inflation in mainland China and globally have risen in recent years. Rising inflation may be reflected in the prices of raw materials from our suppliers. Factors such as changes in minimum wage laws, labor market dynamics, or increased competition for skilled labor in the industry may lead to higher labor expenses. Such increases could exert upward pressure on the fees that we paid to our employees or other third-party service providers. Our ability to manage and mitigate the impact of rising labor costs through operational efficiencies, process improvements, or technological innovations will also significantly influence our competitiveness and financial performance. However, there is no guarantee that we will succeed in effectively managing the impact of rising labor costs. Moreover, higher cost for labor and raw materials might necessitate adjustments in service pricing, potentially making our solutions less competitive in the market. Attempts to pass on increased labor costs to customers through higher service fees could result in reduced demand or market share loss.

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RISKS RELATED TO OUR INTELLECTUAL PROPERTY

We may not be able to adequately protect or enforce our intellectual property rights throughout the world, and our efforts to do so may be costly.

We rely on proprietary technology, and we are dependent on our ability to protect such technology. If we are not able to adequately protect or enforce the intellectual property rights relating to our ADAS and AD solutions and other technologies, competitors could be able to access and use them, and our operations and financial condition could be adversely affected. We currently attempt to protect our technology through a combination of patent, copyright, trademark and trade secret laws, employee and third-party nondisclosure agreements and similar means. Despite our efforts, other parties may unintentionally or willfully disclose, obtain or use our technologies or systems. Software piracy has also been, and is expected to be, a persistent problem for the software industry. Despite the precautions we have taken, unauthorized third parties, including our competitors, may be able to copy certain portions of our software solutions or reverse engineer or obtain and use information that we regard as proprietary. Our competitors may also be able to independently develop similar or superior products, software or solutions without copying our proprietary software or other technology or design around our patents. Further, we may not have adequate intellectual property rights in certain proprietary technology in jurisdictions that are important to the business or that one day may become important to the business where we do not currently own any issued or applied-for patents. In addition, the laws of some foreign countries do not protect our intellectual property rights as fully as do the laws of other countries, and our ability to protect our intellectual property rights will differ per jurisdiction. Last but not least, we did not adopt an aggressive or offensive global intellectual property strategy to enforce our intellectual property rights, which may expose us to greater risk of infringement by third parties.

In addition, any litigation initiated by us concerning the infringement by third parties of our intellectual property rights is likely to be expensive and time consuming and could lead to the invalidation of, or render unenforceable, our intellectual property rights, or could otherwise have negative consequences for us. We may be a party to claims and litigation as a result of alleged infringement by third parties of our intellectual property rights. Even when we sue other parties for such infringement, that suit may have adverse consequences for our business. Any such suit may be time consuming and expensive to resolve and may divert our management’s time and attention from our business. Furthermore, it could result in a court or governmental agency invalidating, narrowing the scope of, or rendering unenforceable our patents or other intellectual property rights upon which the suit is based, which may seriously harm our business. Additionally, monitoring unauthorized use and disclosures of our proprietary technology, intellectual property and confidential information can be difficult and expensive. We cannot be sure that the steps we have taken will prevent misappropriation, infringement and violation of our intellectual property or proprietary rights. If we are unable to adequately protect, establish, maintain or enforce our intellectual property or other proprietary rights, our business, financial condition and results of operations may be adversely affected.

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We may become subject to litigation brought by third parties claiming infringement by us of their intellectual property rights.

The industry in which our business operates is characterized by a large number of patents, some of which may be of questionable scope, validity or enforceability. As a result, there is a significant amount of uncertainty in the industry regarding patent protection and infringement, and we cannot be certain that the conduct of our business does not and will not infringe, misappropriate or otherwise violate intellectual property or proprietary rights of third parties. In recent years, there has been significant litigation globally involving patents and other intellectual property rights. We could become subject to claims and litigation alleging infringement by us of third-party patents, copyrights or trade secrets. For example, in the event that we recruit employees from other technology companies, including certain potential competitors, and these employees used or alleged to have used certain know-how, technology or contents, or the participation by such employees in our research and development, we may become subject to claims that such employees have improperly used or disclosed trade secrets or other proprietary information. These claims and any resulting lawsuits, if resolved adversely to us, could subject us to significant liability for damages, impose temporary or permanent injunctions against our solutions or business operations, or invalidate or render unenforceable our intellectual property rights. An adverse judgment could also result in loss of reputation or may force us to take costly remediation actions, such as redesigning our solutions. In addition, because patent applications can take many years until the patents issue, there may be applications now pending of which we are unaware, which may later result in issued patents that our solutions may infringe. If any of our solutions infringes a valid and enforceable patent, or if we wish to avoid potential intellectual property litigation on any alleged infringement of our solutions, we could be prevented from selling, or elect not to sell, our solutions unless we obtain a license, which may be unavailable or be available only at commercially unreasonable, unfavorable or otherwise unacceptable terms. Alternatively, we could be forced to pay substantial royalties or to redesign one or more of our solutions to avoid any infringement or allegations thereof. Additionally, we may face liability to our customers, business partners or third parties for indemnification or other remedies in the event that they are sued for infringement in connection with their use of our solutions.

We also may not be successful in any attempt to redesign our solutions to avoid any alleged infringement. A successful claim of infringement against us, or our failure or inability to develop and implement non-infringing technology, or license the infringed technology, on acceptable terms and on a timely basis, could materially adversely affect our business and results of operations. Furthermore, such lawsuits, regardless of their success, could likely be time consuming and expensive to resolve and may divert management's time and attention from our business, which could seriously harm our business. Also, such lawsuits, regardless of their success, could seriously harm our reputation with our OEMs and tier-one suppliers and in smart vehicle industry at large.

Further, while we believe that we have secured proper licenses for all third-party intellectual property that we have used in the development of our solutions, third parties may assert infringement claims against us, including the sometimes aggressive and opportunistic actions of non-practicing entities whose business model is to obtain patent-licensing revenues from operating companies such as us. Any such assertion, regardless of merit, may be time consuming and expensive to resolve and result in litigation or may require us to obtain a license

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for the intellectual property rights of third parties. Such licenses may not be available or they may not be available on commercially reasonable terms. In addition, as we continue to develop software solutions and expand our portfolio using new technology and innovation, our exposure to threats of infringement may increase.

Our patent applications may not be issued as patents, which may have a material adverse effect on our ability to prevent others from commercially exploiting solutions similar to ours.

We cannot be certain that we are the first inventor of the subject matter for which we have filed a particular patent application, or if we are the first party to file such a patent application. If another party has filed a patent application covering the same subject matter as we have developed, and such application has priority against our patent application, we may not be entitled to the protection sought by our patent application, including preventing third parties from commercializing the same or similar technologies. Further, the scope of protection of patent claims may be limited or narrowed if the examining authority determines there is cause to do so, such as if claims included in the patent application cover subject matter that is ineligible for patent protection or is obvious, or are deemed to lack sufficient detail to enable practicing the invention or in the event of the existence of prior art. As a result, we cannot be certain that the patent applications that we file will result in issued patents, or that our issued patents will be broad enough to protect our technology or otherwise afford protection against competitors with similar technology. In addition, the issuance of a patent is not conclusive as to its inventorship, scope, validity or enforceability. Our competitors may challenge or seek to invalidate our issued patents, or design around our issued patents, which may adversely affect our business, prospects, financial condition or operating results. Also, the costs associated with enforcing patents, confidentiality and invention agreements, or other intellectual property rights may make aggressive enforcement impracticable.

Changes in patent law could diminish the value of patents in general, thereby impairing our ability to protect our solutions.

The scope of patent protection in various jurisdictions is uncertain. Changes in either the patent laws or their interpretation in China or other countries may diminish our ability to protect our inventions, obtain, maintain, defend, and enforce our intellectual property rights and, more generally, could affect the value of our intellectual property or narrow the scope of our patent rights. We cannot predict whether the patent applications we are currently pursuing and may pursue in the future will issue as patents in any particular jurisdiction or whether the claims of any future granted patents will provide sufficient protection from competitors. The coverage claimed in a patent application can be significantly reduced before the patent is issued, and its scope can be reinterpreted after issuance.

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Even if patent applications that we own currently or in the future issue as patents, they may not issue in a form that will provide us with any meaningful protection, prevent competitors or other third parties from competing with us, or otherwise provide us with any competitive advantage. As a result, the issuance, scope, validity, enforceability and commercial value of our patent rights are highly uncertain.

We depend on licenses for certain technologies from third parties for which we pay royalties.

We integrate certain technologies developed and owned by third parties into our solutions for the development of our processing hardware through license and technology transfer agreements. We pay royalties for the intellectual property of such technologies as provided by third parties. Under these agreements, we are obligated to pay royalties for each unit of our solutions that we sell which incorporates such third-party technology. If we are unable to renew their contractual terms on a favorable basis, we may incur additional costs that may affect the cost structure and pricing considerations of our solutions. If we are unable to maintain our contractual relationships with the third-party licensors on which we depend, we may not be able to find replacement technology to integrate into our solutions on a timely basis or for a similar royalty fee. In these events, our cost structure and pricing considerations may be impacted, and our business, results of operations and financial condition may be materially and adversely affected.

We may be subject to claims for remuneration or royalties for assigned service invention rights by our employees that result in litigation, which would adversely affect our business, results of operations and financial condition.

We face a potential risk of litigation from claims by our employees seeking remuneration or royalties for their service inventions that have been assigned to the company. Such claims, if they arise, could lead to costly and time-consuming legal disputes, diverting management attention and resources from our core operations. This could negatively impact our business and financial condition.

Moreover, adverse outcomes in these litigations could result in significant financial liabilities and harm our reputation, affecting our relationships with both current and potential employees and customers. This scenario represents a substantial risk to our operational and financial stability.

Confidentiality agreements and non-compete covenants with employees and other third parties may not adequately prevent the disclosure of trade secrets and other proprietary information.

We have devoted substantial resources to the development of our technology and know-how. Although we enter into employment agreements with confidentiality, non-compete covenants and intellectual property ownership clauses with our employees, we cannot assure you that these agreements will not be breached, that we will have adequate remedies for any

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breach in time or at all, or that our proprietary technology, know-how or other intellectual property will not otherwise become known to third parties. Similarly, if we recruit employees who breached confidentiality, non-compete covenants with their prior employers, we may become subject to claims that such employees have improperly used or disclosed trade secrets or other proprietary information in violation of their confidentiality, non-compete covenants in a way that benefits us. In addition, others may independently discover trade secrets and proprietary information, limiting our ability to assert any proprietary rights against such parties. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect our competitive position.

We utilize open-source software, which may pose particular risks to our business.

We use open-source software in our solutions and anticipate using open-source software in the future. Some open-source software licenses require those who distribute open-source software as part of, combined with or linked to their own proprietary software, or those who distribute proprietary software derived from open-source software, to publicly disclose all or part of the source code to such proprietary software, to permit modifications of such proprietary software or to make available any modifications or derivative works of the open-source code on unfavorable terms or at no cost. This could result in our proprietary software being made available in the source code form and/or licensed to others under open-source licenses, which could allow our competitors or other third parties to use and modify our proprietary software freely without spending the development effort. This could lead to a loss of the competitive advantage of our proprietary technologies and, as a result, sales of our solutions. There is a risk that open-source software licenses may be construed in a manner that imposes unanticipated conditions on our ability to provide solutions or retain ownership of our proprietary intellectual property, particularly given that the terms of many open-source licenses to which we are subject have not been interpreted by courts of law. Additionally, we could face claims from third parties claiming ownership of, or demanding release of, the derivative works that we developed using such open-source software, which could include our proprietary source code, or otherwise seeking to enforce the terms of, or alleging breach of, the applicable open-source license. These claims could result in costly litigation and could require us to make our proprietary software source code freely available, purchase a costly license, or cease offering the implicated solutions unless and until we can re-engineer them to avoid using or being based on any open-source software or otherwise avoid breach of the applicable open-source software licenses or potential infringement. This re-engineering process could require us to expend significant additional research and development resources, and we cannot guarantee that we will be successful.

Additionally, the use of certain open-source software can lead to greater security and operational risks than use of third-party commercial software, as open-source licensors generally do not provide warranties or controls on the origin of software. There is typically no support available for open-source software, and we cannot ensure that the authors of such open-source software will implement or push updates to address security risks or will not abandon further development and maintenance. To the extent that our solutions depend upon

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the successful operation of the open-source software they use, any undetected errors or defects in this open-source software could prevent the deployment or impair the functionality of our solutions, delay the introduction of new solutions, result in a failure of our solutions, and harm our reputation. Moreover, undetected errors or defects in open-source software could render it vulnerable to data breaches or cyberattacks and make our systems more vulnerable to such attacks and breaches. We have processes to help alleviate these risks, including a review process for screening requests from our developers for the use of open-source software, but we cannot be sure that all open-source software is identified or submitted for approval prior to use in connection with our software or solutions. Any of these risks could be difficult to eliminate or manage, and, if not addressed, could adversely affect our ownership of proprietary technology, the security of our systems and vehicles using them, or our business, results of operations, and financial condition.

In addition to patented technology, we rely on our unpatented proprietary technology, trade secrets, processes and know-how as well as our copyrights.

We rely on proprietary information (such as trade secrets, know-how and confidential information) to protect intellectual property that may not be patentable, or that we believe is best protected by means that do not require public disclosure. We generally seek to protect this proprietary information by entering into confidentiality agreements, or consulting, services or employment agreements that contain non-disclosure and non-use provisions with our employees, consultants, contractors, scientific advisers and third parties. However, we may fail to enter into the necessary agreements, and even if entered into, these agreements may be breached or may otherwise fail to prevent disclosure, third-party infringement or misappropriation of our proprietary information, may be limited as to their term and may not provide an adequate remedy in the event of unauthorized disclosure or use of proprietary information. We have limited control over the protection of trade secrets used by our third-party manufacturers and partners and could lose future trade secret protection if any unauthorized disclosure of such information occurs. In addition, our proprietary information may otherwise become known or be independently developed by our competitors or other third parties. To the extent that our employees, consultants, contractors, scientific advisers and other third parties use intellectual property owned by others in their work for us, disputes may arise as to the rights in related or resulting know-how and inventions. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain protection for our proprietary information could adversely affect our competitive business position. Furthermore, laws regarding trade secret rights in certain markets where we operate may afford little or no protection to our trade secrets.

With respect to intellectual property rights in software, we selectively register copyrights in certain circumstances. While international conventions and international treaties may provide meaningful protection against unauthorized copying of software, the laws of some foreign jurisdictions may not protect proprietary rights to the same extent as the international conventions or international treaties. The absence of internationally harmonized intellectual property laws makes it more difficult to ensure consistent protection of our proprietary rights.

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We also rely on physical and electronic security measures to protect our proprietary information, but we cannot provide assurance that these security measures will not be breached or provide adequate protection for our property. There is a risk that third parties may obtain and improperly utilize our proprietary information to our competitive disadvantage. We may not be able to detect or prevent the unauthorized use of such information or take appropriate and timely steps to enforce our intellectual property rights.

RISKS RELATED TO OUR FINANCIAL PROSPECTS

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.

Since our inception, we have incurred operating losses and net losses. In 2021, 2022 and 2023, we had operating losses for the year of RMB1,335.3 million, RMB2,132.0 million and RMB2,030.5 million, respectively, we had net losses for the year of RMB2,063.6 million, RMB8,720.4 million and RMB6,739.1 million, respectively. Our net loss positions was primarily due to our significant research and development expenses during the Track Record Period to enhance our key technology pillars as well as the fair value changes of preferred shares and other financial liabilities. For details on our fair value changes of preferred shares and other financial instrument, see “— Fair value changes of preferred shares and other financial liabilities and related valuation uncertainty may materially affect our results of operations and financial condition.” We recorded net cash outflow from operating activities of RMB1,111.0 million, RMB1,557.3 million and RMB1,744.5 million in 2021, 2022 and 2023, respectively. We expect to incur operating losses and net losses as well as net cash outflow from operating activities in the near future.

We anticipate that our cost of sales and operating expenses will further increase in the foreseeable future as we continue to grow our business, expand globally with our customers, invest and innovate our key technology pillars, and further broaden our solutions offerings. Our ability to achieve profitability and generate positive operating cash flow in the future depends on many factors, such as our abilities to:

- design, develop, manufacture and commercialize our solutions and platforms with our OEM and tier-one customers;
- maintain and expand our customer bases;
- predict and respond to pricing pressures;
- respond to competition in our industry;
- respond to evolving regulatory developments; and
- support our growing operations and for being a public reporting company.

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If our revenue does not grow sufficiently, or if increases in our research and development expenses and other operating expenses are not followed by commensurate increases in revenue, our business, results of operations and financial condition may be adversely affected. Additionally, we might not be able to reduce our research and development expenses or our operating expenses, many of which are fixed, if our revenue does not grow at a sufficient rate. Therefore, we cannot assure you that we will achieve profitability or generate positive operating cash flow in the future.

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. Moreover, we had 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, primarily due to our preferred shares and other financial liabilities at FVPL. 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. Our net deficit position exposes us to liquidity risk. We may have a net deficit position in the near future, which may limit our working capital for the purpose of operations or capital for our expansion plans and materially and adversely affect our business, results of operations and financial condition.

We need to make significant capital and operating expenditures, and we may need to raise additional capital in the future, which may not be available on terms acceptable to us, or at all. If we cannot raise additional funds on attractive terms when we need them, our operations and prospects could be negatively affected.

The development of our solutions will require us to make regular capital and operating expenditures to maintain our level of service. Changing competitive conditions or the emergence of any significant advances in ADAS and AD solutions could require us to invest significant capital in order to remain competitive. As of December 31, 2023, our total shareholders' deficit was RMB24,665.4 million and we generated net loss in 2021, 2022 and 2023. We expect our capital and operating expenditure requirements will primarily relate to research and development expenses to maintain and upgrade our ADAS and AD solutions to serve our customers and remain competitive. In 2023, 75.4% of our operating expenses were for research and development activities. If we are unable to fund any such investment or otherwise fail to invest in our research and operations, our business, results of operations or financial condition could be adversely affected. Our capital and operating expense requirements will depend on many factors, including, but not limited to:

- technological advancements;
- market acceptance of our solutions and technologies, and the overall level of sales of our solutions and technologies;
- research and development expenses;
- our relationships with OEMs and tier-one suppliers;

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- our ability to control costs;
- sales and marketing expenses;
- enhancements to our platform and systems and any capital improvements to our facilities;
- potential acquisitions of businesses and solution/service lines; and
- general economic conditions, including the effects of international conflicts and their impact on the automotive industry in particular

Furthermore, if our capital requirements are materially different from those currently planned, we may need additional capital sooner than anticipated. If additional funds are raised through the issuance of equity or convertible debt securities, the percentage ownership of our shareholders at that point in time will be reduced. Additional financing may not be available on favorable terms, on a timely basis, or at all. If adequate funds are not available or are not available on acceptable terms, we may be unable to continue our operations as planned, develop or enhance our solutions, expand our sales and marketing programs, take advantage of future opportunities or respond to competitive pressures.

Share-based payments may have a material and adverse effect on our financial performance and cause shareholding dilution to our Shareholders.

The share incentive plan was established for the benefit of our directors, senior management and core employees as remuneration for their services provided to us and to incentivize and reward the eligible persons who have contributed to the success of our Company. For the principal terms of the Employee Incentive Scheme, see “Appendix IV — Statutory and General Information — D. Share Incentive Plans”. In 2021, 2022 and 2023, we recorded an aggregate of RMB196.4 million, RMB173.7 million, RMB341.8 million, respectively, in share-based payments.

To further incentivize our employees, we may incur additional share-based payment expenses in the future. We believe such share-based awards are important to our ability to attract, retain and motivate our key individuals, and we may continue to grant share-based awards in the future. Expenses incurred with respect to such share-based payments may also increase our operating expenses and therefore have a negative effect on our financial performance. Issuance of additional Shares with respect to such share-based payments may dilute the shareholding of our Shareholders and could result in a decline in the value of our Shares.

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We may be subject to inventory obsolescence risk.

Our business expansion requires us to manage a large volume of inventory effectively. Our inventories primarily consisted of processing hardware that are in final testing stage or are in the early stage of manufacturing. Our inventories increased from RMB113.9 million as of December 31, 2021, to RMB363.5 million as of December 31, 2022 and further to RMB790.9 million as of December 31, 2023. Our inventory turnover days increased from 192 days in 2021 to 313 days in 2022 and to 461 days in 2023. The increase in inventory was primarily driven by our strategic decision to increase inventory level to meet growing downstream demand and to combat supply chain shortage. However, we cannot guarantee that our inventories can be fully utilized. As our business expands, our inventory obsolescence risk may also increase commensurately with the increase in our inventories and our inventory turnover days.

Fair value changes of preferred shares and other financial liabilities and related valuation uncertainty may materially affect our results of operations and financial condition.

We have completed several rounds of financing by issuing preferred shares and convertible loan to investors. For details, see Note 28(a) to the Accountant’s Report set out in Appendix I to this Document. Upon the completion of this [REDACTED], all of such preferred shares will be automatically converted into ordinary shares. All preferred shares and other financial liabilities will be reclassified to equity upon conversion, and no longer measured at fair value going forward. Additionally, the foregoing investors have the right to require us to redeem such preferred shares if this [REDACTED] is not consummated on or prior to certain date or upon the occurrence of some specified events. For the identity and background of the foregoing investors, see “History, Reorganization and Corporate Structure — Information on the Pre-[REDACTED] Investors.” With respect to the convertible loan, upon the completion of the [REDACTED], all the principal amount and accrued interest shall be automatically and mandatorily converted into ordinary shares, subject to certain beneficial interest cap. For details, see “History, Reorganization and Corporate Structure — Convertible Loan.”

The preferred shares were recorded on a fair value basis. We applied the discount cash flow method to determine our underlying equity value and adopted equity allocation model to determine the fair value of the preferred shares. The key valuation assumptions include, discount rate, risk-free interest rate, discounts for lack of marketability and volatility. Any change in the assumptions may lead to different valuation results and, in turn, changes in the fair value of these financial instruments issued to investors. We estimated the fair value of convertible loan using the binominal option pricing model with key assumptions, including risk-free interest rate and bond yield. To the extent we need to revalue the preferred shares and other financial liabilities prior to the closing of the [REDACTED], any change in fair value of preferred shares and other financial liabilities and related valuation uncertainty could materially affect our results of operations and financial condition.

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Failure to fulfill our obligations in respect of contract liabilities could adversely affect our liquidity and financial condition.

Our contract liabilities mainly represent cash collections in advance of fulfilling performance obligations. Our contract liabilities amounted to RMB5.5 million, RMB63.1 million and RMB24.9 million as of December 31, 2021, 2022 and 2023. See “Financial Information — Discussion of Selected Items from our Consolidated Statements of Financial Position — Liabilities — Contract Liabilities.” There is no assurance that we will be able to fulfill our obligations in respect of contract liabilities as the fulfillment of our performance obligations is subject to various factors that are beyond our control. If we are not able to fulfill our obligations with respect to our contract liabilities, the amount of contract liabilities will not be recognized as revenue, and we may have to refund the advance payment made by our customers. As a result, our liquidity and financial condition may be adversely affected.

We are subject to credit risk related to delay in payment and defaults of customers or related parties, which would adversely affect our liquidity and financial condition.

We are exposed to credit risk related to delay in payment and defaults of our various customers or related parties. As of December 31, 2021, 2022 and 2023, our trade and notes receivables amounted to RMB169.4 million, RMB420.7 million and RMB541.1 million, respectively, and our prepayments and other assets amounted to RMB315.3 million, RMB269.3 million and RMB222.4 million, respectively. We may not be able to collect all such trade and notes receivables and prepayments and other assets due to a variety of factors that are beyond our control, including long payment cycle of certain of our suppliers, adverse operating condition or financial condition of customers, and customers’ inability to pay caused by their end users’ delay in payment. If our customers or related parties delay or default in their payments to us, we may have to make impairment provisions and write-off the relevant receivables and hence our liquidity and financial condition would be adversely affected.

Fluctuations in changes in fair value of our financial assets at fair value through profit or loss would affect our financial results.

We have invested in, and intend to continue to selectively invest in, businesses, assets and technologies that complement our existing business and may make other financial investments. We recorded financial assets at fair value through profit or loss of RMB46.3 million, RMB68.8 million and RMB80.8 million as of December 31, 2021, 2022 and 2023, respectively. These financial assets at fair value through profit or loss included our investments in unlisted companies and commitment derivative. The fair value changes in our financial assets measured at fair value through profit or loss may negatively affect our financial performance. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. The valuations of our investments require the use of unobservable inputs, judgments and estimates, such as risk-free rate, expected volatility, discount rate for lack of marketability and market multiples. Any change in the estimates and assumptions may lead to a change in the fair value of the financial assets, which in turn could negatively affect our financial conditions and results.

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We are subject to certain risks relating to our joint ventures or associates.

We have invested in associated companies and joint ventures and may continue to do so in the future. The performance of such associates and joint ventures has affected, and will continue to affect, our results of operations and financial position. Our investments in associates and joint ventures are not as liquid as other investment products as there is no cash flow until dividends are received even if the associates or joint ventures reported profits under the equity method of accounting. Furthermore, our ability to promptly sell one or more of our interests in our associates or joint ventures in response to changing economic, financial and investment conditions is limited. The market is affected by various factors, such as general economic conditions, availability of financing, interest rates and supply and demand, many of which are beyond our control. We cannot predict whether we will be able to sell any of our interests in the associates or joint ventures for the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We also cannot predict the length of time needed to find a purchaser and to complete the relevant transaction. Therefore, the illiquidity nature of our investment in associates and joint ventures may significantly limit our ability to respond to adverse changes in the performance of our associates. The success of an associate or a joint venture depends on a number of factors, some of which are beyond our control. As a result, we may not be able to realize the anticipated economic and other benefits from such associates and joint ventures, such as receiving dividends from them.

In particular, we face certain risks in relation to CARIZON, a joint venture we established with affiliate of Volkswagen Group, including, among others, that CARIZON is loss making, and CARIZON’s development priorities may not align with ours, we may not be successful in realizing the benefits of our investment or recouping our investment, we may invest additional amounts, and our shareholding percentage may be diluted, which could have a material and adverse effect on our business and financial results. For details, see “Business — Our Partnership with Volkswagen Group — CARIZON — Our Joint Venture with Volkswagen Group.”

CARIZON experienced losses during the Track Record Period, and as we account for CARIZON using the equity method of accounting, such losses have had an adverse impact on our results of operations and financial results. We may record additional share of net loss if CARIZON continues to be loss making in the future. As we may continue to invest in CARIZON and CARIZON could potentially be loss making, we cannot assure you that we will no longer record additional share of net loss. Our additional investments to CARIZON, if made, may include equity investments and/or financial assistance which may have an adverse impact on our liquidity abilities.

We do not control CARIZON, and we cannot assure you that CARIZON’s development priorities will align with ours. In the event that CARIZON is unable to achieve its business strategies or if any dispute arises with Volkswagen Group with respect to CARIZON and its operations or strategic directions, we may not be able to recoup our investment in CARIZON and may lose our entire investment. Since the customized driving automation solutions

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industry is challenging and rapidly evolving and the joint venture between Volkswagen Group and us is subject to a number of conditions and uncertainties, we cannot assure you that we will be able to implement the development plan as set out in accordance with the current joint venture agreement. We may enter into amendments to the current joint venture agreement with Volkswagen Group from time to time to reflect the fast-changing market and industry conditions. We may invest additional capital in CARIZON, and we cannot assure you that we will be successful in realizing the benefits of our investment or recouping our investment. If Volkswagen Group or we fail to perform our respective obligations under the joint venture agreement in a timely manner, or at all, CARIZON would experience delays in establishing and developing its own products and solutions. In addition, the joint venture may not succeed and may be terminated due to failure to establish a sustainable business, geopolitical tensions, or become a target of sanctions. As a result, our business prospects, financial conditions and results of operations may be materially and adversely affected.

Furthermore, our shareholding percentage in CARIZON may be diluted, and our influence over CARIZON may be reduced. In the event CARIZON is in need of additional capital resources and a proposed capital injection plan is declined by us, CARIZON will likely need to seek capital from alternative sources, which may result in the dilution of our equity interest in CARIZON, reduction of our influence over CARIZON through board representation or else CARIZON could cease operations, each of which could have adverse consequences for us. If CARIZON is unable to obtain sufficient capital from alternative sources, its daily operation and business could be materially and adversely affected, and we may lose our entire investment.

RISKS RELATED TO DOING BUSINESS IN CHINA

Changes in economic, political and social conditions, could have a material adverse effect on our business and prospects.

Substantially all of our revenue is derived from our businesses in the PRC during the Track Record Period. Accordingly, our financial condition, results of operations and prospects are, to a material extent, subject to economic, political, and legal developments in the PRC. If the macroeconomic condition in China experiences significant adverse changes, demand for our solutions and our ability to maintain our operations may suffer, which will consequently have a material adverse effect on our financial condition, results of operations and our future prospects.

China’s economy has experienced significant growth over the past decades since the implementation of reform and opening-up policy. In recent years, the PRC government has implemented measures emphasizing the utilization of market forces in economic reform and the establishment of sound corporate governance practices in business enterprises. These economic reform measures may be adaptively adjusted from industry to industry or across different regions of the country. If the business environment in China changes, our business in China may also be materially and adversely affected.

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We may be subject to the approval, filing or other requirements of the CSRC or other PRC governmental authorities in connection with capital raising activities.

On July 6, 2021, the relevant PRC government authorities issued the Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》). These opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies. See “Regulatory Overview — Laws and Regulations on Overseas Listing” for details.

On February 17, 2023, the CSRC promulgated the Overseas Listing Trial Measures, which have become effective on March 31, 2023. The Overseas Listing Trial Measures require, among others, that PRC domestic companies that seek to initially offer and list securities in overseas markets, either directly or indirectly, file the required documents with the CSRC within three business days after its application for overseas listing is submitted. See “Regulatory Overview — Laws and Regulations on Overseas Listing.” We will file with CSRC within a specific time limit as required by the Overseas Listing Trial Measures. However, we cannot assure you that we could complete such filing in a timely manner or at all, the failure of which may restrict our ability to complete the proposed [REDACTED].

On February 24, 2023, the CSRC and other relevant government authorities published the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the “Archives Rules”), which came into effect on March 31, 2023. The Archives Rules require that, in relation to the overseas securities offering and listing activities of domestic enterprises, either in direct or indirect form, such domestic enterprises, as well as securities companies and securities service institutions providing relevant securities services, are required to strictly comply with relevant requirements on confidentiality and archives management, establish a sound confidentiality and archives system, and take necessary measures to implement their confidentiality and archives management responsibilities. The interpretation and implementation of the Archives Rules may keep evolving, failure to comply with which may materially affect our business, results of operations or financial conditions.

Furthermore, we cannot assure you that new rules or regulations promulgated in the future will not impose additional requirements or restrictions on us or our financing activities. We may not be able to comply with such additional requirements in a timely manner. In addition, we may be subject to sanctions by the CSRC or other PRC regulatory authorities for failure to seek CSRC filing or other government authorization for this [REDACTED], and these regulatory authorities may impose fines and penalties on us, limit our operating activities in the PRC, limit our ability to pay dividends outside the PRC, delay or restrict the repatriation of the [REDACTED] from the [REDACTED] into the PRC or take other actions to restrict our financing activities, which could have a material adverse effect on our business.

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If we fail to obtain and maintain the requisite licenses, permits, registrations and filings applicable to our business according to evolving legal requirements, our business, results of operations, financial condition and prospects may be adversely affected.

Under PRC laws and regulations, we are required to obtain or complete a number of licenses, approvals, registrations, filings and other permissions for our operation. As a fast-growing company that is continuously exploring new approaches to conduct our business and capture growth opportunities, we may become subject to additional license, approval and other requirements as we develop and expand our business scope and engage in different business activities. We may fail to meet such requirements timely or at all, in which case we may be subject to administrative penalties and our ability to expand our business and sustain our growth may be materially affected.

In addition, certain licenses, permits or registrations we hold are subject to periodic renewal. If we fail to maintain or renew one or more of our licenses and certificates when their current term expires, or obtain such renewals on a timely manner, our operations could be disrupted. Furthermore, due to the evolving interpretation and implementation of existing laws and the adoption of additional laws and regulations, the licenses, permits, registrations or filings we hold may be deemed insufficient by the PRC government, which may restrain our ability to expand our business scope and may subject us to fines or other regulatory actions. If any of these risks materializes, our business, results of operations, financial condition and prospects may be adversely affected.

We are subject to regulatory requirements in labor-related laws and regulations of the PRC. Failure to make adequate contributions to various employee benefit plans as required by PRC regulations may subject us to penalties.

Pursuant to the PRC Labor Contract Law, or the Labor Contract Law, that became effective in January 2008 and was amended in December 2012 and its implementing rules that became effective in September 2008, employers are subject to stricter requirements in terms of signing labor contracts, minimum wages, paying remuneration, determining the term of employees’ probation and unilaterally terminating labor contracts. We believe our current practice complies with the Labor Contract Law and its amendments. However, the relevant governmental authorities may take a different view and impose fines on us.

In accordance with relevant PRC laws and regulations, an employer shall pay basic pension insurance, basic medical insurance, work related injury insurance, unemployment insurance, maternity insurance and housing provident fund (collectively, the “Employee Benefits”) for its employees in accordance with the rates and bases provided under relevant regulations and shall withhold the Employee Benefits that should be assumed by its employees. During the Track Record Period, we used third-party service providers to pay the Employee Benefits for some of our employees. Under the agreements between the third-party service providers and us, the third-party service providers have the obligations to pay the Employee Benefits for our relevant employees. As of the Latest Practicable Date, none of the third-party service providers that we cooperate with had failed to pay, or delayed in paying, any of the

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Employee Benefits for our employees. As of the Latest Practicable Date, we had not received any notice or inquiry from the relevant governmental authorities due to the abovementioned practice of making contributions to the Employee Benefits, and we obtained compliance certificates with respect to contributions to the Employee Benefits.

As advised by our PRC Legal Adviser, considering, among others, the facts stated above, based on the compliance certificates we have obtained, as well as the fact that we have not received any notice or inquiry from relevant government authorities, the risk of us being imposed to late fees or fines or subject to compulsory enforcement is relatively low. As such, such matters would not have a material and adverse impact on our business, financial condition and results of operations.

As the interpretation and implementation of labor-related laws and regulations are still evolving, our employment practice could inadvertently violate labor-related laws and regulations in China, which may subject us to labor disputes or government investigations. If we are deemed to have violated relevant labor laws and regulations, we could be required to provide additional compensation to our employees and our business, financial condition and results of operations could be materially and adversely affected.

Failure to respond to changes in the regulatory environment in the region where we operate could have a material adverse effect on our business, results of operations and financial condition.

Our business and operations are primarily conducted in China and are governed by applicable PRC laws, rules and regulations. The PRC legal system is based on written statutes and their interpretation by the Supreme People’s Court. Prior court decisions may be cited for reference, but have limited weight as precedents. In the late 1970s, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation over the past several decades has significantly increased the protections afforded to various forms of foreign or private-sector investment in China. Our PRC subsidiaries are subject to various PRC laws and regulations generally applicable to companies in China. However, since these laws and regulations are relatively new, and the PRC legal system and regulatory environment continue to rapidly evolve, the interpretations and enforcement of many laws, regulations and rules may be subject to changes, which may affect our business.

You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing actions in China against us or our management named in the document based on foreign laws.

Substantially all of our business and operations are located in the PRC. In addition, almost all of our Directors, supervisors and officers reside in China and substantially all of their assets are located in China. It may be difficult for [REDACTED] to effect service of process upon those persons residing in China or to enforce against us or them in China any judgments obtained from non-PRC courts. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts of most other jurisdictions. As a result, recognition and enforcement in the PRC of judgments of a court in any of these jurisdictions outside China may be difficult or even impossible.

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On July 14, 2006, the Supreme People’s Court of the PRC and the Government of the Hong Kong Special Administrative Region signed an Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the “Arrangement”). Under the Arrangement, a party with an enforceable final court judgment rendered by any designated people’s court of China or any designated Hong Kong court requiring payment of money in a civil and commercial case according to a written choice of court agreement, may apply for recognition and enforcement of the judgment in the relevant people’s court of China or Hong Kong court. A written choice of court agreement is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in China if the parties in the dispute did not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for [REDACTED] to effect service of process against certain of our assets or Directors in China in order to seek recognition and enforcement of foreign judgments in China.

On January 18, 2019, the Supreme People’s Court of the PRC and Hong Kong entered into an agreement regarding the scope of judgments which may be enforced between China and Hong Kong (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the “New Arrangement”). The New Arrangement will broaden the scope of judgments that may be enforced between China and Hong Kong under the Arrangement. Whereas a choice of jurisdiction needs to be agreed in writing in the form of an agreement between the parties for the selected jurisdiction to have exclusive jurisdiction over a matter under the Arrangement, the New Arrangement provides that the court where the judgment was sought could apply jurisdiction in accordance with the certain rules without the parties’ agreement. The New Arrangement will replace the Arrangement when the former becomes effective. The New Arrangement became effective on January 29, 2024 both in China and in Hong Kong. Under the New Arrangement, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the effective judgments in civil and commercial cases subject to the conditions set forth in the New Arrangement. Although the New Arrangement has been signed, the outcome and effectiveness of any action brought under the New Arrangement may still be uncertain. We cannot assure you that an effective judgment that complies with the New Arrangement can be recognized and enforced in a PRC court.

We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business.

We are a Cayman Islands holding company, and we rely principally on dividends and other distributions on equity from our PRC subsidiaries for our cash requirements, including for services of any debt we may incur. Our PRC subsidiaries’ ability to distribute dividends is based upon their distributable earnings. Current PRC regulations permit our PRC subsidiaries to pay dividends to their respective shareholders only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, each of our PRC subsidiaries are required to set aside at least 10% of its after-tax profits each year, if any, to fund a statutory reserve until such reserve reaches 50% of each of their registered capitals. These reserves are not distributable as cash dividends. If our PRC subsidiaries incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other payments to us. Any limitation on the ability of our PRC subsidiaries to distribute dividends or other payments to their respective shareholders could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our businesses, pay dividends or otherwise fund and conduct our business.

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If the preferential tax treatments granted by the PRC government become unavailable, our results of operation and financial condition may be adversely affected.

Our PRC subsidiaries are subject to the PRC corporate income tax at a standard rate of 25% on their taxable income, but certain of our PRC subsidiaries were accredited as “High and New Technology Enterprises,” and are entitled to a preferential income tax rate of 15%. We cannot assure you that the PRC policies on preferential tax treatments will not change or that the current preferential tax treatments we enjoy or will be entitled to enjoy will not be canceled. Moreover, we cannot assure you that our PRC subsidiaries will be able to renew the same preferential tax treatments upon expiration. If any such change, cancelation or discontinuation of preferential tax treatment occurs, the relevant PRC subsidiaries will be subject to the PRC enterprise income tax, or EIT, at a rate of 25% on taxable income. As a result, the increase in our tax charge could materially and adversely affect our results of operations.

We are subject to PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental regulations of currency conversion when we use the [REDACTED] of this [REDACTED] to make loans or additional capital contributions to our PRC subsidiaries.

We are an offshore holding company conducting our operations in China through our PRC subsidiaries. We may make loans to our PRC subsidiaries subject to the approval from governmental authorities and limitation of amount, or we may make additional capital contributions to our PRC subsidiaries in China. Any loans to our PRC subsidiaries in China, which are treated as foreign-invested enterprises under PRC law, are subject to PRC regulations and foreign exchange loan registrations. For example, loans by us to our PRC subsidiaries in China to finance their activities cannot exceed statutory limits and must be registered with the local counterpart of SAFE. In addition, a foreign invested enterprise shall use its capital pursuant to the principle of authenticity and self-use within its business scope. The capital of a foreign invested enterprise shall not be used for the following purposes (i) directly or indirectly used for payment beyond the business scope of the enterprises or the payment prohibited by relevant laws and regulations; (ii) directly or indirectly used for investment in securities investments other than banks’ principal-secured products unless otherwise provided by relevant laws and regulations; (iii) the granting of loans to non-affiliated enterprises, except where it is expressly permitted in the business license; and (iv) paying the expenses related to the purchase of real estate that is not for self-use (except for the foreign-invested real estate enterprises). See “Regulatory Overview — Laws and Regulations on Foreign Exchange” for details on foreign exchange related regulations.

In light of the various requirements imposed by PRC regulations on loans to and direct investment in PRC entities by offshore holding companies, we cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans to our PRC subsidiaries or future capital contributions by us to our wholly foreign-owned subsidiaries in China. As a result, uncertainties exist as to our ability to provide prompt financial support to our PRC subsidiaries when needed. If we fail to complete such registrations or obtain such approvals,

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our ability to use the [REDACTED] we expect to receive from this [REDACTED] and to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

Governmental regulation of currency conversion may limit our ability to utilize our revenue effectively and affect the value of your [REDACTED].

The conversion of Renminbi is subject to applicable laws and regulations in the PRC. We receive most of our payments from customers in Renminbi and may need to convert Renminbi into foreign currencies for the payment of dividends, if any, to holders of our Shares. Under the Chinese existing foreign exchange regulations, following the completion of the [REDACTED], we will be able to pay dividends in foreign currencies without prior approval from SAFE or its local branches by complying with certain procedural requirements. However, we may not be able to pay dividends in foreign currencies to our Shareholders if access to foreign currencies for current account transactions is restricted in the future. Foreign exchange transactions under our capital account continue to be subject to foreign exchange controls and require the approval of the SAFE or its local branches. These limitations could affect our ability to obtain foreign exchange through equity financing, or to obtain foreign exchange for capital expenditures.

Most of our revenue and costs are denominated in Renminbi. Any significant revaluation of the Renminbi may materially and adversely affect our results of operations, cash flows and financial condition. The exchange rate of the Renminbi against the U.S. dollar and other foreign currencies fluctuates and is affected by, among other things, the policies of the Chinese government and changes in China and in international political and economic conditions. Since 1994, the conversion of the Renminbi into foreign currencies, including U.S. dollars, has been based on rates set by the People’s Bank of China, which are set daily based on the previous business day’s interbank foreign exchange market rates and current exchange rates on the world financial markets. It is difficult to predict how market forces or government policies may impact the exchange rate between the Renminbi and the Hong Kong dollar, the U.S. dollar or other currencies in the future.

Changing international circumstances could result in appreciation of the Renminbi against the U.S. dollar, the Hong Kong dollar or other foreign currencies. If the Renminbi appreciates against other currencies significantly, and as we need to convert and remit the [REDACTED] from the [REDACTED] and future financing into the Renminbi for our operations, appreciation of the Renminbi against the relevant foreign currencies would reduce the Renminbi amount we would receive from the conversion. On the other hand, because the dividends on our Shares, if any, will be paid in Hong Kong dollars, any devaluation of the Renminbi against the Hong Kong dollar could reduce the amount of any cash dividends on our Shares in Hong Kong dollar terms. In addition, there are limited instruments available for us to reduce our exposure to foreign currency risk at reasonable costs. Any of the foregoing factors may materially and adversely affect our businesses, results of operations, financial condition and prospects.

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PRC regulations establish related procedures for some acquisitions of Chinese companies by foreign investors, which could make it complicated for us to pursue growth through acquisitions in China.

Among other things, the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》), or the M&A Rules, adopted by six PRC regulatory agencies in 2006 and amended in 2009, established specific procedures and requirements for merger and acquisition activities by foreign investors. Such regulation requires, among other things, that MOFCOM be notified in advance of any change of control transaction in which a foreign investor takes control of a PRC domestic enterprise, if (i) any important industry is concerned, (ii) such transaction involves factors that have or may have impact on the national economic security, or (iii) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honored brand. Moreover, the Anti-Monopoly Law (《中華人民共和國反壟斷法》) promulgated by the Standing Committee of the NPC which became effective in 2008 requires that transactions which are deemed concentrations and involve parties with specified turnover thresholds must be cleared by the relevant anti-monopoly authority before they can be completed. We may pursue potential strategic acquisitions that are complementary to our business and operations. Complying with the requirements of these regulations to complete such transactions could be costly, and any required approval processes, including obtaining approval or clearance from the competent governmental authority, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident beneficial owners or our PRC subsidiaries to liability or penalties, limit our ability to inject capital into our PRC subsidiaries, limit our PRC subsidiaries’ ability to increase their registered capital or distribute profits to us, or may otherwise adversely affect us.

In July 2014, SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents’ Offshore Investment and Financing and Roundtrip Investment Through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), or SAFE Circular 37, to replace the Notice on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents’ Financing and Roundtrip Investment Through Offshore Special Purpose Vehicles, or SAFE Circular 75, which ceased to be effective upon the promulgation of SAFE Circular 37. SAFE Circular 37 requires PRC residents (including PRC individuals and PRC corporate entities) to register with SAFE or its local branches in connection with their direct or indirect offshore investment activities. SAFE Circular 37 is applicable to our shareholders who are PRC residents and may be applicable to any offshore acquisitions that we make in the future.

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SAFE Circular 37 requires registration with, and approval from, Chinese government authorities in connection with direct or indirect control of an offshore entity by PRC residents. The term “control” under SAFE Circular 37 is broadly defined as the operation rights, beneficiary rights or decision-making rights acquired by PRC residents in the offshore special purpose vehicles, or SPVs, by means of acquisition, trust, proxy, voting rights, repurchase, convertible bonds or other arrangements. In addition, any PRC resident who is a direct or indirect shareholder of an SPV is required to update its filed registration with the local branch of SAFE with respect to that SPV, to reflect any material change. On February 13, 2015, the SAFE promulgated a Notice on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), or SAFE Notice 13, which became effective on June 1, 2015. Under SAFE Notice 13, applications for foreign exchange registration of inbound foreign direct investments and outbound overseas direct investments, including those required under SAFE Circular 37, will be filed with qualified banks instead of SAFE. The qualified banks will directly examine the applications and accept registrations under the supervision of SAFE.

These regulations may have a significant impact on our present and future structuring and investment. We cannot assure you that any PRC shareholders of our Company or any PRC company into which we invest will be able to comply with those requirements. Any failure or inability by such individuals or entities to comply with SAFE regulations may subject us to fines or legal sanctions, such as restrictions on our cross-border investment activities or our PRC subsidiaries’ ability to distribute dividends to, or obtain foreign exchange-denominated loans from, our Company or prevent us from making distributions or paying dividends. As a result, our business operations and our ability to make distributions to you could be materially and adversely affected.

Furthermore, with the promulgation of new laws, regulations and standards concerning foreign exchange regulations in the future, we are required to comply with these laws, regulations and standards concerning offshore or cross-border transactions, otherwise we may be subject to fines or other penalties, which could materially and adversely affect our business, results of operations and financial condition. This may restrict our ability to implement our acquisition strategy and could adversely affect our business and prospects.

Any failure to comply with PRC regulations regarding the registration requirements for employee stock incentive plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

In February 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), replacing earlier rules promulgated in 2007. Pursuant to these rules, PRC citizens and non-PRC citizens who reside in China for a continuous period of not less than one year who participate in any stock incentive plan of an overseas publicly listed company, subject to a few exceptions, are required to register with SAFE through a domestic qualified agent, which could be the PRC subsidiaries of such overseas-listed company, and

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complete certain other procedures. In addition, an overseas-entrusted institution must be retained to handle matters in connection with the exercise or sale of stock options and the purchase or sale of shares and interests. In addition, SAFE Circular 37 stipulates that PRC residents who participate in a share incentive plan of an overseas non-publicly listed special purpose company may register with SAFE or its local branches before they obtain the incentive shares or exercise the share options. We and our executive officers and other employees who are PRC citizens or who reside in the PRC for a continuous period of not less than one year and who have been or will be granted incentive shares or options are or will be subject to these regulations. Failure to complete the SAFE registrations may subject them to fines and legal sanctions, and there may be additional restrictions on their ability to exercise their stock options or remit proceeds gained from sale of their stock into the PRC. We also face regulatory uncertainties that could restrict our ability to adopt additional incentive plans for our directors, executive officers and employees under PRC law. See “Regulatory Overview — Laws and Regulations on Stock Incentive Plans.”

If we are classified as a PRC resident enterprise for PRC enterprise income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders.

Under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside the PRC with its “de facto management body” within the PRC is considered a “resident enterprise” and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term “de facto management body” as the body that exercises full and substantial control and overall management over the business, productions, personnel, accounts and properties of an enterprise. The State Administration of Taxation, or SAT, issued the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as People’s Republic of China Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》), known as SAT Circular 82, on April 22, 2009 and most recently amended on December 29, 2017. SAT Circular 82 provides certain specific criteria for determining whether the “de facto management body” of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners, the criteria set forth in the circular may reflect the SAT’s general position on how the “de facto management body” text should be applied in determining the tax resident status of all offshore enterprises. According to SAT Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its “de facto management body” in China, and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met (i) the primary location of the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise’s financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholder resolutions are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

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We believe our Company is not a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “de facto management body.” If the PRC tax authorities determine that our Company or any of our offshore subsidiaries is a PRC resident enterprise for enterprise income tax purposes, our Company or the relevant offshore subsidiaries will be subject to PRC enterprise income on its worldwide income at the rate of 25%. Furthermore, if we are treated as a PRC tax resident enterprise, we will be required to withhold a 10% tax from dividends we pay to our shareholders that are non-resident enterprises. In addition, non-resident enterprise shareholders may be subject to PRC tax at a rate of 10% on gains realized on the sale or other disposition of [REDACTED], if such gain is treated as derived from a PRC source. Furthermore, if we are deemed a PRC resident enterprise, dividends paid to our non-PRC individual shareholders and any gain realized on the transfer of [REDACTED] by such shareholders may be subject to PRC tax at a rate of 20% (which, in the case of dividends, may be withheld at source by us). These rates may be reduced by an applicable tax treaty, but it is unclear whether our non-PRC shareholders would, in practice, be able to obtain the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your [REDACTED] in the [REDACTED].

Changes in government policies that are favorable for smart vehicles could materially and adversely affect our business, financial conditions and results of operations.

Our growth depends in part on government spending and favorable government policies in respect of the industries in which we operate. For details on such policies, see “Regulatory Overview — Regulations on Autonomous Driving.” However, such policies may be subject to changes that are beyond our control. There can be no assurance that government policies will continue. Uncertainties and changes in such policies may have a material adverse impact on our business, financial condition and results of operations.

We face uncertainty with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC resident companies.

On February 3, 2015, the SAT issued the Public Notice Regarding Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-Tax Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》), or SAT Bulletin 7, which came into effect on February 3, 2015. SAT Bulletin 7 has introduced safe harbors for internal group restructurings and the purchase and sale of equity through a public securities market. SAT Bulletin 7 also brings challenges to both foreign transferor and transferee (or other person who is obligated to pay for the transfer) of taxable assets.

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On October 17, 2017, the SAT issued the Announcement of the State Administration of Taxation on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source (《關於非居民企業所得稅源泉扣繳有關問題的公告》), or SAT Bulletin 37, which came into effect on December 1, 2017. The SAT Bulletin 37 further clarifies the practice and procedure of the withholding of non-resident enterprise income tax.

We face uncertainties as to the reporting and other implications of future transactions where PRC taxable assets are involved, such as offshore restructuring, sale of the shares in our offshore subsidiaries and investments. As a result, we may be required to expend valuable resources to comply with SAT Bulletin 7 and/or SAT Bulletin 37 or to request the relevant transferors from whom we purchase taxable assets to comply with these circulars, or to establish that our Company should not be taxed under these circulars, which may have a material adverse effect on our financial condition and results of operations.

RISKS RELATED TO THE WVR STRUCTURE

The concentration of our Share’s voting power limited our Shareholders’ ability to influence corporate matters.

Our Company is controlled through weighted voting rights. The WVR Beneficiaries are Dr. Yu and Dr. Huang. Immediately upon the completion of [REDACTED], Dr. Yu and Dr. Huang will beneficially own 2,124,389,270 Class A Ordinary Shares together, representing approximately [REDACTED]% of the voting rights in our Company (assuming the [REDACTED] is not exercised and the Conversion at Mid-point) with respect to shareholder resolutions relating to matters other than the Reserved Matters. Dr. Yu and Dr. Huang therefore have significant influence over matters such as decisions regarding mergers and consolidations, election of directors, and other significant corporate actions. For further details about our shareholding structure, see the section headed “Share Capital — Weighted Voting Rights Structure” of this Document. This concentrated control limits or severely restricts our Shareholders’ ability to influence corporate matters and, as a result, we may take actions that our Shareholders do not view as beneficial. As a result, the market price of our Class B Ordinary Shares could be adversely affected.

Holders of our Class A Ordinary Shares may exert substantial influence over us and may not act in the best interests of our other Shareholders.

Our WVR Beneficiaries are in a position to exert significant influence over the affairs of our Company and will be able to influence the outcome of any shareholders’ resolutions, irrespective of how other shareholders vote. The interests of the holders of our Class A Ordinary Shares may not necessarily be aligned with the interests of our Shareholders as a whole, and this concentration of voting power may also have the effect of delaying, deferring or preventing a change in control of our Company. This concentrated control could discourage others from pursuing any potential merger, takeover, or other change of control transactions that holders of Class A Ordinary Shares may view as beneficial, and may also discourage, delay, or prevent a change of control of our Company, which could have the effect of depriving our other Shareholders of the opportunity to receive a premium for their Shares as part of a sale of our Company and may reduce the price of our Class B Ordinary Shares.

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RISKS RELATED TO THE [REDACTED] AND OUR SHARES

There has been no prior public market for our Shares and the liquidity and market price of our Shares may be volatile.

Prior to the [REDACTED], there has been no public market for our Shares. There can be no guarantee that an active trading market for our Shares will develop or be sustained after the completion of the [REDACTED]. The [REDACTED] of our Shares is the result of negotiations between our Company and the [REDACTED] (for themselves and on behalf of the [REDACTED]), which may not be indicative of the price at which our Shares will be traded following the completion of the [REDACTED]. The market price of our Shares may drop below the [REDACTED] at any time after completion of the [REDACTED].

The price and trading volume of our Shares may be volatile, which could result in substantial losses for [REDACTED] purchasing our Shares in the [REDACTED].

Factors such as fluctuations in our revenue, earnings, cash flows, new investments, regulatory development, additions or departures of key personnel, or actions taken by competitors could cause the market price of our Shares or trading volume of our Shares to change substantially and unexpectedly. In addition, stock prices have been subject to significant volatility in recent years. Such volatility has not always been directly related to the performance of the specific companies whose shares are traded. Such volatility, as well as general economic conditions, may materially and adversely affect the prices of shares, and as a result [REDACTED] in our Shares may incur substantial losses.

Subscribers and purchasers of our Shares under the [REDACTED] will experience immediate dilution and may experience further dilution if we issue additional Shares in the future.

The [REDACTED] of our Shares is higher than our net tangible assets value per Share immediately prior to the [REDACTED]. Therefore, subscribers and purchasers of our Shares under the [REDACTED] will experience an immediate dilution in pro forma net tangible assets value per Share. In order to expand our business, we may consider offering and issuing additional Shares in the future or to raise additional funds in the future to finance our business expansion, for existing operations or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company, other than on a pro rata basis to existing Shareholders, then (i) the percentage ownership of the existing Shareholders may be reduced, and they may experience subsequent dilution and reduction in their earnings per share, (ii) such newly issued securities may have rights, preferences or privileges superior to those of the Shares of the existing Shareholders and/or (iii) subscribers and purchasers of our Shares may experience dilution in the net tangible assets value per Share if we issue additional Shares in the future at a price which is lower than our net tangible assets value per Share.

RISK FACTORS

Future sale or major divestment of Shares by any of our substantial Shareholders could adversely affect the prevailing market price of our Shares.

The Shares held by certain Shareholders are subject to certain lock-up periods, the details of which are set out in the section headed “[REDACTED]” of this Document. However, we cannot give any assurance that after the restrictions of the lock-up periods expire, these Shareholders will not dispose of any Shares. Sale of substantial amounts of our Shares in the public market, or the perception that these sales may occur, may materially and adversely affect the prevailing market price of our Shares.

The market price of the Shares when trading begins could be lower than the [REDACTED].

The [REDACTED] will be determined on the [REDACTED]. However, the Shares will not [REDACTED] on the Stock Exchange until they are delivered, which is expected to be a few Business Days after the expected [REDACTED]. [REDACTED] may not be able to sell or otherwise deal in the Shares during that period. As a result, holders of the Shares are subject to the risk that the price of the Shares when trading begins could be lower than the [REDACTED] as a result of adverse market conditions or other adverse developments that may occur during that period.

[REDACTED] should not place undue reliance on facts, forecasts, estimates and other statistics in this Document relating to the economy and our industry obtained from official or other resources.

Facts, forecasts, estimates and other statistics in this Document relating to the economy and the industry in which we operate our business on have been collected from materials from official government sources. While we have exercised reasonable care in compiling and reproducing such information and statistics derived from government publications, we cannot assure you nor make any representation as to the accuracy or completeness of such information.

Neither we or any of our respective affiliates or advisers, nor the [REDACTED] or any of its affiliates or advisers, have independently verified the accuracy or completeness of such information directly or indirectly derived from official government sources. In particular, due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such information and statistics may be inaccurate or may not be comparable to information and statistics produced with respect to other countries. Statistics, industry data and other information relating to the economy and the industry derived from the official government sources used in this Document may not be consistent with other information available from other sources and therefore, [REDACTED] should not unduly rely upon such facts, forecasts, estimates and statistics while making [REDACTED] decisions.

RISK FACTORS

If securities or industry analysts do not publish research reports about our business, or if they adversely change their recommendations regarding our Shares, the market price and trading volume of our Shares may decline.

The trading market for our Shares will be influenced by the research and reports that industry or securities analysts publish about us or our business. If one or more of the analysts who cover us downgrade our Shares, the price of our Shares would likely decline. If one or more of these analysts cease coverage of our Company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

We have no experience of operating as a public company.

We have no experience conducting our operations as a public company. After we become a public company, we may face enhanced administrative and compliance requirements, which may result in substantial costs.

In addition, since we are becoming a public company, our management team will need to develop the expertise necessary to comply with the numerous regulatory and other requirements applicable to public companies, including requirements relating to corporate governance, listing standards and securities and investor relationships issues. As a public company, our management will have to evaluate our internal controls system with new thresholds of materiality, and to implement necessary changes to our internal controls system. We cannot guarantee that we will be able to do so in a timely and effective manner. Failure to effectively manage these new demands could adversely impact our operational efficiency and financial health, affecting our business and market perception.

We may not be able to pay any dividends to our Shareholders.

We cannot guarantee when and in what form dividends will be paid on our [REDACTED] following the [REDACTED]. The declaration of dividends is proposed by the Board and is based on, and limited by, various factors, such as our business and financial performance, capital and regulatory requirements and general business and operation conditions. We may not have sufficient or any profits to enable us to make dividend distributions to our Shareholders in the future, even if our financial statements indicate that our operations have been profitable.

RISK FACTORS

[REDACTED] may experience difficulties in enforcing Shareholder rights.

Our Company is an exempted company incorporated in the Cayman Islands with limited liability, and the laws of the Cayman Islands differ in some respects from those of Hong Kong or other jurisdictions where [REDACTED] may be located. The corporate affairs of our Company are governed by the Memorandum and the Articles, as amended from time to time, the Companies Act and the common law of the Cayman Islands. The rights of Shareholders to take legal action against our Company and/or our Directors, actions by minority Shareholders and the fiduciary duties of our Directors to our Company under Cayman Islands laws are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The rights of the Shareholders and the fiduciary duties of our Directors under Cayman Islands laws may not be as clearly established as they would be under statutes or judicial precedents in Hong Kong or other jurisdictions where [REDACTED] reside. In particular, the Cayman Islands has a less developed body of securities laws. As a result of all of the above, Shareholders may have more difficulty in exercising their rights in the face of actions taken by the management of our Company, Directors or major Shareholders than they would as shareholders of a Hong Kong company or company incorporated in other jurisdictions.

Certain statistics contained in this Document are derived from a third-party report which is not independently verified by us. There can be no assurance of the accuracy or completeness of certain facts, forecasts and other statistics obtained from various government publications, market data providers and other independent third-party sources, including the industry expert report, contained in this Document.

This Document, particularly the section headed “Industry Overview,” contains information and statistics relating to the smart vehicles and ADAS and AD solutions market in China. Such information and statistics have been derived from third-party reports, either commissioned by us or publicly accessible, and other publicly available sources. We believe that the sources of the information are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. However, we cannot guarantee the quality or reliability of such source materials. The information has not been independently verified by us, the Joint Sponsors, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED] or any other party involved in the [REDACTED], and no representation is given as to its accuracy. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, which may result in the statistics being inaccurate or not comparable to statistics produced for other economies. You should therefore not place undue reliance on such information. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as or consistent with similar statistics presented elsewhere, and such information may not be complete or up to date. In any event, you should consider carefully the importance placed on such information or statistics.

RISK FACTORS

We have significant discretions as to how we use the net [REDACTED] of the [REDACTED], and you may not necessarily agree with how we use them.

Our management may spend the net [REDACTED] from the [REDACTED] in ways you may not agree with or that do not yield a favorable return. For details of our intended use of [REDACTED], see “Future Plans and Use of [REDACTED]” in this Document. However, our management will have discretion as to the actual application of our net [REDACTED]. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the net [REDACTED] from this [REDACTED].

You should read the entire Document carefully and should not place any reliance on any information contained in press articles or other media regarding the [REDACTED].

There may have been, prior to the publication of this Document, and there may be, subsequent to the date of this Document but prior to the completion of the [REDACTED], press and media coverage regarding us and the [REDACTED], such as the [REDACTED] information. You should rely solely upon the information contained in this Document and any formal announcements made by us in Hong Kong in making your [REDACTED] decision regarding the [REDACTED]. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any estimates, views or opinions expressed by the press or other media regarding the [REDACTED] or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication.

Accordingly, prospective [REDACTED] should not rely on any such information, reports or publications in making their decisions whether to [REDACTED] in the [REDACTED]. Prospective [REDACTED] in the [REDACTED] are reminded that, in making their decisions as to whether to purchase our [REDACTED], they should rely only on the financial, operational and other information included in this Document. By applying to purchase our [REDACTED] in the [REDACTED], you will be deemed to have agreed that you will not rely on any information other than that contained in this Document.

Forward-looking information contained in this Document is subject to risks and uncertainties.

This Document contains certain statements and information that are forward-looking and uses forward-looking terminology such as “anticipate,” “believe,” “could,” “going forward,” “intend,” “plan,” “project,” “seek,” “expect,” “may,” “ought to,” “should,” “would” or “will” and similar expressions. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this Document should not be regarded as representations or warranties by us that our plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth

RISK FACTORS

in this section. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this Document, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this Document are qualified by reference to this cautionary statement.