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Application Proof of



Horizon Robotics

(the “Company”)

(A company controlled through weighted voting rights and incorporated in the Cayman Islands with limited liability)

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地平线

Horizon Robotics

(A company controlled through weighted voting rights and incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] under the : [REDACTED] (subject to the
[REDACTED] [REDACTED])
Number of [REDACTED] : [REDACTED] (subject to reallocation)
Number of [REDACTED] : [REDACTED] (subject to reallocation
and the [REDACTED])
Maximum [REDACTED] : HK\$[REDACTED] per [REDACTED],
plus brokerage of 1%, SFC
transaction levy of 0.0027%, Stock
Exchange trading fee of 0.00565% and
AFRC transaction levy of 0.00015%
(payable in full on [REDACTED] in
Hong Kong dollars and subject to
refund)
Nominal value : US\$0.0000025 per Share
[REDACTED] : [REDACTED]

*Joint Sponsors, [REDACTED], [REDACTED],
[REDACTED] and [REDACTED]*

Goldman Sachs 高盛

Morgan Stanley

 **中信建投國際**
CHINA SECURITIES INTERNATIONAL

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The final [REDACTED] is expected to be fixed by agreement between the [REDACTED] (for themselves and on behalf of the [REDACTED]) and the Company on the [REDACTED], which is expected to be on or around [REDACTED]. The [REDACTED] will be not more than HK\$[REDACTED] per [REDACTED] and is currently expected to be not less than HK\$[REDACTED] per [REDACTED] unless otherwise announced. If, for any reason, the final [REDACTED] is not agreed by 12:00 noon on [REDACTED] between the [REDACTED] (for themselves and on behalf of the [REDACTED]) and the Company, the [REDACTED] will not proceed and will lapse.

The [REDACTED] have not been and will not be registered under the U.S. Securities Act or any state securities laws of the United States and may not be [REDACTED], sold, pledged, or transferred within the United States, except that [REDACTED] may be [REDACTED], sold or delivered to [REDACTED] in reliance on an exemption from registration under the U.S. Securities Act provided by, and in accordance with the restrictions of, Rule 144A or another exemption from the registration requirements of the U.S. Securities Act. The [REDACTED] may be [REDACTED], sold or delivered outside of the United States in offshore transactions in accordance with Regulation S.

Applicants for [REDACTED] may be required to pay, on [REDACTED] (subject to [REDACTED]), the [REDACTED] of HK\$[REDACTED] for each [REDACTED] together with a brokerage fee of 1%, a SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%.

Prior to making an [REDACTED] decision, prospective [REDACTED] should consider carefully all of the information set out in this Document, including the risk factors set out in the section headed “Risk Factors”.

The obligations of the Hong Kong [REDACTED] under the [REDACTED] are subject to termination by the [REDACTED] (for themselves and on behalf of the [REDACTED]) if certain grounds arise prior to 8:00 a.m. on the [REDACTED]. See “[REDACTED]”.

Our Company will be controlled through weighted voting rights upon [REDACTED]. Prospective [REDACTED] should be aware of the potential risks of [REDACTED] in a company with a WVR structure, in particular that the WVR Beneficiaries, whose interests may not necessarily be aligned with those of our Shareholders as a whole, will be in a position to exert significant influence over the outcome of our Shareholders’ resolutions, irrespective of how other Shareholders vote. For further information about the risks associated with the WVR structure, see “Risk Factors — Risks Related to the WVR Structure”. Prospective [REDACTED] should make the decision to in our Company only after due and careful consideration.

[REDACTED]

[REDACTED]

IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

CONTENTS

IMPORTANT NOTICE TO [REDACTED]

This Document is issued by us solely in connection with the [REDACTED] and does not constitute an [REDACTED] to sell or a solicitation of an [REDACTED] to buy any security other than the [REDACTED] by this Document pursuant to the [REDACTED]. This Document may not be used for the purpose of, and does not constitute, an [REDACTED] or a solicitation of an [REDACTED] to subscribe for or buy, any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a [REDACTED] of the [REDACTED] or the distribution of this Document in any jurisdiction other than Hong Kong. The distribution of this Document and the [REDACTED] and sale of the [REDACTED] in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this Document to make your [REDACTED] decision. We have not authorized anyone to provide you with information that is different from what is contained in this Document. Any information or representation not made in this Document must not be relied on by you as having been authorized by us, the Joint Sponsors, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], any of the [REDACTED], any of our or their respective directors, officers or representatives, or any other person or party involved in the [REDACTED].

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SUMMARY

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

OUR MISSION

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

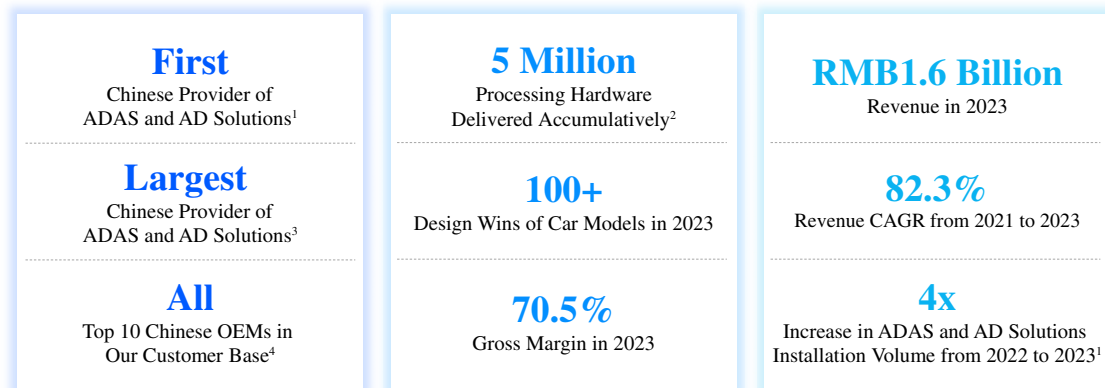
OUR VISION

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

OVERVIEW

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

— Market Leadership — — Commercial Success — — Hypergrowth at Scale —



Notes:

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

SUMMARY

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

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

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

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

- ***Horizon Mono.*** Horizon Mono is our active safety ADAS solution designed to improve daily driving safety and comfort. It enables basic functions such as automatic emergency braking (AEB) and intelligent high beam (IHB) to improve passenger and road-user safety, as well as comfort functions such as adaptive cruise control (ACC) and traffic jam assist (TJA) to improve driving experience.
- ***Horizon Pilot.*** Horizon Pilot is our highway navigate on autopilot (NOA) solution that provides safe and efficient driving experience. In addition to enhanced active safety features, Horizon Pilot performs more advanced tasks such as automatic ramp on/off, autonomous merge-in and exit during traffic congestion, automated lane change, highway autopilot and more. These functions improve driving and riding experience for end users, especially in long-distance commute. At the same time, Horizon Pilot provides advanced parking functions such as auto parking assist (APA) and automated valet parking assist (VPA).

SUMMARY

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

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

- ***Algorithm.*** Our algorithms play an important role for our proprietary software-hardware co-designed solution. They are purpose-built and optimized for a wide spectrum of driving scenarios. Our full spectrum of algorithm capabilities range from perception, environmental modeling, planning and control to driving automation functions, fulfilling the development requirement for all levels of ADAS and AD solutions.
- ***Brain Processing Unit (BPU).*** BPU is our proprietary processing architecture tailored for automotive applications, including ADAS and AD functions. We incorporate our deep understanding of advanced software and algorithms into BPU architecture to empower the processing hardware with outstanding performance, high energy efficiency, low latency when running automotive algorithms.
- ***Horizon OpenExplorer.*** Horizon OpenExplorer is our flexible algorithm development toolkit that encompasses a series of ready-to-use modules and reference algorithms. With a user-friendly interface and abundant auxiliary tools, OpenExplorer enables the users to accurately and efficiently deploy algorithms and software on our processing hardware.
- ***Horizon TogetheROS.*** Horizon TogetheROS is a safe, simple and user-friendly autonomous driving embedded middleware. TogetheROS provides standardized automotive grade services and tools to help accelerate development, integration and verification efforts to boost mass production readiness.
- ***Horizon Automotive Intelligence Development Instrument (AIDI).*** Horizon AIDI is our software development platform, designed to accomplish automatic iterative improvements of models with enhanced efficiency. By offering various tools and application interfaces, as well as streamlined workflow, AIDI helps software developers optimize the entire software development process from deployment, training, verification, evaluation, to iteration.

SUMMARY



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

- System performance. Our software and hardware are developed and optimized hand-in-hand to ensure optimum system performance when integrated.
- High efficiency at affordable costs. Our solutions are highly efficient due to our co-optimization approach, delivering outstanding processing performance with low power consumption and low latency, which are crucial for automotive-grade deployment. In addition, our solutions are produced at affordable costs, laying the foundation for mass scale adoption.
- Open platform. We make available a series of base models, toolchains, frameworks and reference solutions to enable our customers and ecosystem partners to develop their own software applications catering to specific needs, helping them significantly shorten development cycles and reduce development costs.

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

SUMMARY

Selected OEM / Brand Customers



Selected Tier-one Customers



Selected Ecosystem Partners



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

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

OUR COMPETITIVE STRENGTHS

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

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

SUMMARY

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

For details, see “Business – Our Competitive Strengths.”

OUR GROWTH STRATEGIES

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

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

For details, see “Business – Our Growth Strategies.”

CUSTOMERS AND SUPPLIERS

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

SUMMARY

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

OUR PARTNERSHIP WITH VOLKSWAGEN GROUP

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

WEIGHTED VOTING RIGHTS STRUCTURE

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

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

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

SUMMARY

Notes:

- (1) On the basis that each Class B Ordinary Share entitles the Shareholder to one vote per Share and each Class A Ordinary Share entitles the Shareholder to ten votes per Share.
- (2) For details of the shareholding structure of our WVR Beneficiaries, please refer to note 1 and note 2 in the section headed “History, Reorganization and Corporate Structure — Capitalization.”

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

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

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

OUR CONTROLLING SHAREHOLDERS

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

SUMMARY

PRE-[REDACTED] INVESTMENTS

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

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

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

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

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

Summary of Consolidated Statements of Profit or Loss

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

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

SUMMARY

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

Notes:

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

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

SUMMARY

Non-IFRS Measures

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

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

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

SUMMARY

SUMMARY OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

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

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

SUMMARY OF CONSOLIDATED STATEMENTS OF CASH FLOWS

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

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

SUMMARY

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

KEY FINANCIAL RATIO

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

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

PATH TO PROFITABILITY

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

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

SUMMARY

Expanding Our Revenue Scale

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

- *Leverage positive industry tailwind.* Benefiting from the consumer acceptance and preferences for smart vehicles, enhanced driving safety standards and robust technology development, the smart vehicle market in China and globally is expected to maintain significant growth momentum in the future. Looking ahead, benefiting from our cutting-edge algorithms, purpose-built software and state-of-the-art processing hardware, we are poised to maintain this momentum and continue our revenue growth trajectory.
- *Capitalize on robust backlogs.* We have secured robust backlogs of orders for vehicles not yet mass produced. As of December 31, 2023, vehicle models that have yet to achieve mass production represented more than 50% of all vehicle models of which we have obtained design-wins. Future commercialization of such vehicle models that have yet to achieve mass production can further support our future revenue growth in the years to come.
- *Attract new customers.* We plan to further grow the size of our customer base, leveraging our current flexible business model and industry-leading open platform.
- *Expand collaboration with existing customers.* Our future growth is dependent on our ability to maintain and deepen relationships with our existing customers. By committing to expand and deepen such relationships, we can scale deployments of our solution in tandem with our customers’ increasing production volumes of vehicles equipped with our solutions. Moreover, OEMs who have found success with our solutions in one of their vehicle models would typically expand collaboration with us to more vehicle models. Furthermore, we have the opportunity to offer more advanced solutions and more components from our offering to our customers.
- *Expand to new geographies.* We aim to extend our reach beyond markets in China and bring our solutions to enable global partners. We intend to enhance our international presence through partnering with global OEMs and tier-one suppliers to explore global markets, particularly in Japan, South Korea and Europe.
- *Introduce new solutions with higher price meeting the surging demand for smart vehicles.* We plan to introduce new solutions with more advanced technologies. We believe more advanced driving automation technologies allow us to charge a higher price, which can further boost our revenue growth.

SUMMARY

Maintaining Our Gross Margin Profile

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

Enhancing Operating Leverage

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

Improving Operations of CARIZON

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

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

RISK FACTORS

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

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

SUMMARY

- We have been and intend to continue investing significantly in research and development, and to the extent our research and development efforts are unsuccessful, our competitive position would be negatively impacted and our business, results of operations and financial condition would be adversely affected;
- We cannot ensure that there will be sufficient future market adoption of ADAS and AD solutions to drive our growth, nor can we ensure that industry developments as well as market acceptance of ADAS and AD solutions will develop in our favor. If the markets toward smart vehicles and ADAS and AD solutions falter, or if these trends do not grow as rapidly or as positively as expected, our business, results of operations and financial condition may be adversely affected;
- The interruption of requisite services from third-party partners may expose us to supply chain risk that could harm our business;
- We depend on a limited number of third-party business partners for certain essential materials, equipment and services;
- Our customer concentration has been high and we currently generate a significant share of our revenue from a limited number of customers. Although our number of customers is expanding and we expect our concentration to decrease as our number of customers increase, there still exists a risk of customer concentration, and our revenue could be adversely affected if we lose or are prevented from selling to any of our top customers; and
- We have a history of losses and operating cash outflow as well as net current liabilities and negative equity during the Track Record Period, and there is no assurance that we will become or subsequently remain profitable.

WORKING CAPITAL SUFFICIENCY

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

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

SUMMARY

[REDACTED]

DIVIDENDS

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

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

SUMMARY

LEGAL PROCEEDINGS AND COMPLIANCE

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

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

FUTURE PLANS AND USE OF [REDACTED]

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

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

- Approximately [REDACTED]%, or approximately HK\$[REDACTED], of the net [REDACTED] will be allocated over the next five years for research and development purposes;
- Approximately [REDACTED]%, or approximately HK\$[REDACTED], of the net [REDACTED] will be allocated for sales and marketing related expenses;
- Approximately [REDACTED]%, or approximately HK\$[REDACTED], of the net [REDACTED] will be allocated for future strategic investment with our joint ventures, thus broadening and strengthening our technology capabilities; and
- Approximately [REDACTED]%, or approximately HK\$[REDACTED], will be allocated for general corporate purposes and working capital needs.

For details, please see “Future Plans and Use of [REDACTED].”

SUMMARY

[REDACTED]

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

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

[REDACTED]

RECENT DEVELOPMENTS

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

SUMMARY

No Material Adverse Change

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

DEFINITIONS

In this Document, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in the section headed “Glossary” in this Document.

“2018 Share Incentive Plan”	The 2018 Share Incentive Plan adopted by the Company in 2015 and amended on November 16, 2018, the principal terms of which are set out in the section headed “Statutory and General Information — D. Share Incentive Plans” in Appendix IV to this Document
“Accountant’s Report”	the accountant’s report of our Company, the text of which is set out in Appendix I to this Document
“affiliate(s)”	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AFRC”	Accounting and Financial Reporting Council (會計及財務匯報局)
“Articles” or “Articles of Association”	the articles of association of our Company with effect upon the [REDACTED] (as amended from time to time), a summary of which is set out in Appendix III to this Document
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Beijing Horizon Robotics”	Beijing Horizon Robotics Technology Research and Development Co., Ltd. (北京地平線機器人技術研發有限公司), a limited liability company incorporated under the laws of the PRC on July 14, 2015, and a wholly-owned subsidiary of the Company
“Board”, “Board of Directors” or “our Board”	the board of Directors of the Company
“Business Day”	a day on which banks in Hong Kong are generally open for normal business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong

DEFINITIONS

[REDACTED]

“CARIZON”

Carizon (Beijing) Technology Co., Ltd (酷睿程(北京)科技有限公司), the joint venture established by the Company through its wholly-owned subsidiary Horizon Together Holding Ltd. and CARIAD Estonia AS in the PRC on November 20, 2023

[REDACTED]

DEFINITIONS

[REDACTED]

“China” or “the PRC”	the People’s Republic of China, unless the context requires otherwise, excluding, for the purposes of this Document only, the regions of Hong Kong, Macau and Taiwan of the People’s Republic of China
“CIC”	China Insights Industry Consultancy Limited (灼識企業管理諮詢(上海)有限公司), an independent professional market research and consulting company
“Circular 37”	the Notice of the SAFE on Issues Concerning Foreign Exchange Administration of the Overseas Investment and Financing and the Round-Tripping Investment Made by Domestic Residents through Special-Purpose Companies (《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》)
“Class A Ordinary Shares”	Class A ordinary shares in the share capital of the Company with a par value of US\$0.0000025 each, conferring weighted voting rights in the Company such that a holder of a Class A ordinary share is entitled to ten votes per share on all matters subject to the vote at general meetings of the Company, subject to the requirements under Rule 8A.24 of the Hong Kong Listing Rules that the Reserved Matters shall be voted on a one vote per share basis
“Class B Ordinary Shares”	Class B ordinary shares in the share capital of the Company with a par value of US\$0.0000025 each, conferring a holder of a Class B ordinary share one vote per share on all matters subject to the vote at general meetings of the Company
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules

DEFINITIONS

“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies Act” or “Cayman Companies Act”	the Companies Act (As Revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”, “our Company”, or “the Company”	Horizon Robotics, an exempted company with limited liability incorporated under the laws of the Cayman Islands on July 21, 2015
“Compliance Adviser”	Somerley Capital Limited
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“connected transaction(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and refers to Dr. Yu, Everest Robotics Limited and Horizon Robotics, Inc., details of which are set out in the section headed “Relationship with the Controlling Shareholders”
“Conversion at Mid-point”	the conversion of the convertible loan issued to CARIAD Estonia AS based on the assumption that the [REDACTED] is HK\$[REDACTED] per Share, being the mid-point of the indicative [REDACTED] range, details of which are set forth in the section headed “History, Reorganization and Corporate Structure — Pre-[REDACTED] Investments — Convertible Loan”
“core connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix C1 to the Listing Rules
“Corporate Governance Committee”	the corporate governance committee of the Board

DEFINITIONS

“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of our Company
“Dr. Yu”	Dr. Kai Yu (余凱), the chairman, an executive Director and the chief executive officer of our Company, and a Controlling Shareholder
“Dr. Huang”	Dr. Chang Huang (黃暢), an executive Director and the chief technology officer of our Company
“EIT”	enterprise income tax
“EIT Law”	the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》)
“ESG”	Environmental, Social and Governance

[REDACTED]

“Extreme Conditions”	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
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[REDACTED]

DEFINITIONS

[REDACTED]

“Group”, “our Group”, “our”,
“we” or “us”

our Company and its subsidiaries, or any one of them as the context may require, and where the context requires, the businesses operated by our Company and/or its subsidiaries and their predecessors (if any)

[REDACTED]

“HK\$” or “Hong Kong Dollars”
or “HK Dollars” and
“HK cents”

Hong Kong dollars, the lawful currency of Hong Kong

[REDACTED]

DEFINITIONS

[REDACTED]

“Hong Kong” or “HK” the Hong Kong Special Administrative Region of the PRC

[REDACTED]

“Hong Kong Stock Exchange”
or “Stock Exchange” The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited

“Hong Kong Takeovers Code”
or “Takeovers Code” the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time

[REDACTED]

DEFINITIONS

“Horizon Anting”	Shanghai Anting Horizon Zhineng Transportation Technology Co., Ltd. (上海安亭地平線智能交通技術有限公司), a limited liability company incorporated under the laws of the PRC on March 24, 2017, and a wholly-owned subsidiary of the Company
“Horizon Hangzhou”	Horizon Journey (Hangzhou) Technology Co., Ltd. (地平線征程(杭州)科技有限公司), a limited liability company incorporated under the laws of the PRC on June 4, 2020, and a wholly-owned subsidiary of the Company
“Horizon Hong Kong”	Horizon Robotics Holdings Limited, a limited liability company incorporated under the laws of Hong Kong on August 6, 2015, and a wholly-owned subsidiary of the Company
“Horizon Information”	Beijing Horizon Information Technology Co., Ltd. (北京地平線信息技術有限公司), a limited liability company incorporated under the laws of the PRC on December 28, 2015, and a wholly-owned subsidiary of the Company
“Horizon Nanjing”	Nanjing Horizon Robotics Technology Co., Ltd. (南京地平線機器人技術有限公司), a limited liability company incorporated under the laws of the PRC on July 27, 2016, and a wholly-owned subsidiary of the Company
“Horizon Shanghai”	Horizon Journey (Shanghai) Technology Co., Ltd. (地平線征程(上海)科技有限公司), a limited liability company incorporated under the laws of the PRC on March 26, 2018, and a wholly-owned subsidiary of the Company
“Horizon Shenzhen”	Shenzhen Horizon Robotics Technology Co., Ltd. (深圳地平線機器人科技有限公司), a limited liability company incorporated under the laws of the PRC on July 2, 2015, and a wholly-owned subsidiary of the Company
“Horizon Technology”	Nanjing Horizon Information Technology Co., Ltd. (南京地平線信息技術有限公司), a limited liability company incorporated under the laws of the PRC on March 30, 2017, and a wholly-owned subsidiary of the Company
“IFRSs”	the IFRS Accounting Standards, which include standards, amendments and interpretations promulgated by International Accounting Standards Board

DEFINITIONS

“IIT Law”	the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》)
“Independent Third Party(ies)”	any person(s) or entity(ies) who is not a connected person of the Company within the meaning of the Listing Rules

[REDACTED]

DEFINITIONS

[REDACTED]

“Joint Sponsors”	the joint sponsors as named in the section headed “Directors and Parties Involved in the [REDACTED]”
“Latest Practicable Date”	March 22, 2024, being the latest practicable date for the purpose of ascertaining certain information contained in this Document prior to its publication

[REDACTED]

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
“M&A Rules”	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》)
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Hong Kong Stock Exchange
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company, conditionally adopted on [●], 2024, with effect from the [REDACTED], as amended from time to time, a summary of which is set out in Appendix III to this Document
“Memorandum and Articles”	the Memorandum and the Articles

DEFINITIONS

“MOFCOM” or “Ministry of Commerce”	the Ministry of Commerce of the PRC (中華人民共和國商務部) (formerly known as the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外經濟貿易部))
“Ms. Tao”	Ms. Feiwen Tao (陶斐雯), an executive Director and the chief operating officer of our Company
“Nanjing Development”	Nanjing Horizon Technology Development Co., Ltd. (南京地平線技術開發有限公司), a limited liability company incorporated under the laws of the PRC on April 24, 2018, and a wholly-owned subsidiary of the Company
“Nanjing Qingdihui”	Nanjing Qingdihui Robotics Technology Co., Ltd. (南京清地滙機器人科技有限公司), a limited liability company incorporated under the laws of the PRC on March 20, 2018, and a non-wholly-owned subsidiary of the Company
“NDRC”	the National Development and Reform Commission (中華人民共和國國家發展和改革委員會)
“Nomination Committee”	the nomination committee of the Board
“NPC”	the National People’s Congress of the PRC (中華人民共和國全國人民代表大會)

[REDACTED]

DEFINITIONS

[REDACTED]

“Overseas Listing Trial Measures”	The Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies and five supporting guidelines (《境內企業境外發行證券和上市管理試行辦法》及五項配套指引) promulgated by the CSRC on February 17, 2023 and became effective on March 31, 2023
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“Post-[REDACTED] Share Incentive Plan”	the share incentive plan adopted by the Company on [●] and taking effect on the [REDACTED], the principal terms of which are set out in the section headed “Statutory and General Information — D. Share Incentive Plans” in Appendix IV to this Document
“PRC Company Law”	the Company Law of the People’s Republic of China (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
“PRC Legal Adviser”	King & Wood Mallesons, our legal adviser on PRC laws in connection with the [REDACTED]
“Pre-[REDACTED] Investment(s)”	the investment(s) in our Company undertaken by the Pre-[REDACTED] Investors prior to this [REDACTED], details of which are set out in “History, Reorganization and Corporate Structure”

DEFINITIONS

“Pre-[REDACTED] Investor(s)” Holder(s) of Shares pursuant to the Pre-[REDACTED] Investments, details of which are set out in the section headed “History, Reorganization and Corporate Structure”

“Preferred Shares” preferred shares(s) in the share capital of the Company

[REDACTED]

“QIB(s)” qualified institutional buyers within the meaning of Rule 144A

“Regulation S” Regulation S under the U.S. Securities Act

“Remuneration Committee” the remuneration committee of the Board

“Renminbi” or “RMB” the lawful currency of the PRC

“Reorganization” the reorganization conducted by the Group described in the section headed “History, Reorganization and Corporate Structure — Reorganization” in this Document

“Reserved Matters” those matters resolutions with respect to which each Share is entitled to one vote at general meetings of the Company pursuant to Rule 8A.24 of the Hong Kong Listing Rules, being: (i) any amendment to the Memorandum and Articles, (ii) the variation of the rights attached to any class of Shares, (iii) the appointment or removal of an independent non-executive Director, (iv) the appointment or removal of the Company’s auditors, and (v) the voluntary winding-up of the Company

DEFINITIONS

“Rule 144A”	Rule 144A under the U.S. Securities Act
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAMR”	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
“SAT”	the State Taxation Administration of the PRC (中華人民共和國國家稅務總局)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary and/or preferred shares in the share capital of our Company of US\$0.0000025 each
“Share Incentive Plans”	individually and collectively, the 2018 Share Incentive Plan and the Post-[REDACTED] Share Incentive Plan
“Shareholder(s)”	holder(s) of our Share(s)
	[REDACTED]
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Track Record Period”	the period comprising three financial years ended December 31, 2021, 2022 and 2023
“U.S. persons”	U.S. persons as defined in Regulation S
“U.S. Securities Act”	United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time

[REDACTED]

DEFINITIONS

[REDACTED]

“United States”, “USA” or “U.S.”	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
“USD”, “US\$” or “U.S. dollars”	United States dollar, the lawful currency of the United States
“VAT”	value-added tax
“WVR Beneficiary(ies)”	has the meaning ascribed to it under the Hong Kong Listing Rules and unless the context otherwise requires, refers to Dr. Yu and Dr. Huang, being the holders of the Class A Ordinary Shares upon [REDACTED]
“WVR structure”	has the meaning ascribed to it under the Hong Kong Listing Rules
“%”	per cent

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain technical terms used in this Document. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.

“ACC”	adaptive cruise control
“AD”	autonomous driving. By utilizing various sensors, cameras, and advanced software algorithms, AD aims to enable vehicles to perceive their environment, make decisions, and control their movements without human intervention
“ADAS”	advanced driver assistance system. ADAS is designed to assist drivers in the operation and safety of vehicles, by utilizing various sensors, cameras, and software algorithms to provide additional functionalities and enhance the driving experience
“AEB”	automatic emergency braking
“APA”	auto parking assist
“API”	application programming interface, a type of software interface offering a service to other pieces of software
“AUTOSAR”	AUTomotive Open System ARchitecture, a global partnership of leading companies in the automotive and software industry to develop and establish the standardized software framework
“BEV”	bird’s-eye view, an elevated view of an object or location from a very steep viewing angle, creating a perspective as if the observer were a bird in flight looking downwards
“BEV Transformer”	one of the novel models in autonomous driving
“CAGR”	compound annual growth rate, measures an investments’ average annual growth over a given period

GLOSSARY OF TECHNICAL TERMS

“C-NCAP”	China New Car Assessment Program, a vehicle safety assessment program specific to China. C-NCAP evaluates the safety performance of vehicles sold in the Chinese market and provides safety ratings based on various crash tests and assessment criteria
“CPCA”	China Passenger Car Association
“design-win”	large-scale adoption of the product or solution in vehicle models
“ECU”	electronic control unit
“EDA”	electronic design automation
“E-NCAP”	European New Car Assessment Program, a vehicle safety assessment program specific to Europe. E-NCAP evaluates the safety performance of vehicles sold in the European market and provides safety ratings based on various crash tests and assessment criteria
“FAE”	field application engineer
“FPS”	frame per second
“ICA”	intelligent cruise assist
“IHB”	intelligent high beam
“LCC”	lane centering control
“LiDAR”	light detection and ranging
“LKA”	lane-keeping assist
“MP” or “megapixels”	a unit of measurement equivalent to 1,000,000 pixels
“NEV”	new energy vehicle
“NOA”	navigate on autopilot
“OEM”	original equipment manufacturer
“PCM”	process control monitor

GLOSSARY OF TECHNICAL TERMS

“PMIC”	power management integrated circuits
“SALI”	statutory automobile liability insurance
“SOP”	start of production, the start of series production of vehicles or vehicle parts
“TJA”	traffic jam assist
“tier-one” or “tier-one supplier”	the highest level of suppliers that directly provide components, systems, or modules to OEMs
“top 10 Chinese OEMs”	top 10 Chinese OEMs in terms of sales volume in 2023, according to CIC
“VPA”	valet parking assist
“Watt”	a unit used to measure how much power something uses or produces, and one watt is equivalent to one joule of energy transferred or used per second

FORWARD-LOOKING STATEMENTS

We have included in this Document forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.

We have included in this Document forward-looking statements. Statements that are not historical facts, including but not limited to statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements. When used in this Document, the words "aim", "anticipate", "believe", "could", "expect", "going forward", "intend", "ought to", "project", "seek", "should", "will", "would", "vision", "aspire", "target", "schedule", and the negative of these words and other similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the risk factors as described in this Document, some of which are beyond our control and may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing us which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our operations and business prospects;
- our ability to maintain relationship with, and the actions and developments affecting, our suppliers and customers;
- future developments, trends and conditions in the industries and markets in which we operate or plan to operate;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment in the industries and markets in which we operate;
- our ability to maintain the market leading positions;
- the actions and developments of our competitors;
- the ability of third parties to perform in accordance with contractual terms and specifications;
- our ability to retain senior management and key personnel and recruit qualified staff;

FORWARD-LOOKING STATEMENTS

- our business strategies and plans to achieve these strategies;
- the effectiveness of our quality control systems;
- change or volatility in interest rates, foreign exchange rates, equity prices, trading volumes, commodity prices and overall market trends, including those pertaining to the PRC and the industry and markets in which we operate; and
- capital market developments.

By their nature, certain disclosures relating to these and other risks are only estimates and should one or more of these uncertainties or risks, among others, materialize, actual results may vary materially from those estimated, anticipated or projected, as well as from historical results. Specifically but without limitation, sales could decrease, costs could increase, capital costs could increase, capital investment could be delayed and anticipated improvements in performance might not be fully realized.

Subject to the requirements of applicable laws, rules and regulations, we do not have any or undertake no obligation to update or otherwise revise the forward-looking statements in this Document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Document might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this Document are qualified by reference to the cautionary statements in this section as well as the risks and uncertainties discussed in the section headed “Risk Factors.”

In this Document, statements of or references to our intentions or those of our Directors were made as of the date of this Document. Any such information may change in light of future developments.

RISK FACTORS

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

RISK FACTORS

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.

RISK FACTORS

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

RISK FACTORS

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.

RISK FACTORS

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.

RISK FACTORS

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,

RISK FACTORS

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.

RISK FACTORS

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.

RISK FACTORS

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.

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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.

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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.

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[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.

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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

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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.

WAIVERS AND EXEMPTION

In preparation of the [REDACTED], the Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules and exemption from the Companies (Winding Up and Miscellaneous Provisions) Ordinance:

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 of the Listing Rules, except as otherwise permitted by the Stock Exchange at its discretion, all applicants applying for a primary listing on the Stock Exchange must have sufficient management presence in Hong Kong. This would normally mean that at least two of an applicant’s executive directors must be ordinarily resident in Hong Kong.

Our headquarters are based, and substantially all of the business operations of our Group, are managed and conducted in the PRC. Our executive Directors ordinarily reside in the PRC and they play very important roles in our Company’s business operations. It is in our best interests for them to be based in places where our Group has significant operations. We consider it practically difficult and commercially unreasonable for us to arrange for two executive Directors to ordinarily reside in Hong Kong, either by means of relocation of our existing executive Directors or appointment of additional executive Directors. Therefore, our Company does not have, or does not contemplate in the foreseeable future that we will have sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules.

Accordingly, the Company has applied for, and the Stock Exchange [has granted] the Company, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules, provided that the Company will implement the following arrangements:

- (i) We have appointed Ms. Tao and Ms. Ka Man So as our authorized representatives (the “Authorized Representatives”) pursuant to Rule 3.05 of the Listing Rules. The Authorized Representatives will act as our Company’s principal channel of communication with the Hong Kong Stock Exchange. The Authorized Representatives will be readily contactable by phone, facsimile and email to promptly deal with inquiries from the Hong Kong Stock Exchange, and will also be available to meet with the Hong Kong Stock Exchange to discuss any matter within a reasonable period of time upon request of the Hong Kong Stock Exchange;
- (ii) When the Hong Kong Stock Exchange wishes to contact our Directors on any matter, each of the Authorized Representatives will have all necessary means to contact all of our Directors (including our independent non-executive Directors) and senior management team promptly at all times. Our Company will also inform the Hong Kong Stock Exchange promptly in respect of any changes in the authorized representatives. We have provided the Hong Kong Stock Exchange with the contact details (i.e. mobile phone number, office phone number and email address) of all Directors to facilitate communication with the Hong Kong Stock Exchange. Our Directors will also provide the phone number of the place of his/her accommodation to the Authorized Representatives in the event that any Director expects to travel or otherwise be out of office;

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- (iii) All Directors who do not ordinarily reside in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and can meet with the Hong Kong Stock Exchange within a reasonable period of time;
- (iv) We have appointed Somerley Capital Limited as our Compliance Adviser upon the [REDACTED] pursuant to Rules 3A.19 and 8A.33 of the Listing Rules commencing on the [REDACTED]. The Compliance Adviser will have access at all times to our Authorized Representatives, Directors, and members of our senior management, who will act as the additional channel of communication with the Hong Kong Stock Exchange when the Authorized Representatives are not available. The contact details of the Compliance Adviser has been provided to the Hong Kong Stock Exchange and the Company will inform the Hong Kong Stock Exchange promptly in respect of any change in the Compliance Adviser; and
- (v) The Company has designated staff members as the communication officer at the Company’s headquarters after the [REDACTED] who will be responsible for maintaining day-to-day communication with the Authorized Representatives, and the Company’s professional advisers in Hong Kong, including our legal advisers in Hong Kong and the Compliance Adviser, to keep abreast of any correspondences and/or inquiries from the Hong Kong Stock Exchange and report to the executive Directors to further facilitate communication between the Hong Kong Stock Exchange and the Company.

WAIVER IN RELATION TO JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, we must appoint a company secretary who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of the company secretary. Note 1 to Rule 3.28 of the Listing Rules provides that the Hong Kong Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (i) a member of The Hong Kong Chartered Governance Institute;
- (ii) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and
- (iii) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Note 2 to Rule 3.28 of the Listing Rules provides that in assessing “relevant experience,” the Stock Exchange will consider the individual’s:

- (i) length of employment with the issuer and other issuers and the roles he/she played;

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- (ii) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;
- (iii) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (iv) professional qualifications in other jurisdictions.

Our Company has appointed Ms. Qi Zhao (“Ms. Zhao”), as one of our joint company secretaries. Ms. Zhao has sufficient experience in regulatory compliance matters of our Company but presently does not possess any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules, and may not be able to solely fulfill the requirements of the Listing Rules. Therefore, we have appointed Ms. Ka Man So (“Ms. So”), who is associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom, who fully meets the requirements stipulated under Rules 3.28 and 8.17 of the Listing Rules to act as the other joint company secretary. Ms. So will provide assistance to Ms. Zhao for an initial period of three years from the [REDACTED] to enable Ms. Zhao to acquire the “relevant experience” under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules.

Since Ms. Zhao does not possess the formal qualifications required of a company secretary under Rule 3.28 of the Listing Rules, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Ms. So may be appointed as a joint company secretary of our Company. Pursuant to paragraph 13 of Chapter 3.10 under the Guide for New Listing Applicants published by the Stock Exchange, the waiver will be for a fixed period of time (the “Waiver Period”) and on the following conditions: (i) the proposed company secretary must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 of the Listing Rules and is appointed as a joint company secretary throughout the Waiver Period; and (ii) the waiver can be revoked if there are material breaches of the Listing Rules by the issuer. The waiver is valid for an initial period of three years from the [REDACTED], and is granted on the condition that Ms. So will work closely with Ms. Zhao to jointly discharge the duties and responsibilities as company secretary and assist Ms. Zhao in acquiring the relevant experience as required under Rules 3.28 and 8.17 of the Listing Rules. Ms. So will also assist Ms. Zhao in organizing Board meetings and Shareholders’ meetings of our Company as well as other matters of our Company which are incidental to the duties of a company secretary. Ms. So is expected to work closely with Ms. Zhao and will maintain regular contact with Ms. Zhao, the Directors and the senior management of our Company. The waiver will be revoked immediately if Ms. So ceases to provide assistance to Ms. Zhao as a joint company secretary for the three-year period after the [REDACTED] or where there are material breaches of the Listing Rules by our Company. In addition, Ms. Zhao will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance her knowledge of the Listing Rules during the three-year period from the [REDACTED]. Ms. Zhao will also be assisted by (a) Compliance Adviser of our Company, particularly in relation to compliance with the Listing Rules; and (b) the Hong Kong legal advisers of our Company, on matters concerning our Company’s ongoing compliance with the Listing Rules and the applicable laws and regulations.

WAIVERS AND EXEMPTION

Before the expiration of the initial three-year period, the qualifications of Ms. Zhao will be re-evaluated to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied. We will liaise with the Hong Kong Stock Exchange to enable it to assess whether Ms. Zhao, having benefited from the assistance of Ms. So for the preceding three years, will have acquired the skills necessary to carry out the duties of company secretary and the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

WAIVER AND EXEMPTION IN RELATION TO THE 2018 SHARE INCENTIVE PLAN

Rule 17.02(1)(b) of the Listing Rules requires a listing applicant to, inter alia, disclose in this Document full details of all outstanding options and awards and their potential dilution effect on the shareholdings upon listing as well as the impact on the earnings per share arising from the issue of shares in respect of such outstanding options.

Paragraph 27 of Appendix D1A to the Listing Rules requires a listing applicant to disclose, inter alia, particulars of any capital of any member of the group which is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantee, or an appropriate negative statement, provided that where options have been granted or agreed to be granted to all the members or debenture holders or to any class thereof, or to employees under a share option scheme, it shall be sufficient, so far as the names and addresses are concerned, to record that fact without giving the names and addresses of the grantees.

Under section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the document must state the matters specified in Part I of the Third Schedule.

Under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the number, description and amount of any shares in or debentures of the company which any person has, or is entitled to be given, an option to subscribe for, together with the particulars of the option, that is to say, (a) the period during which it is exercisable; (b) the price to be paid for shares or debentures subscribed for under it; (c) the consideration (if any) given or to be given for it or for the right to it; and (d) the names and addresses of the persons to whom it or the right to it was given or, if given to existing shareholders or debenture holders as such, the relevant shares or debentures must be specified in the document.

As of the Latest Practicable Date, our Company had granted outstanding options under the 2018 Share Incentive Plan to 537 grantees (the “Grantee(s)”) to subscribe for an aggregate of 394,746,975 Class B Ordinary Shares, among which options representing 11,000,000 Class B Ordinary Shares were granted to Mr. Yufeng Zhang, a former Director, and options representing 383,746,975 Class B Ordinary Shares were granted to 536 other employees or former employees of the Group, who are not Directors, members of senior management, consultants or connected persons of the Company.

WAIVERS AND EXEMPTION

As of the Latest Practicable Date, our Company had granted outstanding share awards under the 2018 Share Incentive Plan to 2,044 participants (the “Awardee(s)”) for an aggregate of 692,455,735 Class B Ordinary Shares, among which share awards representing 48,998,726 Class B Ordinary Shares were granted to two Directors, Dr. Liming Chen and Dr. Ya-Qin Zhang, and two former Directors, namely, Mr. Yufeng Zhang and Mr. Feng Zhou, and share awards representing 643,457,009 Class B Ordinary Shares were granted to 2,040 other employees or former employees of the Group, who are not Directors, members of senior management, consultants or connected persons of the Company.

The Class B Ordinary Shares underlying the outstanding options and share awards represent approximately [REDACTED]% and [REDACTED]%, respectively, of the total number of Shares in issue immediately after completion of the [REDACTED] assuming the [REDACTED] is not exercised and the Conversion at Mid-point.

No options or share awards under the 2018 Share Incentive Plan will be further granted after the [REDACTED]. For more details of the 2018 Share Incentive Plan, see “Statutory and General information — D. Share Incentive Plans — 1. 2018 Share Incentive Plan” in Appendix IV to this Document.

The Joint Sponsors have applied, on behalf of our Company, to (i) the Stock Exchange for a waiver from strict compliance with the requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix D1A to the Listing Rules and (ii) the SFC for a certificate of exemption from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance pursuant to section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in connection with the disclosure of certain details relating to the options and awards granted to the Grantees and Awardees in this Document on the ground that the waiver and the exemption will not prejudice the interest of the [REDACTED] public and strict compliance with the above requirements would be unduly burdensome for our Company for the following reasons, among others:

- (a) as of the Latest Practicable Date, we had granted outstanding options to a total of 537 Grantees under the 2018 Share Incentive Plan to acquire an aggregate of 394,746,975 Class B Ordinary Shares, representing approximately [REDACTED]% of the total number of Shares in issue immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised and the Conversion at Mid-point);
- (b) as of the Latest Practicable Date, we had granted outstanding share awards to a total of 2,044 Awardees under the 2018 Share Incentive Plan to acquire an aggregate of 692,455,735 Class B Ordinary Shares, representing approximately [REDACTED]% of the total number of Shares in issue immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised and the Conversion at Mid-point);
- (c) our Directors consider that it would be unduly burdensome to disclose in the Document full details of all the options and share awards granted by us to each of the Grantees and Awardees, which would significantly increase the cost and time required for information compilation and document preparation for strict compliance with such disclosure requirements. For example, we would need to collect and verify the addresses of 537 Grantees and 2,044 Awardees to meet the

WAIVERS AND EXEMPTION

disclosure requirement. Further, the disclosure of the personal details of each Grantees and Awardees, including their names, addresses and the number of options and share awards granted, may require obtaining consent from the Grantees and Awardees in order to comply with personal data privacy laws and principles and it would be unduly burdensome for our Company to obtain such consents given the number of Grantees and Awardees;

- (d) material information on the options and share awards has been disclosed in the Document to provide prospective [REDACTED] with sufficient information to make an informed assessment of the potential dilutive effect and impact on earnings per Share of the options and share awards in making their [REDACTED] decision, and such information includes:
- (i) a summary of the terms of the 2018 Share Incentive Plan;
 - (ii) the aggregate number of Class B Ordinary Shares subject to the outstanding options and share awards and the percentage in our total issued Shares of which such number represents;
 - (iii) the dilutive effect and the impact on earnings per Share upon issue of the underlying Class B Ordinary Shares in respect of the options and share awards immediately following completion of the [REDACTED];
 - (iv) full details of the outstanding options and share awards granted to connected persons which include all the particulars required under Rule 17.02(1)(b) of the Listing Rules, paragraph 27 of Appendix D1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance are disclosed in the Document;
 - (v) with respect to the options and share awards granted to persons other than those referred to in (iv) above, disclosure are made in the Document on an aggregate basis, and the following details will be disclosed in the Document, including (a) the aggregate number of such Grantees and the number of Class B Ordinary Shares subject to the options, the consideration paid for the grant of the options, the vesting period and the exercise price for the options, and (b) the aggregate number of such Awardees and the number of Class B Ordinary Shares subject to the share awards, the consideration paid for the grant of the share awards and the vesting period for the share awards; and

WAIVERS AND EXEMPTION

(vi) the particulars of the waiver and exemption granted by the Stock Exchange and the SFC, respectively,

the above disclosure is consistent with the conditions ordinarily expected by the Stock Exchange in similar circumstances as set out in paragraph 7 of Chapter 3.6 under the Guide for New Listing Applicants.

- (e) the 536 Grantees and 2,040 Awardees who are not connected persons of the Company have been granted options and/or share awards under the 2018 Share Incentive Plan representing an aggregate of 1,027,203,984 Class B Ordinary Shares, and the exercise in full of such options and the vesting of such share awards will not cause any material adverse change in the financial position of our Company;
- (f) our Directors consider that non-compliance with the above disclosure requirements would not prevent our Company from providing potential [REDACTED] with sufficient information for an informed assessment of the activities, assets, liabilities, financial position, management and prospects of our Group; and
- (g) a full list of all the Grantees and Awardees containing all details as required under Rule 17.02(1)(b) of the Listing Rules, paragraph 27 of Appendix D1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule will be made available for inspection at the office of Davis Polk & Wardwell at 10th Floor, The Hong Kong Club Building, 3A Chater Road, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of the Document as disclosed in the section headed “Documents Delivered to the Registrar of Companies and Available on Display” in Appendix V to this Document.

The Stock Exchange [has granted] us a waiver from strict compliance with the relevant requirements under the Listing Rules subject to the condition that disclosure in respect of the information referred to in paragraph (c) above has been made in this Document.

The SFC [has granted] us a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, subject to the conditions that:

- (a) full details of the outstanding options granted to connected persons which include all the particulars required under Rule 17.02(1)(b) of the Listing Rules, paragraph 27 of Appendix D1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance are disclosed in the Document, which includes the aggregate number of such grantees and the number of Class B Ordinary Shares subject to the options, the consideration paid for the grant of the options, the vesting periods and the exercise price for the options;

WAIVERS AND EXEMPTION

- (b) a full list of all the Grantees who have been granted options to subscribe for the Class B Ordinary Shares under the 2018 Share Incentive Plan, containing all the particulars as required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, be made available for inspection at the office of Davis Polk & Wardwell at 10th Floor, The Hong Kong Club Building, 3A Chater Road, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of the Document as disclosed in the section headed “Documents Delivered to the Registrar of Companies and Available on Display” in Appendix V to this Document; and
- (c) the particulars of the exemption be set forth in this Document and that this Document will be issued on or before [REDACTED].

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Kai Yu (余凱)	Shangyuanjunting Olympic Village Street Chaoyang District Beijing PRC	Chinese
Chang Huang (黃暢)	No. 11 Anxiang Road Konggang Street Shunyi District Beijing PRC	Chinese
Feiwen Tao (陶斐雯)	Tianyuexishan, No. 9 East Fengxiu Road Haidian District Beijing PRC	Chinese
Liming Chen (陳黎明)	Lane 377 Zhuxin Road Minhang District Shanghai PRC	Chinese
Non-executive Directors		
Liang Li (李良)	GRD/F, HSE 10, Bel-Air Rise 18 Bel-Air Ave Cyber Port Hong Kong	Chinese
Qin Liu (劉芹)	Suite 905-6, 9th Floor ICBC Tower Three Garden Road Hong Kong	Chinese (Hong Kong)

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Name	Address	Nationality
André Stoffels	Rheinstr. 20 80803 München Germany	German
Juehui Zhang (張覺慧)	No. 277, Lane 1288 Changxing East Road, Dongjing Town Songjiang District Shanghai PRC	Chinese

Independent non-executive Directors

Jun Pu (浦軍)	No. 172 Beiyuan Road Chaoyang District Beijing PRC	Chinese
Yingqiu Wu (吳迎秋)	No. 34 North Third Ring West Road Haidian District Beijing PRC	Chinese
Katherine Rong XIN	Lane 1118 Mingyue Road Shanghai PRC	American
Ya-Qin Zhang (張亞勤)	Ziyuhuaifu Chaoyang District Beijing PRC	American

As of the Latest Practicable Date, Mr. Xin Zhang (張欣) was our Director appointed by one of our investors. He will resign from directorship, effective before [REDACTED]. Please see “Directors and Senior Management” for further details of our Directors as of the Latest Practicable Date and upon [REDACTED].

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors and [REDACTED]

Goldman Sachs (Asia) L.L.C.

68/F, Cheung Kong Center
2 Queen's Road Central
Hong Kong

Morgan Stanley Asia Limited

46/F, International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

China Securities (International)

Corporate Finance Company Limited

18/F, Two Exchange Square
8 Connaught Place
Central, Hong Kong

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

[REDACTED]

Legal advisers to our Company

As to Hong Kong and United States laws:

Davis Polk & Wardwell

10/F, The Hong Kong Club Building
3A Chater Road
Central
Hong Kong

As to PRC laws:

King & Wood Mallesons

18th Floor, East Tower
World Financial Center
1 Dongsanhuan Zhonglu
Chaoyang District,
Beijing PRC

As to Cayman Islands laws:

Maples and Calder (Hong Kong) LLP

26th Floor, Central Plaza
18 Harbor Road
Wanchai
Hong Kong

**Legal advisers to the Joint Sponsors
and the [REDACTED]**

As to Hong Kong and United States laws:

**Cleary Gottlieb Steen & Hamilton
(Hong Kong)**

37/F, Hysan Place
500 Hennessy Road
Causeway Bay
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

As to PRC laws:

Jingtian & Gongcheng

34/F, Tower 3
China Central Place
77 Jianguo Road
Chaoyang District
Beijing
PRC

Auditor and Reporting Accountant

PricewaterhouseCoopers

Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, Prince’s Building
Central
Hong Kong

Industry Consultant

**China Insights Industry
Consultancy Limited**

10F, Block B, Jing’an International Center
88 Puji Road
Jing’an District
Shanghai
PRC

Compliance Adviser

Somerley Capital Limited

20/F, China Building
29 Queen’s Road Central
Hong Kong

[REDACTED]

CORPORATE INFORMATION

Registered Office	Suite #4-210 Governors Square 23 Lime Tree Bay Avenue PO Box 32311 Grand Cayman KY1-1209 Cayman Islands
Head Office and Principal Place of Business in the PRC	Block A, Building No. 2 No. 9, Fenghao East Road Haidian District Beijing PRC No. 1868, Yunjuan South Road Lin-gang Special Area China (Shanghai) Pilot Free Trade Zone Shanghai PRC
Principal Place of Business in Hong Kong	5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong
Company's Website	<u>https://cn.horizon.cc/</u> <i>(the information contained on this website does not form part of this Document)</i>
Joint Company Secretaries	Ms. Qi Zhao (趙奇) Block A, Building No. 2 No. 9, Fenghao East Road Haidian District Beijing PRC Ms. Ka Man So (蘇嘉敏) <i>(fellow of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute)</i> 5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong

CORPORATE INFORMATION

Authorized Representatives

Ms. Feiwen Tao (陶斐雯)
Tianyuexishan
No. 9 East Fengxiu Road
Haidian District
Beijing
PRC

Ms. Ka Man So (蘇嘉敏)
5/F, Manulife Place
348 Kwun Tong Road
Kowloon
Hong Kong

Audit Committee

Dr. Jun Pu (浦軍) (*Chairman*)
Dr. Katherine Rong XIN
Dr. Ya-Qin Zhang (張亞勤)

Remuneration Committee

Dr. Ya-Qin Zhang (張亞勤) (*Chairman*)
Dr. Katherine Rong XIN
Dr. Kai Yu (余凱)

Nomination Committee

Mr. Yingqiu Wu (吳迎秋) (*Chairman*)
Dr. Katherine Rong XIN
Dr. Kai Yu (余凱)

Corporate Governance Committee

Dr. Ya-Qin Zhang (張亞勤) (*Chairman*)
Dr. Jun Pu (浦軍)
Mr. Yingqiu Wu (吳迎秋)

[REDACTED]

CORPORATE INFORMATION

Principal Banks

Standard Chartered Bank (China)

Limited, Beijing Branch

11/F, Standard Chartered Tower

World Finance Centre

No. 1, East Third Ring Middle Road

Chaoyang District

Beijing

PRC

China Minsheng Bank, Beijing

Zhongguancun Branch

No. 5 Haidian Street

Haidian District

Beijing

PRC

China Merchants Bank Co., Ltd.,

Beijing Haidian huangzhuang Branch

No. 6 Danling Street

Haidian District

Beijing

PRC

INDUSTRY OVERVIEW

The information presented in this section, including certain facts, statistics and data, is derived from the market research report prepared by CIC, which was commissioned by us, and from various official government publications and other publicly available publications, unless otherwise indicated. We believe that these sources are appropriate for such information, and we have taken reasonable care in extracting and reproducing such information. The information derived from official government publications has not been independently verified by our Company, the Joint Sponsors, any of our or their respective directors, officers or representatives or any other person involved in the [REDACTED] and no representation is given as to its accuracy.

OVERVIEW OF THE SMART VEHICLE MARKET

Technological advancements are reshaping the automotive industry. The robust development in algorithms, software, and processing hardware is accelerating the adoption of assisted and autonomous driving solutions in smart vehicles. These innovations are revolutionizing the way people travel by offering enhanced safety, efficiency and overall experience.

Definition of Smart Vehicle: A New Generation of Vehicle Powered by Technologies

Smart vehicles represent a new generation of vehicles that can perceive their own status, understand their surrounding environment, make prompt decisions and react in due time.

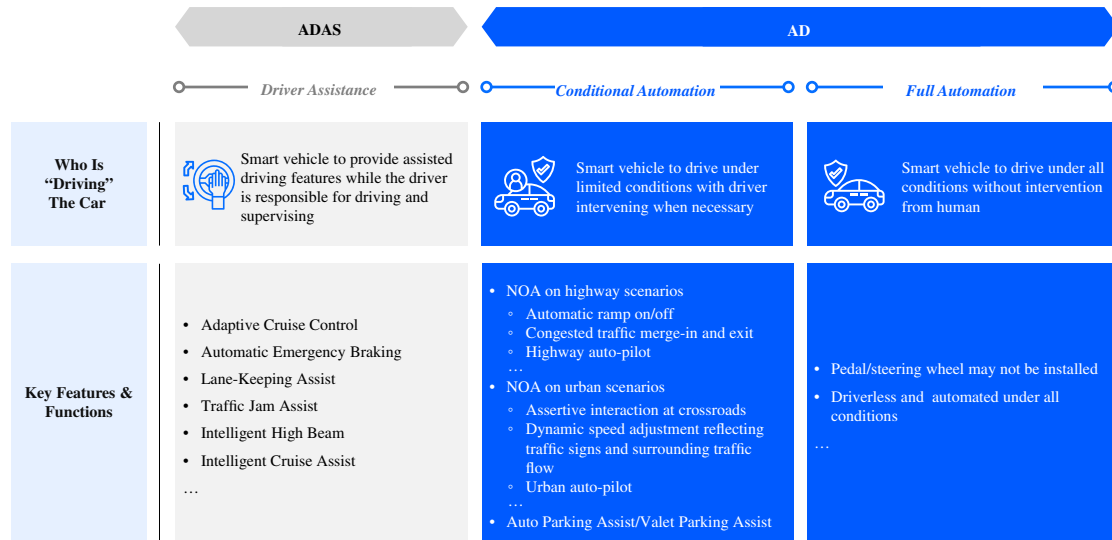
Smart vehicles adopt driving automation technologies that encompass capabilities of perception, prediction, path-planning and decision-making to improve road safety and enhance experience for both drivers and passengers.

Levels of Driving Automation: The Technological Development of ADAS to AD is Expected to Lead the Smart Vehicle Evolution

There are mainly two categories of driving automation: ADAS and AD.

- **ADAS, or Advanced Driver Assistance System**, refers to technologies and features that assist the human driver in various driving tasks, such as lane departure warning, lane centering, adaptive cruise control, automatic emergency braking and more. ADAS is designed to provide assistance to the human driver and enhance safety, while the human driver needs to remain engaged at all times;
- **AD, or Autonomous Driving**, refers to technologies and features with higher levels of automation compared to ADAS, which ultimately aims to achieve full automation where the vehicle can operate without human intervention. In recent years, NOA feature has emerged to enable conditional automation, including suggesting and making lane changes, navigating interchanges and taking exits especially on highways. As AD technologies continue to advance from conditional automation to high automation and full automation, smart vehicles are expected to become capable of handling more complex urban driving scenarios and navigating through diverse and challenging road conditions.

INDUSTRY OVERVIEW



Source: CIC

In recent years, ADAS has been in mass production and rapidly becomes a standard feature in the latest vehicle models. According to CIC, the penetration rates of ADAS technologies in the global and China passenger vehicle markets were both over 50% in 2023.

Concurrently, there is ongoing progress towards more advanced AD solutions, thanks to the technological development, favorable government policies as well as increasing consumer enthusiasm for the driving automation features for safer and more efficient driving experiences. AD adoption is at the tipping point of even wider acceptance as the NOA feature marks a key milestone in the evolution towards full automation, which has been increasingly accepted by OEMs and consumers. Smart vehicles with NOA feature can maneuver through intricate road conditions with minimum human intervention, substantially minimizing effort required for driving. Major OEMs, particularly leading NEV manufacturers, have been emphasizing the NOA feature as one of the key selling points for their latest vehicle models. As a result, AD solutions that enable advanced features such as NOA are expected to benefit significantly and undergo substantial growth in the near future.

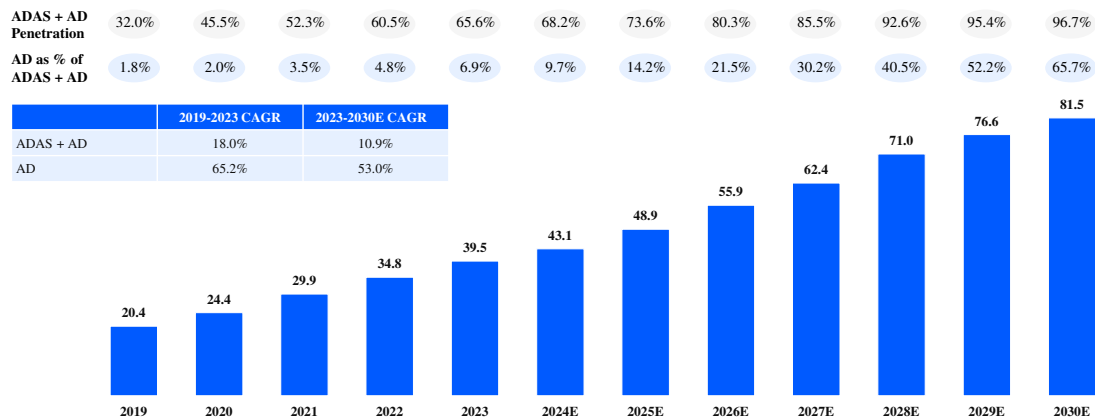
In the mid- to long-term, as AD technologies continue to iterate and evolve, together with favorable government policies, it is expected that higher-level AD solutions will be commercialized and increasingly adopted by mass-produced vehicles in the future. High-level AD solutions will reshape the way people travel, bringing transformational changes to the mobility industry. New business models such as Robotaxi operation are expected to emerge, generating significant market opportunities.

The number of smart vehicles on the road has grown rapidly on a global scale. Out of a total of 60.3 million new passenger vehicles sold worldwide in 2023, approximately 39.5 million were smart vehicles with driving automation functions installed, representing a penetration rate of 65.6%. The sales volume of smart vehicles is expected to further increase to 55.9 million and 81.5 million by 2026 and 2030, respectively, representing penetration rates of 80.3% and 96.7%. Moreover, AD solutions are expected to gradually become mainstream, accounting for over 60% of the driving automation solutions by 2030, according to CIC.

INDUSTRY OVERVIEW

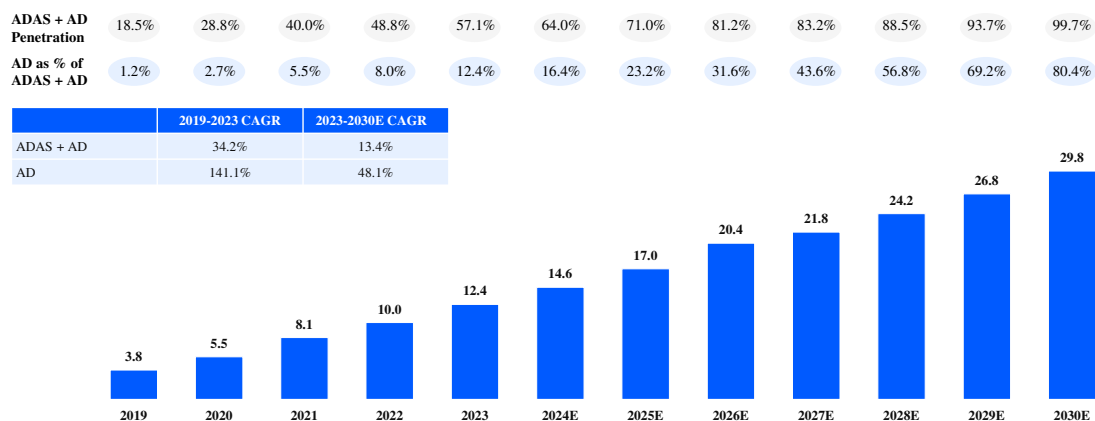
China is the world’s largest new passenger vehicle market with 21.7 million new passenger vehicles sold in 2023, among which 12.4 million were smart vehicles, representing penetration rate of 57.1%. According to CIC, smart vehicles sales volume in China is expected to reach 20.4 million and 29.8 million in 2026 and 2030, respectively, representing penetration rates of 81.2% and 99.7%. Chinese OEMs, especially emerging NEV OEMs, are at the forefront of adopting AD solutions into their vehicles. As a result, it is expected that nearly half of the driving automation solutions deployed in passenger vehicles in China would be AD solutions by 2027, and the percentage will further increase to over 80% by 2030, well ahead of the global AD adoption curve.

Sales Volume of Smart Vehicles, Global, 2019A-2030E (Million Units)



Source: SALI data released by China Banking and Insurance Regulatory Commission, CIC

Sales Volume of Smart Vehicles, China, 2019A-2030E (Million Units)



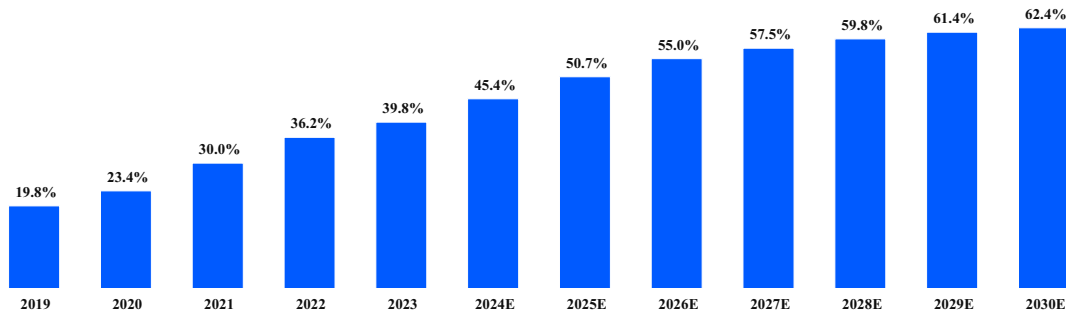
Source: SALI data released by China Banking and Insurance Regulatory Commission, CIC

INDUSTRY OVERVIEW

The major players in the smart vehicle market in China include Chinese OEMs, foreign OEMs and sino-foreign joint ventures. Chinese OEMs have been gaining share in the smart vehicles market in China over the past few years. According to CIC, market share of Chinese OEMs increased from 19.8% in 2019 to 39.8% in 2023, and is expected to exceed 60% in 2029. Chinese OEMs’ advancements in technologies, particularly in ADAS and AD features have made these domestic brands highly competitive. In addition, improvements in local manufacturing capabilities and supply chain support have also led to rapid progress in product quality and cost-effectiveness for domestic brands.

Chinese OEMs are more inclined to select domestic suppliers in order to better cater to the demand and preference of the Chinese customers. In contrast, sino-foreign joint ventures and foreign OEMs typically make decisions on supplier selection at their global headquarters. As Chinese OEMs continue to gain market share in the smart vehicles market, the domestic suppliers for the automotive components and solutions are also expected to gain shares and achieve greater growth.

Market Share of Chinese OEMs in China’s Smart Vehicle Market, 2019A-2030E (%)



Source: SALI data released by China Banking and Insurance Regulatory Commission, CPCA, CIC

Key Drivers for the Smart Vehicle Market

- **Consumer acceptance and preference for autonomous features which bring enhanced safety and efficiency in driving:** According to CIC, a global survey conducted by a global tier-one supplier in 2022 indicated that 89% of respondents in China, 75% in Japan, 57% in the United States and 50% in Germany consider driving automation as a useful development in passenger vehicles. In China, it is estimated that the commuters in China’s top tier cities spend an average of over 80 minutes every day on the road. Smart vehicles with autonomous features can free up time and boost productivity for drivers and passengers during these long commutes. This value proposition is expected to further incentivize OEMs to increase the installation of AD features into their vehicle models in the future.

INDUSTRY OVERVIEW

- **Enhanced standards for driving safety:** According to CIC, research conducted across different countries in the past decade has concluded that over 90% of traffic accidents are caused by human errors. To reduce the human errors and save lives, governments and OEMs have been continuously pushing for adoption of new technologies to achieve higher safety standards. For example, smart collision avoidance features have been included in the rating standards of C-NCAP and E-NCAP. The adoption of more advanced driving automation technologies in smart vehicles is expected to further enhance driving safety.
- **Robust technological development to empower more advanced autonomous features with cost-efficiency:** Significant advancements have been made in driving automation technologies. The fundamental driving force is the development in processing capacity and efficiency that has underpinned the development of other related technologies, such as information transfer and storage, algorithms and a variety of more sophisticated software applications. As these technologies continue to iterate and become more advanced overtime, smart vehicles are able to support features that deliver greater safety, comfort and convenience for consumers, thus further accelerate smart vehicle penetration. On the other hand, ADAS and AD solutions are becoming more cost efficient with continued progress in technology development and product commercialization.
- **Ongoing investment and favorable policies:** The growing number of, and the ongoing investment into research and development of smart vehicle are conducive to both the technology development and the commercialization of driving automation solutions. Supportive government policies globally for testing and deployment of smart vehicles and related facilities have further accelerated market growth. Please refer to “— Key Trends for the Smart Vehicles Market in Major Economies” for more details on the government policies in global major economies.

Key Trends for the Smart Vehicles Market in Major Economies

China

There are significant demands in China for driving automation solutions to enhance driving safety and mobility experiences. China is featured with notably high population density and traffic density in major cities. As of December 31, 2023, China’s 15 largest cities had an average population of over 10.0 million, and there were 94 cities nationwide with car ownership surpassing one million, according to CIC. Moreover, road network in China is becoming increasingly complex due to newly constructed tunnels and overpasses, creating additional challenges for the drivers to navigate through. Therefore, Chinese consumers have a high level of acceptance and a strong preference for autonomous functions. According to CIC, based on surveys conducted among consumers in 2022, driving automation functions rank as the second most important factor when they consider a NEV purchase, after cost-efficiency.

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In addition, Chinese government has also strongly supported the development of smart vehicles and driving automation technologies. In 2020, eleven departments from the central government jointly issued a policy paper for the development and innovation of smart vehicles, outlining a blueprint for supporting smart vehicle development over the next 30 years. In November 2023, four ministries in China jointly released a new pilot program for smart vehicles, greenlighting pilot open-road program for vehicles with high-level AD solutions and paving the way for the commercialization of advanced AD technologies. Thanks to the supportive policies, at least eight OEMs have obtained testing licenses for high-level autonomous driving as of January 31, 2024.

As a result, China is the world’s largest smart vehicles market, with sales volume of smart vehicles of 12.4 million in 2023. China also has the highest AD penetration rate in the world, with around 1.5 million passenger vehicle sales equipped with AD solutions in 2023.

Overseas

Countries worldwide have also shown strong interest and made significant progress in the adoption of driving automation technologies. In the European market, car manufacturers and tier-one suppliers are collaborating with autonomous driving solution providers to collectively advance the application of driving automation technologies. In 2022, Germany introduced passenger vehicles with advanced automation technologies that require no human intervention in certain driving scenarios. In Japan, the conditional automation technologies were introduced in 2021 by Honda. In 2023, the Japanese government revealed plans to set up autonomous vehicle lanes on public roads in 2024, and if realized, the lanes would be the first for self-driving vehicles on a public road in Japan. In the United States, driving automation technologies have also received wide attention.

Favorable policies to promote the development of smart vehicles have been introduced globally. In Europe, the European Union has already made it mandatory for new vehicles to be equipped with automatic emergency braking (AEB) systems. At the same time, it is also enhancing the legal framework to support the application of more advanced AD technologies for conditional automation. In the United States, the U.S. Department of Transportation has issued guidelines and principles to support the development and deployment of autonomous vehicles, including *Automated Vehicles 4.0*, and the *Automated Vehicles Comprehensive Plan*. The favorable support of policies and regulations around the world is expected to continuously facilitate and accelerate the adoption of smart vehicles.

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OVERVIEW OF THE ADAS AND AD SOLUTIONS MARKET

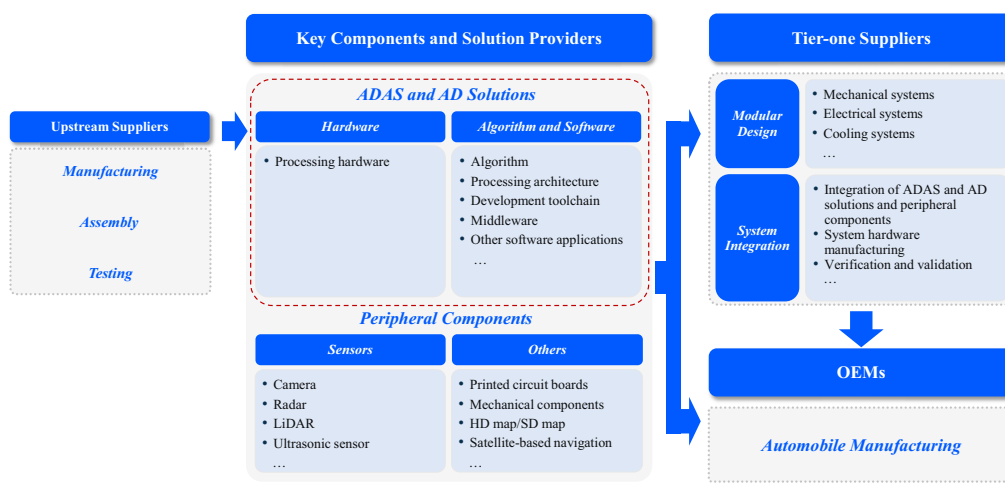
Definition and Value Chain of ADAS and AD Solutions: ADAS and AD Solutions Are Key Parts of the Value Chain and Act as Brains for the Smart Vehicles

In the traditional automotive industry, OEMs typically rely on an organized supply chain with multiple tiers of suppliers providing various components and integrated systems needed. This is also the case with the value chain of ADAS and AD solutions, with multiple levels of suppliers providing components and integration services to OEMs who then deploy the ADAS and AD solutions to the vehicle models. Due to stringent standards for safety and quality assurance, OEMs typically require a lengthy verification and testing process for supplier selection. As a result, layers of suppliers for OEMs are generally stable, and tend to be concentrated towards the top players who are more experienced and reputable within the industry.

The chart below illustrates the value chain of ADAS and AD solutions. The upstream suppliers mainly include hardware manufacturers who provide manufacturing, packaging and testing services. ADAS and AD solutions play a critical role in enabling a variety of driving automation functions and they effectively act as brains for the smart vehicles. The solutions consist of algorithms, software and processing hardware that support the development and deployment process. In addition to the ADAS and AD solutions, peripheral components like sensor and others also play important roles allowing the smart vehicles to perceive their surrounding environment. There are also mapping service companies that provide high-definition maps.

Tier-one suppliers are responsible for modular design and system integration, including the design of mechanical, electrical and cooling systems, as well as integrating the algorithm, software and processing hardware with peripheral components.

Recently, due to the high technical requirements for the design and development of driving automation functions, some OEMs also cooperate directly with key components and solution providers including ADAS and AD solution providers to develop customized driving automation functions, so as to achieve faster time-to-market and provide consumers with better driving experience.



Source: CIC

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Significant Growth Potential for Global and China ADAS and AD Solutions Market

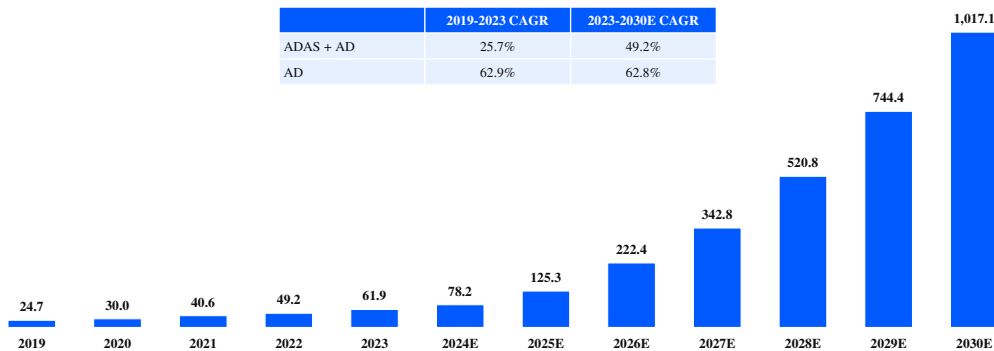
The market size of ADAS and AD solutions represents the value of both the hardware and software related to the solutions. It is expected to grow significantly, mainly driven by (1) the increasing sales of smart vehicles with ADAS and AD solutions as mentioned above; and (2) higher value created by AD solutions which demand larger processing capacity to support more advanced features under all driving scenarios, as well as to provide system redundancy.

According to CIC, the dollar content per vehicle for AD solutions is over ten times higher than that of ADAS solutions for a smart vehicle. Moreover, as the AD solutions continue to evolve and upgrade, the dollar content per vehicle for AD solutions is expected to further increase in the future. As a result, the market size of AD solutions is expected to experience significant growth at scale in the coming years.

According to CIC, it is estimated that the global market size of ADAS and AD solutions will grow from RMB61.9 billion in 2023 to RMB1,017.1 billion in 2030, representing a CAGR of 49.2%.

In China, the total market size of ADAS and AD solutions amounted to RMB24.5 billion in 2023. It is estimated that the total market size will grow at a CAGR of 49.4% in China to RMB407.0 billion in 2030.

Market Size for ADAS and AD Solutions, Global, 2019A-2030E (RMB Billion)

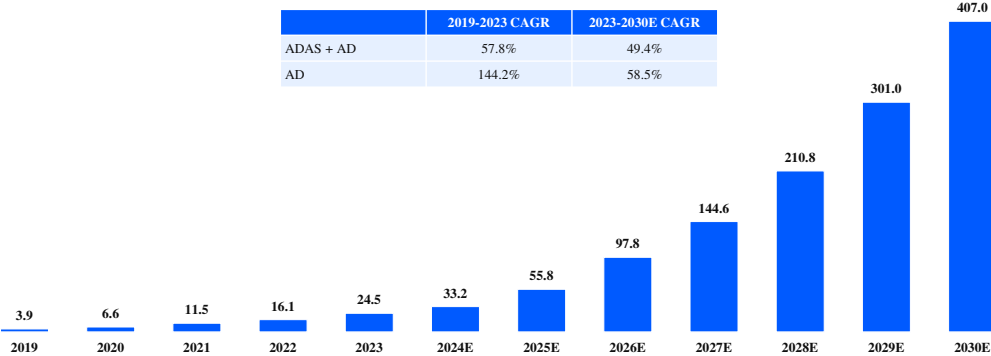


Source: CIC

Note: Not including peripheral components such as camera, radar and LiDAR.

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Market Size for ADAS and AD Solutions, China, 2019A-2030E (RMB Billion)



Source: CIC

Note: Not including peripheral components such as camera, radar and LiDAR.

Key Trends for the ADAS and AD Solutions Market

- Popularization of ADAS and AD solutions:** ADAS solutions with active safety features have been prevailing in mass production and becoming standard features in the latest vehicle models. According to CIC, the penetration rates of ADAS solutions in the global and China passenger vehicle markets were both over 50% in 2023. Concurrently, growing consumer demands and advancing technologies for safer and more efficient experiences are driving industry towards more advanced AD solutions. The penetration rate of ADAS and AD solutions is expected to increase to 96.7% by 2030 globally, among which AD solutions will account for over 60% of the total ADAS and AD solutions.
- Increasing demand for energy efficiency driven by centralized architecture and complex algorithm:** A more centralized electrical structure can improve hardware integration and co-optimization among components. This approach decreases the number of required control units, emphasizing the importance of processing solutions and their underlying software, which in turn require increased processing capacity and efficiency. On the other hand, the increasing complexity of algorithms for advanced driving scenarios also underscores the vital role of processing and energy efficiency. As smart vehicles are now managing a greater volume of real-time information from sensors such as cameras, radars, and LiDARs, ADAS and AD solutions must prioritize minimizing energy consumption while delivering optimal performance.

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- **Higher value created by AD solutions:** As mentioned above, AD solutions are expected to upgrade to provide more advanced features to tackle complex driving scenarios such as urban traffic and offer safer and more efficient driving experience. In addition, as AD solutions evolve into full automation, system redundancy is important to ensure the availability of backup solutions in case of system failure, so as to enhance safety performance. As a result, higher processing capacity, more advanced software and more system redundancy will lead to higher dollar content per vehicle for AD solutions.
- **Open platform for customization and partnership:** According to CIC, OEMs often prefer to work with open-platform solutions in order to maintain flexibility in product designs. Specifically, leveraging open and flexible solutions and services, OEMs are able to develop differentiated and customized products to conveniently and efficiently meet various needs from the consumers. In light of the continuous technological breakthroughs taking place across the value chain, a widely connected and collaborative ecosystem is conducive to the overall industry, where participants can easily collaborate.
- **Direct interaction and collaboration between ADAS and AD solutions providers and OEMs:** The automotive supply chain is also evolving, with the key participants along the value chain being more connected and interrelated. Instead of going through tier-one suppliers in the traditional value chain, OEMs nowadays start to collaborate directly with ADAS and AD solutions providers, as they see ADAS and AD functions becoming critical to their product offering. Through direct collaboration with ADAS and AD solutions providers, OEMs are able to develop customized driving automation functions more efficiently, achieving faster time-to-market and providing consumers with better driving experience. In addition, OEMs can obtain more comprehensive understanding of ADAS and AD solutions, which will help them maintain and iterate their products more easily.

Competitive Landscape

The major market participants in the ADAS and AD solutions market include: (1) suppliers focusing on ADAS and AD solutions for automotive industry, who have deep technical expertise in driving automation, (2) general processing hardware suppliers that manufacture processing hardware for various industries, and (3) a small number of OEMs that develop in-house solutions.

The ADAS and AD solutions market in China is concentrated, with a few top suppliers holding the majority of the market share. Most of them are global suppliers with years of industry experience and extensive customer base.

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We are the only China-based company among the top five ADAS and AD solutions providers in China. We were the second-largest ADAS solutions provider to Chinese OEMs in China by solution installation volume in 2023 with a market share of 21.3%, according to CIC. We were also the fourth-largest ADAS and AD solutions provider in China by overall solution installation volume in 2023, with a market share of 9.3%.

Top 5 ADAS Solutions Providers to Chinese OEMs in China, by Solution Installation Volume¹ in 2023

Ranking	Provider	ADAS Solution Installation Volume, 2023 <i>(Millions)</i>	Market Share, 2023 <i>(%)</i>	Market Share, 2022 <i>(%)</i>	Market Share Change (2023 vs. 2022)
1	Company A ²	1.07	26.6%	26.1%	+0.6%
2	Horizon Robotics	0.85	21.3%	3.7%	+17.6%
3	Company B ³	0.73	18.3%	39.1%	-20.9%
4	Company C ⁴	0.70	17.4%	13.3%	+4.1%
5	Company D ⁵	0.15	3.6%	5.2%	-1.5%

Source: China Banking and Insurance Regulatory Commission; CIC

Top 5 ADAS and AD Solutions Providers in China, by Solution Installation Volume¹ in 2023⁶

Ranking	Provider	ADAS and AD Solution Installation Volume, 2023 <i>(Millions)</i>	Market Share, 2023 <i>(%)</i>	Market Share, 2022 <i>(%)</i>	Market Share Change (2023 vs. 2022)
1	Company A ²	3.44	29.2%	29.5%	-0.2%
2	Company B ³	2.82	24.0%	24.2%	-0.2%
3	Company C ⁴	2.35	19.9%	21.4%	-1.4%
4	Horizon Robotics	1.09	9.3%	2.2%	+7.0%
5	Company D ⁵	0.60	5.1%	7.6%	-2.5%

Source: China Banking and Insurance Regulatory Commission; CIC

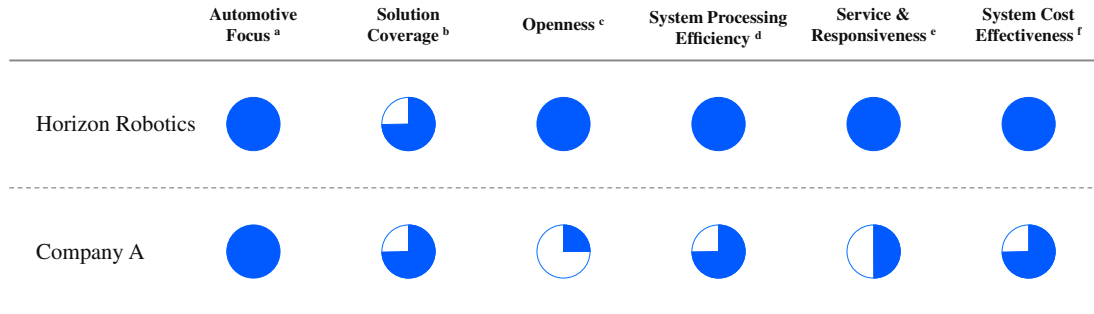
Notes:

- 1 ADAS and/or AD solution installation volume refers to the number of ADAS and/or AD solutions that are installed on the passenger vehicles and sold to end customers within a time period. The vehicle sales information is collected by CIC, based on SALI data released by China Banking and Insurance Regulatory Commission, as all new passenger vehicles sold in China are subject to SALI payment. According to CIC, the definition of industry ranking by solution installation volume as provided above is in line with common industry practice. However, the installation volume of ADAS and/or AD solutions may not always match the processing hardware deliveries reported by solution providers. This discrepancy can be attributed to several factors: (1) OEMs often maintain inventories of processing hardware based on their own management policies and strategies; (2) there may be a time delay between the delivery of processing hardware to OEMs and the actual sale of passenger vehicles to end customers; and (3) some passenger vehicles may be equipped with multiple units of processing hardware.
- 2 Founded in 1999 and headquartered in Israel, Company A is a provider of ADAS and AD technologies and solutions. It was listed on the Nasdaq in 2022.
- 3 Founded in 1984 and headquartered in the United States, Company B provides processing hardware and programmable logic devices to customers in automotive and general industrials sectors.
- 4 Founded in 2002 and headquartered in Japan, Company C is a solutions provider for a broad range of industries including automotive, industrial, electronics, and more. It was listed on the Tokyo Stock Exchange in 2003.
- 5 Founded in 1930 and headquartered in the United States, Company D is a hardware company that manufactures integrated circuits and processing hardware. It was listed on the NYSE in 1953 and was transferred to the Nasdaq in 2012.
- 6 Ranking and market share calculation excluding OEMs which produce ADAS and AD solutions in house.

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Competitive Analysis of ADAS and AD Solutions Market

The below chart illustrates the competitive analysis between the Company and its key competitor on the various performance aspects.



Source: CIC

Notes:

- a. **Automotive Focus:** measured by the end-customer focus. Market players who are dedicated to automotive customers are generally able to deliver more tailored products and solutions for automotive use.
- b. **Solution Coverage:** measured by the range of products and services that the market player provides related to both ADAS and AD solutions.
- c. **Openness:** measured by the openness of the solutions architecture provided by the market player, including the flexibilities for third parties to develop and design customized solutions.
- d. **System Processing Efficiency:** measured by the amount of information such as images and frames that can be identified and processed within a period of time.
- e. **Service & Responsiveness:** measured by the customer service quality and response time to customers’ requests in China.
- f. **System Cost Effectiveness:** measured by the processing power per unit cost.

Barriers to Entry and Key Success Factors

- **Stringent quality standards:** The ADAS and AD solutions, as the brain of a smart vehicle, are a critical component that needs to meet the highest standards of safety and quality assurance. Meeting these standards requires passing rigorous review and approval processes which often take years. Automotive-grade components need to be able to withstand harsh weather such as extreme temperatures from -40 to 150 degrees Celsius, environments from humid to dry and adverse road conditions including extremely bumpy roads. Such stringent quality standards cast high barriers for new entrants.

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- **Expertise in both software and hardware:** The development of processing hardware requires advanced engineering and years of dedicated research, which is difficult for new entrants to replicate or surpass in the short term. In addition, since algorithms are optimized under a certain set of specifications and criteria, and as each application on processing hardware is unique, solution providers taking a software-hardware co-optimization approach is better positioned to yield the best results. Therefore, new entrants would need to devote a significant amount of resources to both hardware and software development simultaneously. Lastly, since software upgrades are more frequent, being a software expert enables solution providers to have better visibility of an algorithm’s development trend. OEMs are inclined to partner with companies that have expertise in both software and hardware instead of one-dimensional players.
- **First mover advantage:** First movers in the industry have accumulated extensive industry experience and market know-how used to train and improve their algorithms as well as guide hardware design. OEMs and tier-one suppliers each have distinct preferences, design needs, and a thorough design, verification and testing process. Therefore, by establishing partnerships early on, first movers would become deeply involved in the product designs, enabling first-movers to shape the underlying specifications and thereby creating an entry barrier against potential competitors. Moreover, first movers have the opportunity to establish an open-sourced platform that allows OEMs and tier-one suppliers to develop customized products and solutions within their own ecosystem, resulting in high switching costs and customer stickiness. Lastly, first movers could benefit from economies of scale, thus offering cost-efficient solutions to customers.
- **Accumulation of industry know-how, local expertise and service capabilities:** Companies need to accumulate deep industry know-how to launch successful ADAS and AD solutions with the highest degree of performance and reliability. Companies that have achieved mass production enjoy significant competitive advantages, as they have access to valuable real-world insights that allow them to iterate and improve their products more efficiently. Achieving mass production requires significant financial resources, human capital and time. In addition, companies that have adjusted their products to challenging road conditions in countries such as China can easily deploy their products into other countries with less complex road conditions. Therefore, it is challenging for new entrants with limited industry know-how to compete with industry incumbents who have already accumulated in-depth knowledge.

SOURCE OF THE INDUSTRY INFORMATION

CIC was commissioned to conduct research and analysis of, and produce a report on, the global and China’s ADAS and AD solution industry and related economic data at a fee of approximately US\$100,000. The commissioned report has been prepared by CIC independently without the influence from the Company or other interested parties. CIC offers industry consulting services, commercial due diligence and strategic consulting. With a consultant team actively tracking the latest market trends in various industries such as automotive, consumer

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goods and services, agriculture, chemicals, marketing and advertising, culture and entertainment, energy and industry, finance and services, healthcare, TMT and transportation, CIC possesses the most relevant and insightful market intelligence in these sectors. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the CIC Report. We have also referred to certain information in the “Summary,” “Risk Factors,” “Business” and “Financial Information” sections to provide a more comprehensive presentation of the industry in which we operate.

CIC employed both primary and secondary research methods using a variety of resources. Primary research included interviews with key industry experts and leading participants, while secondary research involved analyzing data from publicly available sources, such as the National Bureau of Statistics and General Administration of Customs of the PRC. The market projections in the CIC Report are based on the following key assumptions during the forecast period: (i) that the overall global social, economic, and political environment is expected to maintain a stable trend over the next decade; (ii) that related key industry drivers are likely to continue driving growth in global and China’s ADAS and AD solution industry during the forecast period; and (iii) that there is no extreme force majeure or set of industry regulations in which the market situation may be affected either dramatically or fundamentally.

Our Directors confirm that, to the best of their knowledge, after making reasonable inquiries, there is no material and adverse change in the market information since the date of the CIC Report, which may qualify, contradict or have an impact on the information in this section.

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Our business in the PRC is subject to extensive supervision and regulatory control by the PRC government. This section sets out a summary of relevant laws and regulations that may have material impact on our business.

REGULATIONS ON AUTONOMOUS DRIVING

On March 12, 2021, the National People’s Congress of the PRC approved the Outline of the 14th Five-Year Plan (2021–2025) for National Economic and Social Development and Long-Range Objectives for 2035 (《中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》), which clarifies that the PRC should foster advanced manufacturing clusters and promote the innovation and development of industries.

On December 20, 2020, the Ministry of Transport of the PRC (the “MOT”) promulgated the Guiding Opinions on Promoting the Development and Application of Road Transport Autonomous Driving Technologies (《交通運輸部關於促進道路交通自動駕駛技術發展和應用的指導意見》), which clarified the development goal. Specifically, by 2025, the research on the basic theory of autonomous driving has made positive progress, and key technologies such as road infrastructure intelligence, vehicle-road collaboration and product research and development and test verification have made important breakthroughs; a number of basic and key standards for autonomous driving have been issued; a number of national autonomous driving test bases and pilot application demonstration projects have been built to realize large-scale application in some scenarios and promote the industrialization of autonomous driving technology.

On July 30, 2021, the Ministry of Industry and Information Technology of the PRC (the “MIIT”) promulgated the Opinions on Strengthening the Administration of the Access of Intelligent Connected Vehicle Manufacturers and Products (《工業和信息化部關於加強智能網聯汽車生產企業及產品准入管理的意見》). The foregoing opinions provide that enterprises should strengthen data security management ability and network security guarantee ability, as well as strengthen management ability and ensure product production consistency. Moreover, enterprises should strengthen product management: (a) Enterprises should strictly perform the obligation of informing. Where the enterprise produces automobile products with driving assistance and autonomous driving functions, it shall clearly inform the vehicle functions and performance limits, driver responsibilities, human-computer interaction equipment indication information, function activation and exit methods and conditions, and more; (b) Enterprises should strengthen the safety management of combined driving assistance products; (c) Enterprises should strengthen the safety management of autonomous driving function products; (d) Enterprises ensure reliable space-time information services.

On August 1, 2022, the Regulations on the Administration of Intelligent Connected Vehicles in Shenzhen Special Economic Zone (《深圳經濟特區智能網聯汽車管理條例》) came into effect. Pursuant to the foregoing regulations, intelligent connected vehicles can be sold after being listed in the national automobile product catalog or the Shenzhen intelligent

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connected vehicle product catalog, and getting access by the industry and information technology authorities; intelligent connected vehicles can be driven on the road after registration with the traffic management department of the public security authority; with the permission of the transportation department, intelligent connected vehicles can engage in road transport business.

The Regulations on Promoting the Innovative Application of Driverless Intelligent Connected Vehicle in Pudong New Area (《上海市浦東新區促進無駕駛人智能網聯汽車創新應用規定》) (the “Pudong Regulations”) came into force on February 1, 2023. In the next month, the Implementation Rules for the Regulations on Promoting the Innovative Application of Driverless Intelligent Connected Vehicle in Pudong New Area (《上海市浦東新區促進無駕駛人智能網聯汽車創新應用規定實施細則》) (the “Pudong Implementation Rules”) was released. Pudong Regulations and Pudong Implementation Rules apply to the innovative application activities such as road testing, demonstration application, demonstration operation, and commercial operation of driverless intelligent connected vehicles. To further implement Pudong regulations, the Technical Solutions on Intelligent Connected Vehicle without (Safe) Driver Test (《上海市無駕駛(安全)員智能網聯汽車測試技術方案》), which was released on February 7, 2023, clarify the overall requirements, failed identification and safety response requirements, minimum risk strategy requirements, human–computer interaction requirements and test methods that intelligent connected vehicles applying to carry out automatic driving function tests without (safe) drivers should meet after passing the automatic driving test with (safe) driver.

On November 17, 2023, the Notice of the MIIT, the Ministry of Public Security, the Ministry of Housing and Urban–rural Development (the “MOHURD”) and MOT of the PRC on Launching the Pilot Program of Market Access and Road Passage for Intelligent Connected Vehicles (《工業和信息化部、公安部、住房和城鄉建設部、交通運輸部關於開展智能網聯汽車準入和上路通行試點工作的通知》) came into effect. Pursuant to the foregoing notice, through the pilot program, efforts shall be made to guide intelligent connected vehicles manufacturers and users to strengthen their capacity building, and, on the premise of ensuring safety, promote the improvement of the functions and performance of intelligent connected vehicles products and the iterative optimization of the industrial ecology so as to promote the high–quality development of the industry of intelligent connected vehicles.

LAWS AND REGULATIONS ON FOREIGN INVESTMENT

Pursuant to Provisions on Merger and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “Merger and Acquisition Provisions”, which was promulgated on June 22, 2009), merger and acquisition of domestic enterprises by foreign investors referred to in the Merger and Acquisition Provisions shall mean acquisition of equity of shareholders of non–foreign investment enterprises in China or subscription to additional capital of domestic companies by foreign investors to convert such domestic companies into foreign investment enterprises; or incorporation of foreign investment enterprises by foreign investors to acquire and operate assets of domestic enterprises by such foreign investment enterprises by agreement, or acquisition of assets of domestic enterprises

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by foreign investors by agreement and investment of such assets to establish foreign investment enterprises for operation of such assets. In the case of merger or acquisition of a domestic enterprise by a foreign investment enterprise incorporated by a foreign investor in China, the relevant provisions on merger and division of foreign investment enterprises and the relevant provisions on domestic investments of foreign investment enterprises shall apply; where there is no provision therein, the Merger and Acquisition Provisions shall apply by reference.

On October 28, 2015, the MOFCOM promulgated Interim Provisions on Investment Inside China by Foreign Investment Enterprises (《關於外商投資企業境內投資的暫行規定》). According to the foregoing provisions, where a foreign investment enterprise purchases share ownership from investors of the target company, and the business scope of the target company falls within the field of Encouraged or Permitted Categories of Investment, the target company shall submit to the original company registration organ all the materials prescribed by Article 6, and shall, in accordance with relevant provisions of the “Rules on Company Registration”, apply to the original company registration organ for alteration of registration.

Pursuant to the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》), the Regulation for Implementing the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) and Measures on Reporting of Foreign Investment Information (《外商投資信息報告辦法》), which became effective on January 1, 2020, the State Council establishes a foreign investment information report system. Foreign investors or foreign-funded enterprises shall submit investment information to the competent department for commerce concerned through the enterprise registration system and the enterprise credit information publicity system. The contents and scope of foreign investment information report shall be determined under the principle of necessity; it is not allowed to require the submission again of any investment information that can be obtained by interdepartmental information sharing. For foreign investment enterprises investing in China and establishing an enterprise (including multi-level investment), upon completion of registration filing and submission of annual report information to the market regulatory authorities, the relevant information shall be forwarded by the market regulatory authorities to the commerce administrative authorities, and these enterprises are not required to submit separately.

LAWS AND REGULATIONS ON FOREIGN EXCHANGE

The Administrative Regulations on Foreign Exchange (《中華人民共和國外匯管理條例(2008修訂)》) was promulgated by the State Council in January 1996 and last amended and effective in August 2008. Under these regulations, Renminbi is freely convertible for payments of current account items, such as distribution of dividends, interest payments, and trade and service-related foreign exchange transactions, and such payments can be made in foreign currencies without prior approval by the SAFE. In contrast, approval by or registration with appropriate government authorities is required where Renminbi is converted into a foreign currency and remitted out of China to pay capital account items, such as direct investments, repayment of foreign currency-denominated loans, repatriation of investments, and investments in securities outside of China.

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Pursuant to the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》) promulgated by the SAFE on November 19, 2012, effective on December 17, 2012, and last amended on December 30, 2019, the opening of various special purpose foreign exchange accounts, such as pre-establishment expenses accounts, foreign exchange capital accounts and guarantee accounts, the reinvestment of Renminbi proceeds by foreign investors in China, and remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer require the approval or verification of the SAFE, and multiple capital accounts for the same entity may be opened in different provinces.

In 2013, the SAFE promulgated the Circular on Promulgation of the Provisions on Foreign Exchange Control on Direct Investments in China by Foreign Investors and Supporting Documents (《國家外匯管理局關於印發〈外國投資者境內直接投資外匯管理規定〉及配套文件的通知》), which was last amended on December 30, 2019, which specified that the administration by the SAFE or its local branches on direct investment by foreign investors in China must be conducted by way of registration and banks must process foreign exchange business relating to direct investment in China based on the registration information provided by the SAFE and its local branches.

On July 4, 2014, the Circular of the SAFE on Foreign Exchange Administration of Overseas Investments and Financing and Round-Trip Investments by Domestic Residents via 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》) came into effect. Pursuant to such circular, domestic residents shall apply to the SAFE to register foreign exchange for overseas investments before contributing money to special purpose vehicles using legitimate domestic and overseas assets or rights and interests. In the event of any alteration in the basic information, such as shareholders, name and operating duration of the individual domestic residents, or key information, such as increases or decreases in capital, or equity transfers, swaps, consolidations, or splits, the registered overseas special purpose vehicles shall timely submit a change in the registration of the foreign exchange for overseas investments with the foreign exchange bureaus.

Pursuant to the Circular of the SAFE on Further Simplifying and Improving Policies for Foreign Exchange Administration for 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》), which was promulgated on February 13, 2015 and became effective on June 1, 2015, two administrative approval items, foreign exchange registration approval under domestic direct investment and foreign exchange registration approval under overseas direct investment, have been canceled. According to these new requirements, the banks will directly verify and handle the registration of foreign exchange under domestic and overseas direct investment, while the SAFE and its branches shall conduct through banks indirect regulation over registration of foreign exchange for direct investment.

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The SAFE promulgated the Notice of the SAFE on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-Invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the “SAFE Circular 19”) on March 30, 2015, which was last amended and effective on March 23, 2023. Pursuant to the SAFE Circular 19, foreign-invested enterprises are allowed, within the scope of business, to settle their foreign exchange capital in their capital accounts, for which the relevant foreign exchange authority has confirmed monetary capital contribution rights and interests (or for which the bank has registered the injection of the monetary capital contribution into the accounts), on a discretionary basis according to the actual needs of their business operations. The SAFE promulgated the Notice of the SAFE on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (the “SAFE Circular 16”), which took effect in June 2016. The SAFE Circular 19 and the SAFE Circular 16 prohibit foreign-invested enterprises from using Renminbi converted from their foreign exchange capital for expenditures beyond their business scopes, providing entrusted loans, or repaying loans between non-financial enterprises.

On January 26, 2017, the SAFE promulgated the Circular on Further Improving Reform of Foreign Exchange Administration and Optimizing Genuineness and Compliance Verification (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》), which stipulates several capital control measures with respect to the outbound remittance of profit from PRC domestic entities to offshore entities, including the following: (i) under the genuine transaction principle, banks must check board resolutions regarding profit distribution, the original tax filing records, and the audited financial statements; and (ii) PRC domestic entities must hold income to account for prior years’ losses before remitting the profits. Furthermore, according to the circular, PRC domestic entities must make detailed explanations of the sources of capital and utilization arrangements, and provide board resolutions, contracts, and other proof when completing the registration procedures in connection with an outbound investment.

Pursuant to the Circular of the SAFE on Further Promoting Cross-border Trade and Investment Facilitation (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) (the “SAFE Circular 28”), which was promulgated and became effective on October 23, 2019, where a non-investment-oriented foreign investor makes equity investment in China through transfer of capital in original currency, the invested shall register for acceptance of domestic reinvestments as required and open a foreign exchange capital account to receive the transferred money, with no need to register for the recognition of contribution in cash; where a non-investment-oriented foreign investor makes equity investment in China with the money from the settlement of foreign exchange capital, the invested shall register for acceptance of domestic reinvestments as required and open an account pending payment after foreign exchange settlement under the capital account to receive the money.

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LAWS AND REGULATIONS ON FOREIGN DEBTS

A loan made by foreign investors as shareholders in a foreign-invested enterprise is considered to be foreign debt in mainland China and is regulated by various laws and regulations, including the Foreign Exchange Administrative Regulation (《中華人民共和國外匯管理條例(2008修訂)》), the Interim Provisions on the Management of Foreign Debts (《外債管理暫行辦法》) took effect on March 1, 2003, and was last amended on September 1, 2022 and the Administrative Measures for Registration of Foreign Debts (《外債登記管理辦法》) promulgated by SAFE on April 28, 2013 and amended by the Notice of the SAFE on Abolishing and Amending the Normative Documents Related to the Reform of the Registered Capital Registration System (《國家外匯管理局關於廢止和修改涉及註冊資本登記制度改革相關規範性文件的通知》) on May 4, 2015. Under these rules, a shareholder loan in the form of foreign debt made to a Chinese entity does not require the prior approval of SAFE. However, such foreign debt must be registered with and recorded by local banks. The SAFE Circular 28 provides that a non-financial enterprise in the pilot areas may register a permitted amount of foreign debts, which is as twice of the non-financial enterprise's net assets, at the local foreign exchange bureau. Such non-financial enterprise may borrow foreign debts within the permitted amount and directly handle the relevant procedures in banks without registration of each foreign debt. However, the non-financial enterprise shall report its international income and expenditure regularly.

LAWS AND REGULATIONS ON OUTBOUND DIRECT INVESTMENT

On December 26, 2017, the NDRC promulgated the Administrative Measures for the Outbound Investment of Enterprises (《企業境外投資管理辦法》) (the “NDRC Order No. 11”), which took effect on March 1, 2018. According to NDRC Order No. 11, non-sensitive overseas investment projects are required to make record filings with the local branch of the NDRC. On September 6, 2014, MOFCOM promulgated the Administrative Measures on Overseas Investments (《境外投資管理辦法(2014)》), which took effect on October 6, 2014. According to such regulations, overseas investments of mainland China enterprises that involve non-sensitive countries and regions and non-sensitive industries must make record filings with a local branch of MOFCOM. The Notice of the SAFE on Further Improving and Adjusting Foreign Exchange Administration Policies for Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》) was issued by SAFE on November 19, 2012 and amended on May 4, 2015, October 10, 2018 and December 30, 2019 respectively, under which mainland China enterprises must register for overseas direct investment with local banks. The shareholders or beneficial owners who are mainland China entities are required to be in compliance with the related overseas investment regulations. If they fail to complete the filings or registrations required by overseas direct investment regulations, the relevant authority may order them to suspend or cease the implementation of such investment and make corrections within a specified time.

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LAWS AND REGULATIONS ON INFORMATION SECURITY AND DATA PRIVACY

On May 28, 2020, the National People’s Congress of the PRC approved the Civil Code of the PRC (《中華人民共和國民法典》) (the “Civil Code”), which has come into effect on January 1, 2021. Pursuant to the Civil Code, the personal information of a natural person shall be protected by the law. Any organization or individual that need to obtain personal information of others shall obtain such information legally and ensure the security of such information, and shall not illegally collect, use, process or transmit personal information of others, or illegally purchase, sell, provide or make public personal information of others.

On November 7, 2016, the Standing Committee of National People’s Congress (the “SCNPC”) promulgated the Cyber Security Law (《中華人民共和國網絡安全法》), which became effective on June 1, 2017. The Cyber Security Law requires network operators to perform certain functions related to cybersecurity protection and strengthen the network information management. For instance, under the Cyber Security Law, when collecting and using personal information, in accordance with the Cyber Security Law, network operator shall abide by the “lawful, justifiable and necessary” principles. Network operator shall collect and use personal information by announcing rules for collection and use, expressly notify the purpose, methods and scope of such collection and use, and obtain the consent of the person whose personal information is to be collected. Network operator shall not disclose, tamper with or destroy personal information that it has collected, or disclose such information to others without prior consent of the person whose personal information has been collected, unless such information has been processed to prevent specific person from being identified and such information from being restored.

On June 10, 2021, the SCNPC promulgated the Data Security Law of PRC (《中華人民共和國數據安全法》), which became effective on September 1, 2021. It stipulates that each organization or individual collecting data shall adopt legal and proper methods, and shall not steal or obtain data by other illegal methods, and the data processing activities shall comply with laws and regulations, respect social mores and ethics, comply with commercial ethics and professional ethics, be honest and trustworthy, perform obligations to protect data security, and undertake social responsibility. Besides, it is necessary to establish and improve a whole–process data security management system in accordance with the provisions of laws and regulations, organize and carry out data security education and training, and adopt corresponding technical measures and other necessary measures to ensure data security. The use of the Internet and other information networks to carry out data processing activities shall perform the above–mentioned data security protection obligations on the basis of the network security level protection system.

On August 20, 2021, the SCNPC issued the PRC Personal Information Protection Law (《中華人民共和國個人信息保護法》) (the “PIPL”), which integrates the scattered rules with respect to personal information rights and privacy protection. The PIPL aims at protecting the personal information rights and interests, regulating the processing of personal information, ensuring the orderly and free flow of personal information in accordance with the law, and promoting the reasonable use of personal information. Personal information, as defined in the

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PIPL, refers to information related to identified or identifiable natural persons and recorded by electronic or other means, but excluding the anonymized information. The PIPL provides the circumstances under which a personal information processor could process personal information, which include but not limited to, where the consent of the individual concerned is obtained and where it is necessary for the conclusion or performance of a contract to which the individual is a contractual party. It also stipulates certain specific rules with respect to the obligations of a personal information processor, such as to inform the purpose and method of processing to the individuals, and the obligation of the third party who has access to the personal information by way of co-processing or delegation.

On September 15, 2021, the MIIT issued the Notice of the MIIT on Strengthening the Cybersecurity and Data Security of the Internet of Vehicles (《工業和信息化部關於加強車聯網網絡安全和數據安全工作的通知》), according to which, all intelligent networked automobile manufacturer and Internet of vehicles service platform operators shall establish a network security and data security management system, strengthen the security protection, monitor and prevent network security risks and threats, strengthen the security protection capacity of network facilities and network systems of the Internet of vehicles, ensure the communication security of the Internet of vehicles, carry out the security monitoring and early warning of the Internet of vehicles, and do a good job in the security emergency disposal of the Internet of vehicles, do a good job in the classification and filing of Internet of vehicles network security protection, and more.

To regulate automobile data processing activities, Several Provisions on the Management of Automobile Data Security (for Trial Implementation) (《汽車數據安全管理若干規定(試行)》) was issued on August 16, 2021 and became effective on October 1, 2021. Pursuant to the foregoing provisions, “automobile data” includes personal information data and important data involved in the process of automobile design, production, sales, use, operation and maintenance, among others. Automobile data processors that conduct important data processing activities shall conduct risk assessments and submit risk assessment reports to the cyberspace administrations and relevant departments of the provinces, autonomous regions, and municipalities directly under the central government. And important data shall be legally stored within the territory of the PRC; where it is truly necessary to provide such data to an overseas recipient for business needs, the security assessment organized by the national cyberspace administration in conjunction with the relevant departments of the State Council shall be passed.

On October 8, 2021, the National Information Security Standardization Technical Committee published Security Guidelines for Processing Vehicle Collected Data (《汽車採集數據處理安全指南》). This Guidelines specifies the safety requirements for processing activities such as transmission, storage and exit of vehicle collected data.

On November 14, 2021, the Cyberspace Administration of China (the “CAC”) promulgated the Network Data Security Management Regulations (the “Draft Regulations”) (《網絡數據安全管理條例(徵求意見稿)》), which further expands the scope of the application for security review, establishes the data classification and protection system, and defines the

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relevant rules for cross-border data management. The Draft Regulations provide that data processors conducting the following activities shall apply for cybersecurity review: (i) merger, reorganization or spin-off of Internet platform operators that have acquired a large number of data resources related to national security, economic development or public interests affects or may affect national security; (ii) listing abroad of data processors processing over one million users' personal information; (iii) listing in Hong Kong which affects or may affect national security; (iv) other data processing activities that affect or may affect national security. As of the Latest Practicable Date, the Draft Regulations had not been enacted or taken effect. Additionally, there is no timetable as to when it will come into effect. On December 28, 2021, the CAC, together with other relevant administrative departments, jointly promulgated the Cybersecurity Review Measures (《網絡安全審查辦法》) which took effect on February 15, 2022. According to the Cybersecurity Review Measures, an internet platform operator who possesses personal information of more than one million users shall apply for a cybersecurity review before listing abroad (國外上市), and the relevant governmental authorities may initiate a cybersecurity review if they consider relevant network products or services or data processing activities may affect national security. As advised by our PRC Legal Adviser, the term of “listing abroad” under the Cybersecurity Review Measures does not apply to listing in Hong Kong, and thus we are not required to proactively submit an application for cybersecurity review for our [REDACTED] in Hong Kong. As of the Latest Practicable Date, we had not been notified of being classified as a critical information infrastructure operator (“CIIO”), we had not received any notice, warning from any PRC government authorities, and have not been subject to any investigation, sanctions or penalties made by any PRC government authorities regarding national security risks caused by our business operations or the [REDACTED]. Given that the interpretation of activities that “affect or may affect national security” under the current PRC laws and regulations requires further clarification from the competent authorities, and the identification of CIIO and the scope of network products or services and data processing activities that affect or may affect national security are subject to further clarification and interpretation by the competent authorities, we cannot guarantee whether we will be subject to the cybersecurity review or if new rules or regulations promulgated in the future will impose additional compliance requirements on us.

Furthermore, on July 7, 2022, the CAC promulgated the Measures on Security Assessment of Cross-border Data Transfer (《數據出境安全評估辦法》), which became effective on September 1, 2022. Such data export measures requires that any data processor which processes or exports personal information exceeding certain volume threshold under such measures shall apply for security assessment by the CAC before transferring any personal information abroad. The security assessment requirement also applies to any transfer of important data outside of China. Furthermore, on August 31, 2022, the CAC promulgated the Guidelines for filing the Outbound Data Transfer Security Assessment (Version 1) (《數據出境安全評估申報指南(第一版)》), which provides that acts of outbound data transfer include (i) overseas transmission and storage by data processors of data generated during mainland China domestic operations; (ii) the access to, use, download or export of the data collected and generated by data processors and stored in mainland China by overseas institutions, organizations or individuals; and (iii) other acts as specified by the CAC.

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On December 8, 2022, the MIIT promulgated the Notice on Promulgation of the Administrative Measures on Data Security in the Field of Industry and Information Technology (for Trial Implementation) (《工業和信息化部關於印發<工業和信息化領域數據安全管理辦法(試行)>的通知》). Pursuant to the foregoing notice, the data handlers in the field of industry and information technology shall regularly sort out data, identify important data and core data in accordance with the relevant standards and specifications, and form the specific catalogs for their respective entities.

LAWS AND REGULATIONS ON ENVIRONMENTAL PROTECTION

Regulations on Environment Protection

The Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), (last amended on April 24, 2014 and became effective on January 1, 2015), outlines the authorities and duties of various environmental protection regulatory agencies. The Ministry of Environmental Protection is authorized to issue national standards for environmental quality and emissions, and to monitor the environmental protection scheme of the PRC. Meanwhile, local environment protection authorities may formulate local standards which are more rigorous than the national standards, in which case, the concerned enterprises must comply with both the national standards and the local standards.

According to the Administrative Regulations on the Environmental Protection of Construction Project (《建設項目環境保護管理條例》) (the “Construction Environmental Protection Rule”), promulgated by the State Council on November 29, 1998 and amended on July 16, 2017, and other relevant environmental laws and regulations, enterprises which plan to construct projects shall provide the assessment reports, assessment form, or registration form on the environmental impact of such projects with relevant environmental protection administrative authority for approval or filing. Enterprises may entrust a technical entity to conduct an environmental impact assessment of its construction projects and prepare environmental impact reports and environmental impact statements on construction projects. If a construction entity has the technical capability of environmental impact assessment, it may carry out the above activities itself.

According to the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》), promulgated by the SCNPC on October 28, 2002 and amended on July 2, 2016 and December 29, 2018 respectively, for any construction projects that have an impact on the environment, an entity is required to produce either a report, or a statement, or a registration form of such environmental impacts depending on the seriousness of effect that may be exerted on the environment.

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Regulations on Fire Safety

The Fire Prevention Law of the PRC (《中華人民共和國消防法》) (the “Fire Prevention Law”) was adopted on April 29, 1998 and last amended and took effect on April 29, 2021. According to the Fire Prevention Law, for special construction projects stipulated by the housing and urban–rural development authority of the State Council, the developer shall submit the fire safety design documents to the housing and urban–rural development authority for examination, while for construction projects other than those stipulated as special development projects, the developer shall, at the time of applying for the construction permit or approval for work commencement report, provide the fire safety design drawings and technical materials which satisfy the construction needs. According to Interim Regulations on Administration of Examination and Acceptance of Fire Control Design of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》), which was promulgated by the MOHURD on April 1, 2020 and came into effect on June 1, 2020, an examination system for fire prevention design and acceptance only applies to special construction projects, and for other projects, a record–filing and spot check system would be applied.

In addition, the Fire Prevention Law requires that before any public venues that allows the gathering of people are put into business operation, as required according to applicable requirements, the developer or the users shall apply to competent authorities to conduct a fire safety inspection of the premises to obtain the Fire Safety Inspection Certificates.

LAWS AND REGULATIONS ON CONSTRUCTION PROJECTS

Pursuant to the PRC Urban and Rural Planning Law (《中華人民共和國城鄉規劃法》) promulgated by the SCNPC on October 28, 2007 and amended on April 24, 2015 and April 23, 2019, a construction work planning permit must be obtained from the competent urban and rural planning government authority for the construction of any structure, fixture, road, pipeline, or other engineering project within an urban or rural planning area. After obtaining a construction work planning permit, subject to certain exceptions, a construction enterprise must apply for a construction work commencement permit from the construction authority under the local people’s government at the county level or above pursuant to the Administrative Provisions on Construction Permit of Construction Projects (《建築工程施工許可管理辦法》) promulgated by the MOHURD on March 30, 2021.

Pursuant to the Administrative Measures for Reporting Details Regarding Acceptance Examination upon Completion of Buildings and Municipal Infrastructure (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》) promulgated by the Ministry of Construction on April 7, 2000 and amended on October 19, 2009, and the Provisions on Acceptance Examination upon Completion of Buildings and Municipal Infrastructure promulgated and implemented by the MOHURD (《房屋建築和市政基礎設施工程竣工驗收規定》) on December 2, 2013, upon the completion of a construction project, the construction enterprise must submit an application to the competent government department at or above county level where the project is located for examination upon completion of building and for filing purpose, and to obtain the filing form for acceptance and examination upon completion of construction project.

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LAWS AND REGULATIONS ON TAX

Enterprise Income Tax

According to the Corporate Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the “Corporate Income Tax Law”) (last amended and became effective on December 29, 2018), and the Implementation Regulations for the Corporate Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) (the “Implementation Regulations for the Corporate Income Tax Law”) (last amended and became effective on April 23, 2019), all the domestic enterprises in China (including foreign-invested enterprises) shall be subject to enterprise income tax at the uniform tax rate of 25%, except for the high-tech enterprises provided by the state, which will be subject to enterprise income tax at the reduced rate of 15%, or the qualified small low-profit enterprises, which will enjoy the reduced enterprise income tax rate of 20%.

Value-added Tax

Pursuant to the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) (last amended and became effective on November 19, 2017) and the Detailed Rules for the Implementation of the Interim Regulation of the PRC on Value Added Tax (2011 Revision) (《中華人民共和國增值稅暫行條例實施細則(2011修訂)》), which was promulgated on December 25, 1993, amended on October 28, 2011 and became effective on November 1, 2011, all entities or individuals in the PRC engaging in the sale of goods, provision of processing services, repairs and replacement services and the importation of goods are required to pay value-added tax (the “VAT”). VAT payable is calculated as “output VAT” minus “input VAT”. The rate of VAT is usually 17%, and in certain limited circumstances is 11% or 6%, subject to the situation involved.

In accordance with Notice of the Ministry of Finance and the SAT on the Adjustment to VAT Rates (《財政部、稅務總局關於調整增值稅稅率的通知》), which became effective on May 1, 2018, the deduction rates of 17% or 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% or 10%.

According to Announcement on Policies for Deepening the VAT Reform (《財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告》) (Announcement No. 39 of 2019 of the Ministry of Finance, the SAT and the General Administration of Customs, became effective on April 1, 2019), for general VAT payers’ sales activities or imports that are subject to VAT at an existing applicable rate of 16% or 10%, the applicable VAT rate is adjusted to 13% or 9% respectively.

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Dividend Withholding Tax

Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) and the relevant implementing regulations provide that an income tax rate of 10% will normally be applicable to dividends declared to non-PRC resident investors which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC.

Pursuant to an Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Incomes (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the “Double Tax Avoidance Arrangement”), and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5%. However, based on the Circular on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》), or SAT Circular 81, issued on February 20, 2009 by the SAT, if the relevant PRC tax authorities determine, in their discretions, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. According to the Circular on Several Questions regarding the “Beneficial Owner” in Tax Treaties (《國家稅務總局關於稅收協定中“受益所有人”有關問題的公告》), which was issued on February 3, 2018 by the SAT and effective on April 1, 2018, when determining the applicant’s status of the “beneficial owner” regarding tax treatments in connection with dividends, interests or royalties in the tax treaties, several factors apply, including without limitation: (i) whether the applicant is obligated to pay more than 50% of his or her income in twelve months to residents in third country or region, (ii) whether the business operated by the applicant constitutes the actual business activities, and (iii) whether the counterparty country or region to the tax treaties levies any tax or grant tax exemption on relevant incomes or levies tax at an extremely low rate, will be taken into account, and it will be analyzed according to the actual circumstances of the specific cases. This circular further provides that relevant information proving the status of “beneficial owner” shall be retained in the case of entitlement to dividends, interest and treaty benefits of royalty clause according to the Administrative Measures for Entitlement to Treaty Benefits for Non-resident Taxpayers (《國家稅務總局關於發佈<非居民納稅人享受協定待遇管理辦法>的公告》), which was promulgated by the SAT on October 14, 2019 and became effective on January 1, 2020.

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LAWS AND REGULATIONS ON IMPORT AND EXPORT OF GOODS

Pursuant to the Regulations of the PRC on the Administration of Import and Export of Goods (《中華人民共和國貨物進出口管理條例》) promulgated by the State Council on December 10, 2001 which came into effect on January 1, 2002, the import and export of goods are generally allowed by the mainland China government, but the prohibitions or restrictions explicitly stipulated in the laws or administrative regulations shall still be complied with during the conduct of import and export of goods by individuals or entities. According to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) promulgated by the SCNPC, on May 12, 1994, which came into effect on July 1, 1994 and lately amended with immediate effect on December 30, 2022, unless otherwise provided by laws and regulations, the mainland China government allows free export and import of goods and technologies, and protects the intellectual property rights associated with international trade. The authorities have canceled the requirements to file records and register formalities for foreign trade operators engaging in the import or export of goods or technology with the MOFCOM or the agency entrusted from December 30, 2022.

LAWS AND REGULATIONS ON EMPLOYMENT AND SOCIAL WELFARE

Labor Law and Labor Contracts

Pursuant to the PRC Labor Law (《中華人民共和國勞動法》) (last amended and became effective on December 29, 2018), the PRC Labor Contract Law (《中華人民共和國勞動合同法》) (last amended on December 28, 2012 and became effective on July 1, 2013) and the Implementation Regulations for the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) (promulgated and became effective on September 18, 2008), an employer unit shall establish and improve its rules and regulations in accordance with the law in order to ensure that workers enjoy labor rights and perform labor obligations. A written labor contract is required when an employment relationship is established between an employer and an employee. A labor contract shall include the following clauses: term of labor contract; working hours and rest periods and off days; labor remuneration; social security; labor protection, working conditions and occupational hazard prevention and protection; and any other matters to be included in a labor contract as stipulated by the laws and regulations.

Social Insurance

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) (last amended and became effective on December 29, 2018), the Provisional Regulations for the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) (last amended and became effective on March 24, 2019), the Unemployment Insurance Regulations (《失業保險條例》) effective in 1999 and the Regulations on Work-related Injury Insurance (《工傷保險條例》) (last amended on December 20, 2010 and became effective on January 1, 2011), the state shall establish social security systems such as basic pension insurance, basic medical insurance, work injury insurance, unemployment insurance, family planning insurance, and more, to protect the rights of citizens for obtaining material assistance

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from the state and the society pursuant to the law in the circumstances of old age, illness, work injury, unemployment, family planning, and more. Employers must pay a number of social security funds for their employees, including basic endowment insurance, medical insurance, work injury insurance, unemployment insurance, family planning insurance. Employers which failed to complete social security registration shall be ordered by the social security administrative authorities to make correction within a stipulated period; where correction is not made within the stipulated period, the employer shall be subject to a fine ranging from one to three times the amount of the social security premiums payable, and the person(s)-in-charge who is/are directly accountable and other directly accountable personnel shall be subject to a fine ranging from RMB500 to RMB3,000.

Housing Provident Fund

Pursuant to Regulations on Management of Housing Provident Fund (《住房公積金管理條例》) (last amended and became effective on March 24, 2019), an employer shall go to the housing provident fund management center to undertake registration of payment and deposit of the housing provident fund and, upon verification by the housing provident fund management center, go to a commissioned bank to go through the formalities of opening housing provident fund accounts on behalf of its employees.

Where, in violation of the provisions of the Regulations, an employer fails to undertake payment and deposit registration of housing provident fund or fails to go through the formalities of opening housing provident fund accounts for its employees, the housing provident fund management center shall order it to go through the formalities within a prescribed time limit; where failing to do so at the expiration of the time limit, a fine of not less than RMB10,000 nor more than RMB50,000 shall be imposed.

Work Safety

Under relevant construction safety laws and regulations, including the PRC Work Safety Law (《中華人民共和國安全生產法》), which was promulgated by the SCNPC on June 29, 2002, amended on August 27, 2009, August 31, 2014, June 10, 2021 and became effective on September 1, 2021, producers and business operators shall establish, improve and implement the responsibility system for work safety of all employees of the entity, and strengthen the development of standards for work safety, increase the input and guarantee of funds, materials, technologies, and personnel in terms of work safety, improve the conditions for work safety. Producers and business operators shall provide their employees with education and training on work safety to ensure that the employees acquire the necessary knowledge about work safety, are familiar with the relevant rules for work safety and safe operating procedures, master the safety operating skills for the posts, understand the emergency handling measures for accidents and are aware of their rights and obligations in respect of work safety. No employee who fails to pass the examination after receiving education and training on work safety may be assigned to posts.

REGULATORY OVERVIEW

LAWS AND REGULATIONS ON STOCK INCENTIVE PLANS

In February 2012, the SAFE promulgated the Notice on Foreign Exchange Administration of PRC Residents Participating in Stock Incentive Plans of Offshore Listed Companies (《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 the previous rules issued by the SAFE in March 2007. Under this notice and other relevant rules, PRC residents who participate in a stock incentive plan in an overseas listed company are required to register with the SAFE or its local branches and complete certain other procedures, subject to certain exceptions.

Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of the overseas listed company or another qualified entity selected by the PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests, and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent, or the overseas entrusted institution or other material changes. The PRC agents must, on behalf of the PRC residents who have the right to exercise the employee share options, apply to the SAFE or its local branches for an annual quota for the payment of foreign currencies in connection with the PRC residents' exercise of the employee share options. The foreign exchange proceeds received by the PRC residents from the sale of shares under the stock incentive plans granted and dividends distributed by the overseas listed companies must be remitted into the bank accounts in China opened by the PRC agent before distribution to such PRC residents. In addition, the SAFE Circular 37 provides that PRC residents who participate in a stock incentive plan of an overseas unlisted special purpose company may register with the SAFE or its local branches before exercising rights.

LAWS AND REGULATIONS ON INTELLECTUAL PROPERTY RIGHTS

Copyright

Pursuant to the Copyright Law of the PRC (《中華人民共和國著作權法》), promulgated on September 7, 1990, last amended on November 11, 2020 and became effective on June 1, 2021, works of PRC citizens, legal persons or other organizations shall, regardless of whether they have been published be entitled to the copyright pursuant to this law. The rights a copyright owner has included but not limited to the following rights of the person and property rights: the right of publication, right of authorship, right of modification, right of integrity, right of reproduction, distribution right, rental right, right of information network dissemination, translation right and right of compilation. Under the Copyright Law, the term of protection for copyrighted software is 50 years.

REGULATORY OVERVIEW

The Regulation on the Protection of the Right to Communicate Works to the Public over Information Networks (《信息網絡傳播權保護條例》), which was last amended on January 30, 2013 and became effective on March 1, 2013, provides specific rules on fair use, statutory license, and a safe harbor for use of copyrights and copyright management technology and specifies the liabilities of various entities for violations, including copyright holders, libraries and Internet service providers.

Trademarks

Pursuant to the Trademark Law of the PRC (《中華人民共和國商標法》), promulgated on August 23, 1982, last amended on April 23, 2019 and became effective on November 1, 2019, and the Regulation on Implementation of Trademark Law of the PRC (《中華人民共和國商標法實施條例》), promulgated by the State Council on August 3, 2002, amended on April 29, 2014 and became effective on May 1, 2014, any trademark which is registered with the approval of the Trademark Office is a registered trademark, including commodity trademark, service trademark, collective trademark, certification trademark, and the trademark registrant has the exclusive right to use a registered trademark and such right is protected by law. A registered trademark is valid for a period of ten years commencing from the date on which the registration is approved. Use of a trademark that is identical with or similar to a registered trademark, for the same kind of or similar commodities, without authorization of the trademark registrant, constitutes infringement of the exclusive right to use a registered trademark.

Patents

Pursuant to the Patent Law of the PRC (《中華人民共和國專利法》) (the “Patent Law”), promulgated on March 12, 1984, last amended on October 17, 2020 and became effective on June 1, 2021, and the Rules for the Implementation of Patent Law of the PRC (《中華人民共和國專利法實施細則》), last amended on December 11, 2023 and became effective on January 20, 2024, after the grant of the patent right for inventions and utility models, except otherwise regulated under the Patent Law, no entity or individual may, without the authorization of the patent owner, exploit such patent, that is no manufacture, use, offer to sell, sell or import the patented product, or use the patented process and use, offer to sell, sell or import products directly obtained from such patented process, for production or business purpose. After the patent right is granted for a design, no unit or individual shall, without the authorization of the patent owner, exploit such patent, that is to manufacture, offer to sell, sell, or import any product containing such patented design for production or business purposes. Where infringement has been established, the infringer shall, in accordance with the relevant regulations, be ordered to cease the infringement activities, take corrective actions, and compensate for losses.

REGULATORY OVERVIEW

Domain Names

Pursuant to the Measures for the Administration of Internet Domain Names (《互聯網域名管理辦法》) promulgated by the MIIT on August 24, 2017 and became effective on November 1, 2017, domain name registrations are handled through domain name service agencies established under relevant regulations, and the applicant becomes a domain name holder upon successful registration.

Pursuant to the Notice from the MIIT on Regulating the Use of Domain Names in Internet Information Services (《工業和信息化部關於規範互聯網信息服務使用域名的通知》), promulgated on November 27, 2017 and became effective on January 1, 2018, Internet access service providers shall verify the identity of each Internet information service provider, and shall not provide services to any Internet information service provider who fails to provide real identity information.

Trade Secret

According to the PRC Anti-Unfair Competition Law (《中華人民共和國反不正當競爭法》), promulgated by the SCNPC in September 1993, as amended on November 4, 2017 and April 23, 2019 respectively, the term “trade secrets” refers to technical and business information that is unknown to the public, has utility, may create business interests or profits for its legal owners or holders, and is maintained as a secret by its legal owners or holders. Under the PRC Anti-Unfair Competition Law, business persons are prohibited from infringing others’ trade secrets by: (i) obtaining the trade secrets from the legal owners or holders by any unfair methods such as theft, bribery, fraud, coercion, electronic intrusion, or any other illicit means; (ii) disclosing, using or permitting others to use the trade secrets obtained illegally under item above; (iii) disclosing, using or permitting others to use the trade secrets, in violation of any contractual agreements or any requirements of the legal owners or holders to keep such trade secrets in confidence; or (iv) instigate, induce or assist others to violate confidentiality obligation or to violate a rights holder’s requirements on keeping confidentiality of commercial secrets, so as to disclose, use or allow others to use the commercial secrets of the rights holder. If a third party knows or should have known of the above-mentioned illegal conduct but nevertheless obtains, uses or discloses trade secrets of others, the third party may be deemed to have committed a misappropriation of the others’ trade secrets. The parties whose trade secrets are being misappropriated may petition for administrative corrections, and regulatory authorities may stop any illegal activities and fine infringing parties.

REGULATORY OVERVIEW

LAWS AND REGULATIONS ON OVERSEAS LISTING

On July 6, 2021, the Opinions on Lawfully and Strictly Cracking Down Illegal Securities Activities (《關於依法從嚴打擊證券違法活動的意見》) was promulgated, among which, it emphasizes the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies, and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies, and provided that the special provisions of the State Council on overseas offering and listing by those companies limited by shares will be revised and therefore the duties of domestic industry competent authorities and regulatory authorities will be clarified.

The CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “Overseas Listing Trial Measures”) and five relevant guidelines on February 17, 2023, which took effect on March 31, 2023. The Overseas Listing Trial Measures comprehensively reformed the regulatory regime for overseas offering and listing of PRC domestic companies’ securities, either directly or indirectly, into a filing-based system.

According to the Overseas Listing Trial Measures, the PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to fulfill the filing procedure with the CSRC and report relevant information. The Overseas Listing Trial Measures provides that an overseas listing or offering is explicitly prohibited, if any of the following applies: (i) such securities offering or listing is explicitly prohibited by provisions in PRC laws, administrative regulations or relevant state rules; (ii) the proposed securities offering or listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with laws; (iii) the domestic company intending to be listed or offer securities in overseas markets, or its controlling shareholder(s) and the actual controller, have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the domestic company intending to be listed or offer securities in overseas markets is currently under investigations for suspicion of criminal offenses or major violations of laws and regulations, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the domestic company’s controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller.

Where an issuer submits an application for initial public offering to competent overseas regulators, filing application with the CSRC shall be submitted within three business days thereafter. Subsequent securities offering of an issuer in the same overseas market where it has previously offered and listed securities shall be filed with the CSRC within three business days after the offering is completed. Subsequent securities offering and listing of an issuer in other overseas markets shall be filed as initial public offering.

REGULATORY OVERVIEW

Moreover, upon the occurrence of any of the material events specified below after an issuer has offered and listed securities in an overseas market, the issuer shall submit a report thereof to CSRC within three working days after the occurrence and public disclosure of the event: (i) change of control; (ii) investigations or sanctions imposed by overseas securities regulatory agencies or other relevant competent authorities; (iii) change of listing status or transfer of listing segment; (iv) voluntary or mandatory delisting. Where an issuer’s main business undergoes material changes after overseas offering and listing, and is therefore beyond the scope of business stated in the filing documents, such issuer shall submit to the CSRC an ad hoc report and a relevant legal opinion issued by a domestic law firm within 3 working days after occurrence of the changes.

On February 24, 2023, the CSRC and other relevant government authorities promulgated the Provisions on Strengthening the Confidentiality and Archives Administration of Overseas Securities Issuance and Listing by Domestic Enterprises (《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 “Provision on Confidentiality”), which took effect on March 31, 2023. Pursuant to the Provision on Confidentiality, where a domestic enterprise provides or publicly discloses to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, or provides or publicly discloses through its overseas listing subjects, documents and materials involving state secrets and working secrets of state organs, it shall report the same to the competent department with the examination and approval authority for approval in accordance with the law, and submit the same to the secrecy administration department of the same level for filing. Domestic enterprises providing accounting archives or copies thereof to entities and individuals concerned such as securities companies, securities service institutions and overseas regulatory authorities shall perform the corresponding procedures pursuant to the relevant provisions of the state.

LAWS AND REGULATIONS ON RECOGNITION AND ENFORCEMENT OF JUDGEMENTS

On January 29, 2024, the Arrangements for Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Cases between Courts of the Mainland and Hong Kong Special Administrative Region (《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”), issued by the Supreme People’s Court of the PRC, came into effect. 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.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

OVERVIEW

Tracing back to 2015, our Group was founded by Dr. Yu, Dr. Huang and Ms. Tao together with a group of scientists and entrepreneurs. After nearly a decade of development, we have become a leading provider of ADAS and AD solutions for passenger vehicles, empowered by our proprietary software and hardware technologies.

Milestones

The following is a summary of our key business development milestones since the incorporation of our Company:

<u>Time</u>	<u>Milestone</u>
2015	Our Company was incorporated in the Cayman Islands on July 21, 2015.
2016	We launched the first-generation BPU (Brain Processing Unit).
2017	We launched the first-generation processing hardware – Journey.
2020	We launched the first mass-production of Horizon Mono with Journey 2 in the car model of a renowned automotive company.
2021	We launched the first mass-production of Horizon Mono with Journey 3 in Li Auto’s Li ONE. The delivery of processing hardware reached 1 million.
2022	We launched the first mass-production of Horizon Pilot with Journey 3 in Roewe RX5. We launched the first mass-production of Horizon Pilot with Journey 5 in Li Auto’s Li L8 Pro.
2023	The delivery of processing hardware reached 4 million. We established our strategic cooperation with an affiliate of Volkswagen Group through CARIZON. We initiated collaboration with top OEMs on intent for mass-production of ADAS and AD solutions with Journey 6 at Guangzhou International Automobile Exhibition.
2024	The delivery of processing hardware reached 5 million.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

OUR MAJOR SUBSIDIARIES AND JOINTLY CONTROLLED ENTITY

Set forth below are details for each of our major subsidiaries which made a material contribution to our results of operations during the Track Record Period. All of them were wholly-owned by our Company as of the Latest Practicable Date.

<u>Name of Subsidiary</u>	<u>Date of Establishment</u>	<u>Principal Business</u>
Horizon Shenzhen	July 2, 2015	Sales of software products and provision of related services
Beijing Horizon Robotics	July 14, 2015	Sales of software products and provision of related services
Horizon Hong Kong	August 6, 2015	Investment holding company
Horizon Information	December 28, 2015	Development of software products and provision of related services
Horizon Anting	March 24, 2017	Development of software products and provision of related services
Horizon Technology	March 30, 2017	Development of software products and provision of related services
Horizon Shanghai	March 26, 2018	Research and development

For shareholding changes of our major subsidiaries with respect to the Reorganization and during the two years immediately preceding the date of this Document, please refer to “— Reorganization” in this section and “Statutory and General Information — A. Further Information about Our Group — 3. Changes in the Share Capital of Our Subsidiaries” in Appendix IV to this Document, respectively. Save as disclosed above and several increases of share capital in Horizon Shenzhen, Horizon Technology and Horizon Shanghai by our Company, there were no shareholding changes in our major subsidiaries during the Track Record Period and up to the Latest Practicable Date.

On November 20, 2023, CARIZON, one of our jointly controlled entities, was established in the PRC with limited liability. CARIZON is primarily engaged in the business of research and development, manufacture of autonomous driving application software and self-driving systems, and it also provides aftersales services, training, consulting, testing and technical services of its products. For details, please refer to the section headed “Business — Our Partnership with Volkswagen Group — CARIZON — Our Joint Venture with Volkswagen Group” below.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

MAJOR SHAREHOLDING CHANGES OF OUR COMPANY

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on July 21, 2015, with an authorized share capital of US\$50,000.00 divided into 500,000,000 Shares with a par value of US\$0.0001 each.

We adopted the WVR structure in October 2015 with each Class A Ordinary Share entitling the holder to exercise ten votes and each Class B Ordinary Share and Preferred Shares entitling the holder to exercise one vote on any resolutions tabled at our Company’s general meetings. Dr. Yu held 59,400,000 Class A Ordinary Shares through his then controlled entity, 10,100,000 and 3,375,000 Class A Ordinary Shares of which were subsequently transferred to the controlled entities of Dr. Huang and Ms. Tao, respectively, in early 2016. Upon completion of the aforesaid share transfers, Dr. Yu, Dr. Huang and Ms. Tao were beneficially interested in the share capital of the Company as to approximately 50.19%, 11.04% and 3.69%, respectively, representing the voting rights of the Company as to 65.70%, 14.45% and 4.83% on matters subject to the vote at general meetings of the Company, respectively.

After a series of share transfers, subdivisions, repurchases and reclassification, as of January 1, 2021, our authorized share capital was US\$50,000.00 divided into 20,000,000,000 Shares with a par value of US\$0.0000025 each. Dr. Yu, Dr. Huang and Ms. Tao were beneficially interested in the share capital of the Company as to approximately 22.78%, 4.97% and 1.65%, respectively, representing the voting rights of the Company as to approximately 62.25%, 13.58% and 4.51% on matters subject to the vote at general meetings of the Company, respectively.

Through their then controlled entities and during the Track Record Period, Dr. Yu transferred 40,000,000 Class A Ordinary Shares to Ms. Tao in 2021 and Dr. Yu, Dr. Huang and Ms. Tao also transferred a total of 38,442,999, 4,492,151 and 1,715,013 Class B Ordinary Shares, respectively, to our Pre-[REDACTED] Investors. As of the Latest Practicable Date, Dr. Yu, Dr. Huang and Ms. Tao were beneficially interested in the share capital of the Company as to 16.95%, 3.82% and 1.66%, respectively, representing the voting rights of the Company as to 55.95%, 12.61% and 5.47% on matters subject to the vote at general meetings of the Company, respectively.

For estate planning purpose, in March 2024, all the Shares controlled by Dr. Yu, Dr. Huang and Ms. Tao were transferred to Everest Robotics Limited, String Theory Robotics Limited and HOPE Robotics Holdings Inc., respectively, all being shareholding vehicles under the family trusts of Dr. Yu, Dr. Huang and Ms. Tao. For details, see note 1 to note 3 in “— Capitalization” in this section.

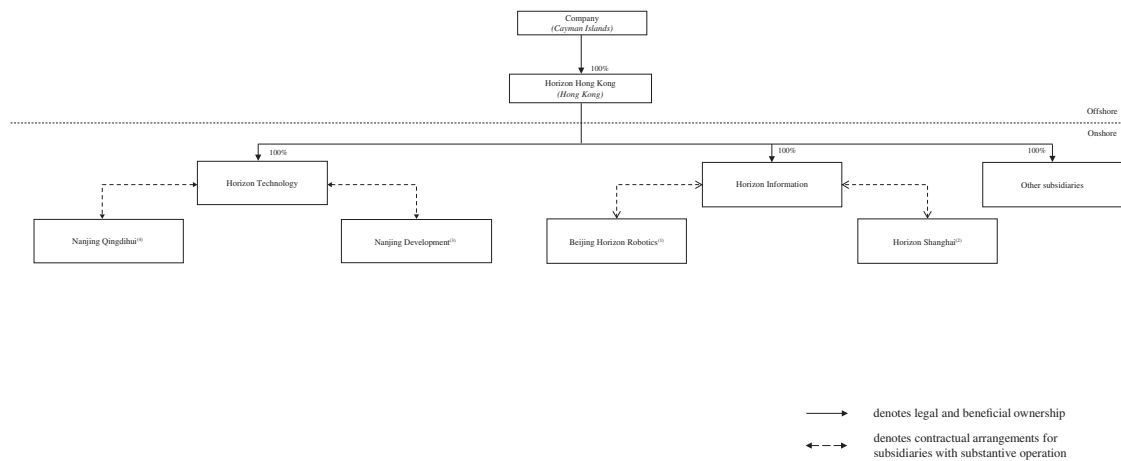
Between September 2015 and December 2023, we conducted several rounds of pre-[REDACTED] financing. For details, please refer to “— Pre-[REDACTED] Investments” in this section. In addition, please see “Statutory and General Information — A. Further Information about our Group — 2. Changes in the Share Capital of our Company” in Appendix IV to this Document for details of changes in the share capital of our Company during the two years immediately preceding the date of this Document.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

On [●], 2024, our Shareholders resolved that, among others, subject to the [REDACTED] becoming unconditional and other than Class A Ordinary Shares held by the controlled entities of Dr. Yu and Dr. Huang, all of the other Class A Ordinary Shares and all of the Preferred Shares are reclassified and re-designated as Class B Ordinary Shares. Each Class A Ordinary Shares entitles the holder to exercise ten votes, and each Class B Ordinary Share entitles the holder to exercise one vote, respectively, on any matters subject to the vote at general meetings of the Company, subject to Rule 8A.24 of the Listing Rules that requires the Reserved Matters to be voted on a one vote per share basis. For details, please see “Statutory and General Information — A. Further Information about our Group — 4. Resolutions of our Shareholders” in Appendix IV to this Document.

REORGANIZATION

The following diagram illustrates our shareholding structure before the Reorganization:



Notes:

- (1) Beijing Horizon Robotics was controlled by Horizon Information through contractual arrangements under which Beijing Horizon Robotics was held as to approximately 80.55% by Dr. Yu, approximately 14.25% by Dr. Huang, approximately 4.99% by Ms. Tao and approximately 0.21% by Mr. Ming Yang, all of whom were registered shareholders of Horizon Information in Beijing Horizon Robotics.
- (2) Horizon Shanghai was controlled by Horizon Information through contractual arrangements under which Horizon Shanghai was held as to 50% by Dr. Yu, 45% by Dr. Huang and 5% by Beijing Horizon Robotics, all of which were registered shareholders of Horizon Information in Horizon Shanghai.
- (3) Nanjing Development was controlled by Horizon Technology through contractual arrangements under which Nanjing Development was held as to approximately 61.11% by Nanjing Qingdihui, approximately 22.22% by Nanjing Xingang Industrial Innovation Research Institution Co., Ltd. (南京新港產業創新研究院有限公司, “Nanjing Xingang”) and approximately 16.67% by Horizon Nanjing. Nanjing Qingdihui and Horizon Nanjing are registered shareholders of Horizon Technology in Nanjing Development while Nanjing Xingang was the beneficial owner of its shares in Nanjing Development.
- (4) Nanjing Qingdihui was controlled by Horizon Technology through contractual arrangements under which Nanjing Qingdihui was held as to approximately 24.19% by Dr. Yu, approximately 24.18% by Ms. Tao, approximately 24.18% by Dr. Jing Lu (盧晶), approximately 24.17% by Dr. Huang and approximately 3.28% by Dr. Bo Zhang (張鉞), Dr. Yu, Ms. Tao and Dr. Jing Lu were registered shareholders of Horizon Technology in Nanjing Development while Dr. Bo Zhang was the beneficial owner of his shares in Nanjing Qingdihui.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

In preparation of the [REDACTED], we conducted the following major steps for the Reorganization:

Beijing Horizon Robotics

In December 2021, Ms. Tao and Mr. Ming Yang (楊銘) transferred all of their equity interests in Beijing Horizon Robotics to Bright Sapphire Limited, an Independent Third Party, at a consideration of RMB1.05 million and RMB45,000, respectively, based on the then paid-up registered capital of Beijing Horizon Robotics, which were fully paid up in February 2022. After the completion of the aforementioned share transfers, Beijing Horizon Robotics was held by Dr. Yu, Dr. Huang and Bright Sapphire Limited as to approximately 80.55%, 14.25% and 5.20%, respectively.

In January 2022, Dr. Yu, Dr. Huang and Bright Sapphire Limited transferred all of their equity interests in Beijing Horizon Robotics to Horizon Information based on the then paid-up registered capital of Beijing Horizon Robotics, which were fully paid up in February 2022. After the completion of the aforementioned share transfers, Beijing Horizon Robotics was wholly-owned by Horizon Information and the contractual arrangements among Beijing Horizon Robotics, its registered shareholders before the Reorganization and Horizon Information, were terminated in January 2022.

Horizon Shanghai

In March 2021, Dr. Yu and Ms. Tao transferred all of their equity interests in Horizon Shanghai to Beijing Horizon Robotics, at a consideration of RMB40 million and RMB36 million, respectively, based on the then paid-up registered capital of Horizon Shanghai, which were fully paid up. After the completion of the aforementioned share transfers, Horizon Shanghai was wholly-owned by Beijing Horizon Robotics and the contractual arrangements among Horizon Shanghai, its registered shareholders before the Reorganization and Horizon Information, were terminated in April 2021.

Nanjing Development

In May 2021, Horizon Technology, Nanjing Development and Horizon Nanjing entered into the termination agreement with respect to their contractual arrangements. After the termination, Nanjing Development was held as to approximately 61.11% by Nanjing Qingdihui, approximately 22.22% by Nanjing Xingang and approximately 16.67% by Nanjing Robotics.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Nanjing Qingdihui

In January 2021, Dr. Yu, Dr. Huang, Ms. Tao, and Dr. Jing Lu (盧晶), an Independent Third Party, transferred all of their equity interests in Nanjing Qingdihui to Beijing Horizon Robotics, at a consideration of RMB3.9907 million, RMB3.9887 million, RMB3.9897 million and RMB3.9897 million, respectively, based on the then paid-up registered capital of Nanjing Qingdihui, which were fully paid up in February 2021. After the completion of the aforementioned share transfers, Nanjing Qingdihui was owned by Beijing Horizon Robotics as to 96.72% and Dr. Bo Zhang (張鉞), an Independent Third Party, as to 3.28%, and the contractual arrangements among Nanjing Qingdihui, its registered shareholders before the Reorganization and Beijing Horizon Robotics, were terminated in May 2021.

After completion of above equity transfers and termination of relevant contractual arrangements, equity interests of our Company in Beijing Horizon Robotics, Horizon Shanghai, Nanjing Development and Nanjing Qingdihui were indirectly held by our Company.

Our PRC Legal Adviser has confirmed that all the equity transfers of our PRC subsidiaries as described above have been legally completed, and our Group has obtained all necessary regulatory approvals and permits and completed all necessary filings in respect of such transfers that our Group had to obtain from PRC regulatory authorities.

ACQUISITION, MERGER AND DISPOSAL

Throughout the Track Record Period and up to the Latest Practicable Date, we did not conduct any material acquisitions, mergers or disposals.

THE 2018 SHARE INCENTIVE PLAN

To attract, retain and incentivize selected employees, directors, and consultants of the Company and to further promote the success of the Company’s business, we adopted the 2018 Share Incentive Plan. As of the Latest Practicable Date, awards (including vested and unvested options and share awards) representing an aggregate of [1,087,202,710] were granted. All such Class B Ordinary Shares underlying the awards granted under the 2018 Share Incentive Plan will be issued before [REDACTED] to our employee shareholding platform which [has been] set up by our Company with an independent professional trustee company. No awards will be granted upon and after [REDACTED]. For details, please see “Statutory and General Information — D. Share Incentive Plans — 1. 2018 Share Incentive Plan” in Appendix IV to this Document.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

PRE-[REDACTED] INVESTMENTS

Overview

We have received several rounds of Pre-[REDACTED] Investments since our incorporation, which are summarized as below.

	Round	Date of initial share purchase agreement	Date of the last payment of considerations	Total number of Shares issued	Cost per Share ⁽¹⁾	Total funds raised	Approximate post-money valuation	Discount to the [REDACTED] ⁽²⁾
1.	Series Seed-1	September 18, 2015	November 7, 2015	820,000,000	US\$0.01530625	US\$12,551,125	US\$60,000,000	[REDACTED] %
2.	Series Seed-2	September 18, 2015	October 27, 2015	80,000,000	US\$0.030000	US\$2,400,000	US\$121,212,121	[REDACTED] %
3.	Series A	May 17, 2016	June 15, 2016	614,300,320	US\$0.06397875	US\$39,493,750	US\$297,993,750	[REDACTED] %
4.	Series A1	September 7, 2017	December 4, 2020	547,100,600	US\$0.0917825	US\$50,214,253	US\$500,214,253	[REDACTED] %
5.	Series A3	November 28, 2017	October 31, 2018	404,327,650	US\$0.10092	US\$40,804,747	US\$590,804,747	[REDACTED] %
6.	Series A5	December 18, 2017	December 19, 2017	97,570,490	US\$0.10249	US\$10,000,000	US\$610,000,000	[REDACTED] %
7.	Series B1	July 30, 2018	September 11, 2020	1,244,898,062	US\$0.25202	US\$313,739,202	US\$1,813,739,202	[REDACTED] %
8.	Series B2	September 17, 2018	May 11, 2020	247,532,056	US\$0.30243	US\$74,861,112	US\$2,188,600,314	[REDACTED] %
9.	Series B3	November 30, 2018	May 11, 2020	105,904,158	US\$0.3777	US\$40,000,000	US\$2,840,000,000	[REDACTED] %
10.	Series C	October 29, 2020	July 25, 2022	3,353,574,611	US\$0.4677	US\$1,568,459,999	US\$5,068,459,999	[REDACTED] %
11.	Series D	November 17, 2022	December 28, 2023	283,197,279	US\$0.7415	US\$210,000,000	US\$8,710,000,000	[REDACTED] %

Notes:

- (1) As adjusted to reflect subsequent share subdivisions.
- (2) The discount to the [REDACTED] is calculated based on the assumption that the [REDACTED] is HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] range and the exchange rates as disclosed in the section headed “Information about this Document and the [REDACTED] — Exchange Rate Conversion”.
- (3) From 2016 to 2020, 307,121,360 Class B Ordinary Shares were issued to our Pre-[REDACTED] Investors at considerations as agreed between the Company and the relevant Pre-[REDACTED] Investors based on arms’ length negotiations. As of the Latest Practicable Date, 263,717,320 Class B Ordinary Shares were repurchased by the Company. The series A2 preferred shares, series A4 preferred shares and series B4 preferred shares were issued to the relevant Pre-[REDACTED] Investors between 2017 and 2018 pursuant to the relevant investment agreements, which were converted to series A1 preferred shares, series A3 preferred shares and series B3 preferred shares, respectively, before the Track Record Period.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Principal Terms of the Pre-[REDACTED] Investments

Basis of determining the consideration paid:	The consideration for the Pre-[REDACTED] Investments were determined based on arms’ length negotiations between our Company and the Pre-[REDACTED] Investors after taking into consideration the timing of the investments and the status of our business.
Use of Proceeds from the Pre-[REDACTED] Investments:	All of the proceeds from the Pre-[REDACTED] Investments were utilized for the development and operation of our business. As of the Latest Practicable Date, approximately 65% of the funds raised from the Pre-[REDACTED] Investments had been utilized.
Lock-up requirement:	Sophisticated investors under Chapter 2.2 of the Guide for New Listing Applicants are expected to retain at least an aggregate of 50% of their investment at the time of [REDACTED] for a period of at least six months following the [REDACTED], in accordance with paragraph 6 under Chapter 2.2 of the Guide for New Listing Applicants.
Strategic benefits of the Pre-[REDACTED] Investors brought to our Company:	At the time of the Pre-[REDACTED] Investments, our Directors were of the view that our Company would benefit from the additional capital provided by the Pre-[REDACTED] Investors’ investments in our Company and their industry experience.

Special Rights of Pre-[REDACTED] Investors

The Pre-[REDACTED] Investors have been granted certain special rights in relation to our Company, including but not limited to redemption rights, information rights, registration rights, rights of first refusal and director appointment rights. The redemption rights have been suspended immediately prior to the first filing of the [REDACTED] and all other special rights will be terminated upon [REDACTED].

Convertible Loan

On November 17, 2022, our Company as borrower and CARIAD Estonia AS (“CARIAD”) as lender entered into a convertible loan agreement (the “Convertible Loan Agreement”), pursuant to which the lender shall provide the loan in the amount of US\$800,000,000 to the borrower.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Based on the indicative [REDACTED] range, a summary of the principal terms and conditions of the Convertible Loan Agreement are set out below:

Date of agreement:	November 17, 2022
Principal amount:	US\$924,855,491.33
Amount of consideration paid:	US\$800,000,000
Basis of consideration:	The consideration represents 86.5% of the principal amount, which was determined based on arms' length negotiations between the Company and CARIAD.
Payment date of consideration:	December 7, 2023
Issuance date:	December 7, 2023
Interest and interest payment date:	<p>The interest shall accrue on the outstanding principal amount which shall be calculated on and from December 7, 2023 at a annual rate of interest equal to (i) 2.0% per annum for the period starting on December 7, 2023 and ending on December 7, 2025, and (ii) 5.0% per annum for the period starting on December 7, 2025 and ending on the date of conversion or repayment (as applicable) of the loan in accordance with the Convertible Loan Agreement.</p> <p>Interest shall accrue and be computed daily on the basis of a year of 365 days for the actual number of days elapsed from and including December 7, 2023 to the [REDACTED] or maturity date, whichever is earlier.</p> <p>The interest shall become due on the [REDACTED] or maturity date, whichever is earlier.</p>
Maturity date:	December 7, 2026, unless being extended pursuant to the terms and conditions of the Convertible Loan Agreement.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Conversion mechanism: Upon the completion of the [REDACTED], all the principal amount and accrued interest (the “Conversion Amount”) shall be automatically and mandatorily converted into Class B Ordinary Shares, subject to the total beneficial interests of CARIAD in the Company being [REDACTED]% upon [REDACTED]. The Company will repay the remaining Conversion Amount by cash on the [REDACTED], if any. Accordingly, there will not be any dilution effect on the shareholdings of our Shareholders nor any impact on the earnings per share arising from the conversion of the convertible loan after [REDACTED]. We set forth below details of the conversion mechanism based on the low-end, mid-point and high-end of the indicate [REDACTED] range:

[REDACTED]	Number of Class B Ordinary Shares to be issued to CARIAD	Total beneficial interests of CARIAD in the Company upon [REDACTED]	Total voting rights of CARIAD in the Company upon [REDACTED] ⁽¹⁾
Low-end HK\$[REDACTED]	[REDACTED]	[REDACTED]%	[REDACTED]%
Mid-point HK\$[REDACTED]	[REDACTED]	[REDACTED]%	[REDACTED]%
High-end HK\$[REDACTED]	[REDACTED]	[REDACTED]%	[REDACTED]%

Note:

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

Conversion price: [REDACTED]

Redemption rights: CARIAD shall have the right to require the Company to redeem the outstanding principal amount of the Convertible Loan Agreement, or any portion thereof, together with all accrued and unpaid interest upon the occurrence of an event of default under the Convertible Loan Agreement.

Use of Proceeds under the Convertible Loan Agreement: All of the proceeds from the Convertible Loan Agreement will be utilized for operating the business of the development and manufacturing of processing hardware based on processing algorithms, the development of relevant software and hardware, and the provision of cloud services, capital expenditures and general working capital needs of the Group in according with and subject to the loan proceeds utilization plan under the Convertible Loan Agreement. As of the Latest Practicable Date, none of the proceeds received under the Convertible Loan Agreement had been utilized.

Strategic benefits of CARIAD brought to our Company: Our Directors were of the view that our Company could benefit from the additional capital under the Convertible Loan Agreement. In addition, we will benefit from the expertise and commitment of CARIAD and the loan demonstrates its confidence in the operations of and cooperation with our Group.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Special Rights of CARIAD

The special rights granted to CARIAD mainly include customary negative covenants and information rights. All special rights granted to CARIAD under the Convertible Loan Agreement will be terminated upon [REDACTED].

Joint Sponsors’ Confirmations

Based on the documents provided by our Company relating to the Pre-[REDACTED] Investments, the Joint Sponsors confirm that the Pre-[REDACTED] Investments are in compliance with Chapter 4.2 of the Guide for New Listing Applicants issued by the Stock Exchange effective from January 1, 2024.

Public Float

Upon the completion of the [REDACTED], assuming the [REDACTED] is not exercised and the Conversion at Mid-point:

- (1) the Shares held by the controlled entities of Dr. Yu, Dr. Huang and Ms. Tao, all being our executive Directors and core connected persons, will not be counted towards the public float; and
- (2) Morningside China TMT Fund IV, L.P. and Morningside China TMT Fund IV Co-Investment, L.P. are controlled by their general partner, Morningside China TMT GP IV, L.P.. Morningside China TMT GP IV, L.P. is controlled by its general partner, TMT General Partner Ltd.. Mr. Qin Liu, our non-executive Director, is entitled to exercise or control the exercise of one-third of the voting power of all issued shares in TMT General Partner Ltd. at its general meeting. Each of Evolution Special Opportunity Fund I, L.P., Evolution Fund I Co-investment, L.P., 5Y Capital Growth Fund I, L.P. and 5Y Capital Growth Fund I Co-Investment, L.P. are controlled by their general partner 5Y Capital GP Limited. Mr. Qin Liu is entitled to exercise or control the exercise of one-half of the voting power of all issued shares in 5Y Capital GP Limited at its general meeting. Therefore, each of Morningside China TMT Fund IV, L.P., Morningside China TMT Fund IV Co-Investment, L.P., Evolution Special Opportunity Fund I, L.P., Evolution Fund I Co-Investment, L.P., 5Y Capital Growth Fund I, L.P. and 5Y Capital Growth Fund I Co-Investment, L.P. will be a close associate of Mr. Qin Liu and a core connected person as defined under the Listing Rules, the Class B Ordinary Shares to be held by which will not be counted towards the public float.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Save as disclosed above, upon the completion of the [REDACTED], assuming the [REDACTED] is not exercised and the Conversion at Mid-point, all other Shareholders will be counted towards the public float, representing approximately [REDACTED]% of the issued share capital of the Company.

Information on the Pre-[REDACTED] Investors

Set forth below are details for each of our major Pre-[REDACTED] Investors. To the best knowledge of our Company and save as disclosed below, all of our major Pre-[REDACTED] Investors are Independent Third Parties upon [REDACTED].

SAIC

SAIC QIJUN I Holdings Limited is a limited liability incorporated in the British Virgin Islands and is wholly-owned by Shanghai Qimeng Management Partnership (Limited Partnership) (上海頡盟企業管理合夥企業(有限合夥)). Shanghai Qimeng Management Partnership (Limited Partnership) is owned as to approximately 0.05% by its general partner Shangqi Capital (上海尚頡投資管理合夥企業(有限合夥)), which is ultimately controlled by Ji Feng (馮戟), an Independent Third Party, and approximately 99.95% by its limited partner SAIC (Changzhou) Innovation and Development Investment Fund Co., Ltd. (上汽(常州)創新發展投資基金有限公司), which is ultimately controlled by SAIC Motor Corporation Limited (上海汽車集團股份有限公司) (“SAIC Motor”), a joint stock limited company incorporated in the PRC whose shares are listed and traded on the Shanghai Stock Exchange (stock code: 600104.SH). SAIC Motor is a leading automobile group in the PRC which is principally engaged in the research and development, manufacture and sale of automobiles and automobile components, automobile finance business and the provision of mobility service.

5Y Capital

Each of Morningside China TMT Fund IV, L.P., Morningside China TMT Fund IV Co-Investment, L.P., Evolution Special Opportunity Fund I, L.P., Evolution Fund I Co-Investment, L.P., 5Y Capital Growth Fund I, L.P. and 5Y Capital Growth Fund I Co-Investment, L.P. is an investment entity of 5Y Capital, all being exempted limited partnerships established in the Cayman Islands. Morningside China TMT Fund IV, L.P. and Morningside China TMT Fund IV Co-Investment, L.P. are controlled by their general partner, Morningside China TMT GP IV, L.P.. Morningside China TMT GP IV, L.P. is controlled by its general partner, TMT General Partner Ltd.. Each of Qin Liu, Jianming Shi and Morningside Venture (VII) Investments Limited is entitled to exercise or control the exercise of one-third of the voting power of all issued shares in TMT General Partner Ltd. at its general meeting. Morningside Venture (VII) Investments Limited is indirectly wholly-owned by the Landmark Trust Switzerland SA as trustee of a discretionary trust established by Mdm. Tan Ching Fen Chan for the benefit of certain members of her family and other charitable objects. Each of Evolution Special Opportunity Fund I, L.P., Evolution Fund I Co-investment, L.P., 5Y Capital Growth Fund I, L.P. and 5Y Capital Growth Fund I Co-Investment, L.P. are controlled by their general partner 5Y Capital GP Limited. Each of Qin Liu and Jianming Shi is entitled to exercise or control the exercise of one-half of the voting power of all issued shares in 5Y Capital GP Limited at its general meeting. Qin Liu is one of our non-executive Directors.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Hillhouse

HRRB Holdings Limited is an exempted company incorporated in the British Virgin Islands with its ownership controlled by Hillhouse Fund II, L.P., which is managed and controlled by Hillhouse Investment Management, Ltd. (“Hillhouse Investment”), an exempted company incorporated under the laws of the Cayman Islands. Founded in 2005, Hillhouse Investment is dedicated to investing in high-quality businesses for the long term. With nearly two decades of experience, Hillhouse collaborates with industry-defining enterprises, aiming to establish alignment with sustainable, forward-thinking companies across healthcare, business services, consumer, and industrial sectors. Hillhouse is a diversified alternative investment platform with strategies across equities, credit, and real assets. The firm manages capital for global institutions, including non-profit foundations, endowments, and pensions.

HongShan

Each of HSG Venture V Holdco I, Ltd. and HSG Growth VI Holdco E, Ltd. is an exempted company with limited liability incorporated in the Cayman Islands. HSG Venture V Holdco I, Ltd. is a wholly-owned subsidiary of HongShan Capital Venture Fund V, L.P. The general partner of HongShan Capital Venture Fund V, L.P., is HSG Venture V Management, L.P. HSG Growth VI Holdco E, Ltd. is a wholly-owned subsidiary of HongShan Capital Growth Fund VI, L.P. The general partner of HongShan Capital Growth Fund VI, L.P. is HSG Growth VI Management L.P. The general partner of HSG Venture V Management, L.P. and HSG Growth VI Management L.P. is HSG Holding Limited, a wholly-owned subsidiary of SNP China Enterprises Limited. Neil Nanpeng Shen, an Independent Third Party, is the sole shareholder of SNP China Enterprises Limited. Each of HongShan Capital Venture Fund V, L.P. and HongShan Capital Growth Fund VI, L.P. is an investment fund whose primary purpose is to make equity investments in private companies.

CARIAD

CARIAD Estonia AS is a public limited company incorporated under the laws of Estonia. Established in 2020, CARIAD Estonia AS is an automotive software and technology company that bundles together Volkswagen Group’s software competencies and further expands them, building upon a heritage of bringing automotive innovation to everyone. CARIAD Estonia AS is wholly-owned by Volkswagen Group. The Volkswagen Group is one of the first and most successful international partners in China’s automobile industry, growing with it for about four decades.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

EQT

Zoic Bidco Limited is a limited liability exempted company formed under the laws of the Cayman Islands, and is majority owned by Zoic Topco Limited, a limited liability exempted company formed under the laws of the Cayman Islands. Zoic Topco Limited is in turn wholly-owned by BPEA Fund VII Limited, a limited liability exempted company formed under the laws of the Cayman Islands and advised by EQT Partners Asia Pte. Ltd., which is an indirect subsidiary of EQT AB. EQT AB is a purpose-driven global investment organization that operates across multiple geographies, sectors and strategies.

SK hynix

SK hynix Ventures Hong Kong Limited is an investment company with limited liability incorporated in Hong Kong and is a wholly-owned subsidiary of SK Hynix Inc., a South Korea-based company mainly engaged in the production and sale of memory hardware whose shares are listed and traded on the Korea Exchange (stock code: 000660.KRX).

YF Capital

Each of YF Horizon Limited and YF Marvel Mission Limited is an investment entity of YF Capital and is a company with limited liability incorporated in the British Virgin Islands and under the control of Yu Feng (虞鋒). YF Capital is a leading private equity firm in China. Founded in 2010, YF Capital is committed to fostering future-ready companies. YF Capital has formed deep sector expertise and industry insights in several sectors, including technology, business services, green energy, digital agriculture, biotechnology and consumption.

JIC

JICT Oriental Holdings Limited is a company with limited liability incorporated in the British Virgin Islands and is wholly-owned by JICT Continent Limited, which is in turn wholly-owned by JIC Technology Investment Ltd. (建投華科投資股份有限公司), a joint stock limited company established in the PRC.

CATL

Contemporary Amperex Technology (Hong Kong) Limited (香港時代新能源科技有限公司) is a company with limited liability in Hong Kong which is wholly-owned by Contemporary Amperex Technology Co., Limited (寧德時代新能源科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300750.SZ) principally engaged in the research and development, production and sales of new energy vehicle power battery systems and energy storage systems, and its main products include power battery systems, energy storage systems and lithium battery materials.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Baillie Gifford

Scottish Mortgage Investment Trust PLC is an actively managed, low-cost investment trust listed on the London Stock Exchange (stock code: SMT) which aims to maximize total returns by investing in a high conviction, global portfolio of public and private growth companies over the long term. Scottish Mortgage Investment Trust PLC is managed by Baillie Gifford, an independent investment partnership founded in Edinburgh, Scotland in 1908.

BYD

Golden Link Worldwide Limited is a company with limited liability incorporated in the British Virgin Islands, which is ultimately owned by BYD Company Limited (比亞迪股份有限公司), a joint stock company incorporated in the PRC with limited liability whose H shares are listed on the Hong Kong Stock Exchange (stock code: 01211.HK (HKD counter); 81211.HK (RMB counter)) and A shares are listed on the Shenzhen Stock Exchange (stock code: 002594.SZ). BYD Company Limited is principally engaged in the automobile business which mainly includes new energy vehicles, handset components and assembly services, as well as rechargeable battery and photovoltaic business, and is actively developing the urban rail transportation business segment with its technological superiority.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

CAPITALIZATION

The following table sets out our shareholding structure as of the date of this Document and immediately upon the completion of the [REDACTED] assuming the [REDACTED] is not exercised and the Conversion at Mid-point:

Shareholders	Class A Ordinary Shares	Class B Ordinary Shares	Series Seed-1 Preferred Shares	Series Seed-2 Preferred Shares	Series A Preferred Shares	Series A1 Preferred Shares	Series A3 Preferred Shares	Series A5 Preferred Shares	Series B1 Preferred Shares	Series B2 Preferred Shares	Series B3 Preferred Shares	Series C Preferred Shares	Series D Preferred Shares	As of the Latest Practicable Date		Upon Completion of the [REDACTED] (assuming the [REDACTED] is not exercised and the Conversion at Mid-point)	
														Aggregate ownership percentage	Voting power in our Company (%)	Aggregate ownership percentage	Voting power in our Company (%)
Everest Robotics Limited ⁽²⁾	1,733,612,127	-	-	-	-	-	-	-	-	-	-	-	-	1,733,612,127	16.95%	55.95%	[REDACTED]%
String Theory Robotics Limited ⁽³⁾	390,777,143	-	-	-	-	-	-	-	-	-	-	-	-	390,777,143	3.82%	12.61%	[REDACTED]%
HOPE Robotics Holdings Inc. ⁽⁴⁾	169,543,255	-	-	-	-	-	-	-	-	-	-	-	-	169,543,255	1.66%	5.47%	[REDACTED]%
Walnut Robotics, Inc. ⁽⁵⁾	12,000,000	-	-	-	-	-	-	-	-	-	-	-	-	12,000,000	0.12%	0.39%	[REDACTED]%
SAC QUIN I Holdings Limited ⁽¹⁷⁾	-	-	-	-	104,201,250	-	-	-	907,623,220	-	-	-	-	1,025,310,055	10.02%	3.31%	[REDACTED]%
Morningside China TMT Fund IV, L.P. ⁽¹⁷⁾	-	-	25,485,440	-	38,889,560	32,745,960	29,769,270	-	55,911,870	-	-	-	-	411,860,100	4.03%	1.33%	[REDACTED]%
Evolution Special Opportunity Fund I, L.P. ⁽¹⁷⁾	-	-	-	-	57,566,037	-	-	-	-	-	-	-	74,369,811	131,937,848	1.29%	0.43%	[REDACTED]%
Morningside China TMT Fund IV Co-Investment, L.P. ⁽¹⁷⁾	-	-	25,484,560	-	3,885,960	3,274,400	2,976,930	-	5,591,190	-	-	-	-	41,186,040	0.40%	0.13%	[REDACTED]%
5Y Capital Growth Fund I, L.P. ⁽¹⁷⁾	-	-	-	-	-	-	-	-	-	38,891,420	-	-	-	38,891,420	0.38%	0.13%	[REDACTED]%
Evolution Fund I Co-Investment, L.P. ⁽¹⁷⁾	-	-	-	-	8,635,207	-	-	-	-	-	-	-	11,155,471	19,790,678	0.19%	0.06%	[REDACTED]%
5Y Capital Growth Fund I Co-Investment, L.P. ⁽¹⁷⁾	-	-	-	-	-	-	-	-	-	3,871,035	-	-	-	3,871,035	0.04%	0.01%	[REDACTED]%
HRBB Holdings Limited ⁽¹⁷⁾	-	37,417,312	200,000,000	-	30,556,080	27,238,320	24,772,100	-	29,759,550	-	-	106,906,602	-	456,649,964	4.46%	1.47%	[REDACTED]%
HSG Venture V Holdco I, Ltd. ⁽¹⁷⁾	-	-	200,000,000	-	-	-	-	-	-	-	-	-	-	200,000,000	1.96%	0.65%	[REDACTED]%
HSG Growth VI Holdco E, Ltd. ⁽¹⁷⁾	-	-	-	38,182,302	22,844,138	-	-	-	-	-	-	14,966,925	-	75,993,365	0.74%	0.25%	[REDACTED]%
CARIAD Estonia AS ⁽¹⁷⁾	-	[REDACTED] ⁽⁶⁾	-	-	-	-	-	-	-	-	-	-	269,711,694	269,711,694	2.64%	0.87%	[REDACTED]%
Intel Capital Corporation	-	-	-	-	-	217,906,480	-	-	-	-	-	213,813,203	-	217,906,480	2.13%	0.70%	[REDACTED]%
Zoic Bico Limited ⁽¹⁷⁾	-	-	-	-	-	-	-	-	-	-	-	-	-	213,813,203	2.09%	0.69%	[REDACTED]%
SK hynix Ventures Hong Kong Limited ⁽¹⁷⁾	-	-	-	-	-	-	-	-	198,396,960	-	-	-	-	198,396,960	1.94%	0.64%	[REDACTED]%
YF Horizon Limited ⁽¹⁷⁾	-	-	-	-	-	-	-	-	-	-	-	89,287,686	-	89,287,686	0.87%	0.29%	[REDACTED]%
YF Marvel Mission Limited ⁽¹⁷⁾	-	-	-	-	-	-	-	-	-	-	-	89,287,684	-	89,287,684	0.87%	0.29%	[REDACTED]%
Grace Future Development Limited ⁽¹⁷⁾	-	-	-	-	-	-	-	-	-	49,598,260	92,666,138	-	-	142,264,398	1.39%	0.46%	[REDACTED]%
Bright Rhythm Limited ⁽¹⁷⁾	-	-	-	-	-	-	25,654,394	-	-	-	-	-	-	25,654,394	0.24%	0.08%	[REDACTED]%
JICT Oriental Holdings Limited ⁽¹⁷⁾	-	-	-	-	-	165,918,705	-	-	-	-	-	-	-	165,918,705	1.62%	0.54%	[REDACTED]%
IDG Beyer Capital Fund L.P.	-	-	-	-	-	-	-	-	-	-	-	138,387,922	-	138,387,922	1.25%	0.41%	[REDACTED]%
CTG Evergreen Investment U Limited	-	18,174,122	-	-	-	-	-	-	-	-	-	106,478,976	-	124,657,098	1.22%	0.40%	[REDACTED]%
Chaos Investment Co., Ltd.	-	-	-	-	26,050,315	-	-	97,570,490	-	-	-	-	-	123,620,805	1.21%	0.40%	[REDACTED]%

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Shareholders	Class A Ordinary Shares	Class B Ordinary Shares	Series Seed-1 Preferred Shares	Series Seed-2 Preferred Shares	Series A Preferred Shares	Series A1 Preferred Shares	Series A3 Preferred Shares	Series A5 Preferred Shares	Series B1 Preferred Shares	Series B2 Preferred Shares	Series B3 Preferred Shares	Series C Preferred Shares	Series D Preferred Shares	As of the Latest Practicable Date		Upon Completion of the (REDACTED) (assuming the (REDACTED) is not exercised and the conversion at Mid-point)		
														Aggregate number of Shares of the Latest Practicable Date	Aggregate ownership percentage	Voting power in our Company (1)	Aggregate ownership percentage	Voting power in our Company (1)
Wu Capital Limited	-	-	-	-	95,533,145	21,988,760	-	-	-	-	-	-	-	-	1.15%	0.38%	(REDACTED)%	(REDACTED)%
Contemporary Amperex Technology (Hong Kong) Limited ⁽¹⁷⁾	-	-	39,714,059	-	-	-	-	-	-	-	-	74,834,622	-	-	1.12%	0.37%	(REDACTED)%	(REDACTED)%
Harvest Magnificent Holdings Limited	-	-	-	-	108,953,240	-	-	-	-	-	-	-	-	-	1.07%	0.35%	(REDACTED)%	(REDACTED)%
Harvest Profound Holdings Limited	-	-	-	-	108,844,280	-	-	-	-	-	-	-	-	-	1.06%	0.35%	(REDACTED)%	(REDACTED)%
Heritage Galaxy Fund SPV on behalf of and for the account of Heritage Fund Seven SP	-	-	18,591,680	-	-	108,960	24,489,796	-	-	21,381,227	-	42,762,642	-	-	1.05%	0.35%	(REDACTED)%	(REDACTED)%
CPE Investment (Hong Kong) 2018 Limited	-	-	-	-	-	-	-	-	-	-	-	106,906,602	-	-	1.05%	0.35%	(REDACTED)%	(REDACTED)%
Scottish Mortgage Investment Trust Plc ⁽¹⁷⁾	-	-	-	-	-	-	-	-	-	-	-	106,906,601	-	-	1.05%	0.35%	(REDACTED)%	(REDACTED)%
Kunshan Likai Investment Center (LP)	-	-	-	-	-	-	99,088,390	-	-	-	-	-	-	-	0.97%	0.32%	(REDACTED)%	(REDACTED)%
Everbey Investment Limited	-	-	-	-	79,610,960	18,323,960	-	-	-	-	-	-	-	-	0.96%	0.32%	(REDACTED)%	(REDACTED)%
Verex Ventures China III, L.P.	-	-	-	-	93,153,960	-	-	-	-	-	-	-	-	-	0.91%	0.30%	(REDACTED)%	(REDACTED)%
Forward Investment Corporation ⁽¹⁷⁾	-	-	-	-	-	-	-	-	39,679,392	-	-	-	-	-	0.52%	0.17%	(REDACTED)%	(REDACTED)%
Forward Investment Corporation Limited ⁽⁷⁾	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.39%	0.13%	(REDACTED)%	(REDACTED)%
Future Industry Investment Fund II ⁽⁸⁾	-	-	-	-	-	-	-	-	-	-	-	64,143,961	-	-	0.63%	0.21%	(REDACTED)%	(REDACTED)%
Metropolitan Industrial Investment Fund ⁽⁸⁾	-	-	-	-	-	-	-	-	-	-	-	25,657,585	-	-	0.25%	0.08%	(REDACTED)%	(REDACTED)%
Treasure Elements Limited	-	-	-	-	-	-	-	-	-	-	-	85,525,282	-	-	0.84%	0.28%	(REDACTED)%	(REDACTED)%
AMF-2 Holdings Limited	-	-	-	-	-	-	-	-	-	-	-	74,834,622	-	-	0.73%	0.24%	(REDACTED)%	(REDACTED)%
Neuman Capital	-	-	-	-	12,998,950	-	-	-	-	-	-	38,983,374	-	-	0.70%	0.23%	(REDACTED)%	(REDACTED)%
LCHR-I Holdings Limited ⁽⁹⁾	-	-	41,408,320	-	-	-	-	-	-	-	-	-	-	-	0.40%	0.13%	(REDACTED)%	(REDACTED)%
LCHR-II Holdings Limited ⁽⁹⁾	-	-	-	-	9,166,840	7,718,240	-	-	-	-	-	-	-	-	0.17%	0.05%	(REDACTED)%	(REDACTED)%
LCHR-III Holdings Limited ⁽⁹⁾	-	-	-	-	-	-	-	-	7,935,880	-	-	-	-	-	0.08%	0.03%	(REDACTED)%	(REDACTED)%
Oceanpie Vanguard Limited	-	-	-	-	-	-	-	-	-	66,131,014	-	-	-	-	0.65%	0.21%	(REDACTED)%	(REDACTED)%
Hansong Enterprises Limited	-	-	-	-	-	-	-	-	-	-	-	64,143,962	-	-	0.63%	0.21%	(REDACTED)%	(REDACTED)%
Best Prosperity Investment I Limited	-	-	-	-	-	-	-	-	-	-	-	64,143,962	-	-	0.63%	0.21%	(REDACTED)%	(REDACTED)%
CloudAlpha Master Fund	-	-	-	-	-	-	-	-	-	-	-	64,143,961	-	-	0.63%	0.21%	(REDACTED)%	(REDACTED)%
Huanggu River Capital SPV	-	-	-	-	-	-	-	-	-	-	-	64,143,961	-	-	0.63%	0.21%	(REDACTED)%	(REDACTED)%
Duckling Fund, L.P.	-	-	-	-	-	-	-	-	-	-	-	64,143,961	-	-	0.63%	0.21%	(REDACTED)%	(REDACTED)%
Day Wise Holdings Limited	-	-	-	-	-	-	-	-	-	-	-	64,143,961	-	-	0.63%	0.21%	(REDACTED)%	(REDACTED)%
Raumar Limited	-	-	-	-	-	-	-	-	-	-	-	64,143,961	-	-	0.63%	0.21%	(REDACTED)%	(REDACTED)%
Chery CEBI Auto Industry Technology Fund L.P.	-	-	-	-	-	-	-	-	-	-	-	64,143,961	-	-	0.63%	0.21%	(REDACTED)%	(REDACTED)%
Yuetan International Limited	-	-	-	-	-	-	-	-	-	-	-	59,867,697	-	-	0.59%	0.19%	(REDACTED)%	(REDACTED)%
CMBCC Investment Fund SPV	-	-	-	-	-	-	-	-	-	59,392,714	-	-	-	-	0.58%	0.19%	(REDACTED)%	(REDACTED)%
Beijing Chunlin Equity Investment Center (Limited Partnership) ⁽¹⁰⁾	-	-	-	-	-	-	-	-	-	-	-	-	29,933,849	-	0.29%	0.10%	(REDACTED)%	(REDACTED)%

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Shareholders	Class A Ordinary Shares	Class B Ordinary Shares	Series Seed-1 Preferred Shares	Series Seed-2 Preferred Shares	Series A Preferred Shares	Series A1 Preferred Shares	Series A3 Preferred Shares	Series A5 Preferred Shares	Series B1 Preferred Shares	Series B2 Preferred Shares	Series B3 Preferred Shares	Series C Preferred Shares	Series D Preferred Shares	As of the Latest Practicable Date		Upon Completion of the (REDACTED) (assuming the (REDACTED) is not exercised and the conversion at Mid-point)		
														Aggregate ownership percentage	Voting power in our Company (%)	Aggregate ownership percentage	Voting power in our Company (%)	
China Securities (International) Finance Company Limited ⁽¹⁰⁾	-	-	-	-	-	-	-	-	-	-	-	27,795,716	-	27,795,716	0.27%	0.09%	(REDACTED)%	(REDACTED)%
CECC Healthcare Investment Fund, L.P.	-	-	-	-	-	-	-	-	-	-	-	55,056,900	-	55,056,900	0.54%	0.18%	(REDACTED)%	(REDACTED)%
Tropical Terrain Limited	-	-	-	-	-	-	-	-	-	-	-	53,453,301	-	53,453,301	0.52%	0.17%	(REDACTED)%	(REDACTED)%
Middle Way Eda Capital Fund I LP	-	-	-	-	-	-	-	-	-	-	-	53,453,301	-	53,453,301	0.52%	0.17%	(REDACTED)%	(REDACTED)%
Vertex Growth Fund II Pre. Ltd. (11)	-	-	-	-	-	-	-	-	-	-	-	29,364,861	-	29,364,861	0.29%	0.09%	(REDACTED)%	(REDACTED)%
Vertex Growth Fund Pre. Ltd. (11)	-	-	-	-	-	-	-	-	-	-	-	21,381,321	-	21,381,321	0.21%	0.07%	(REDACTED)%	(REDACTED)%
Peypersence Investment Limited	-	-	-	-	-	-	32,258,065	-	-	-	13,238,020	-	-	45,496,085	0.44%	0.15%	(REDACTED)%	(REDACTED)%
Sensur Limited	-	-	-	-	-	-	-	-	-	-	-	42,762,641	-	42,762,641	0.42%	0.14%	(REDACTED)%	(REDACTED)%
Prospect Bridge Innovation Limited	-	-	-	-	-	-	-	-	-	-	-	42,762,641	-	42,762,641	0.42%	0.14%	(REDACTED)%	(REDACTED)%
Idea Laden Limited	-	-	-	-	-	-	-	-	-	-	-	42,762,641	-	42,762,641	0.42%	0.14%	(REDACTED)%	(REDACTED)%
Hidden Hill SPV VI	-	-	-	-	-	-	-	-	-	-	-	42,762,641	-	42,762,641	0.42%	0.14%	(REDACTED)%	(REDACTED)%
Apoletto Asia Ltd	-	40,404,040	-	-	-	-	-	-	-	-	-	-	-	40,404,040	0.39%	0.13%	(REDACTED)%	(REDACTED)%
Oakwise Innovation Fund SPV – New Technology V SP	-	3,000,000	-	-	-	-	-	-	-	-	-	32,071,981	-	35,071,981	0.34%	0.11%	(REDACTED)%	(REDACTED)%
Photo Connection Limited	-	-	-	-	-	-	-	-	-	-	-	32,071,981	-	32,071,981	0.31%	0.10%	(REDACTED)%	(REDACTED)%
Hei Yed Turbo Investment V	-	-	-	-	-	-	-	-	-	-	-	32,071,981	-	32,071,981	0.31%	0.10%	(REDACTED)%	(REDACTED)%
Shanghai Artificial Intelligence Industry Equity Investment Fund Partnership (Limited Partnership)	-	-	-	-	-	-	-	-	-	-	-	32,071,981	-	32,071,981	0.31%	0.10%	(REDACTED)%	(REDACTED)%
Beijing Shouxin Jiyuan Management Consulting Centre (Limited Partnership)	-	-	-	-	-	-	-	-	-	-	-	32,071,981	-	32,071,981	0.31%	0.10%	(REDACTED)%	(REDACTED)%
Blackstone Aqua Master Sub-Fund, a sub-fund of Blackstone Global Master Fund ICAV	-	-	-	-	-	-	-	-	-	-	-	32,071,981	-	32,071,981	0.31%	0.10%	(REDACTED)%	(REDACTED)%
Jinxing Blossom Zhijia Investment Partnership (Limited Partnership)	-	-	-	-	-	-	-	-	-	-	-	32,071,981	-	32,071,981	0.31%	0.10%	(REDACTED)%	(REDACTED)%
Cathay Fortune Holdings Limited	-	-	-	-	-	-	-	-	-	-	-	32,071,981	-	32,071,981	0.31%	0.10%	(REDACTED)%	(REDACTED)%
Hangzhou Lianfuxin Venture Investment L.P.	-	-	-	-	-	-	-	-	-	-	-	32,071,981	-	32,071,981	0.31%	0.10%	(REDACTED)%	(REDACTED)%
JSC International Investment Fund SPV acting for and on behalf of Shan Xin SPV(12)	-	-	-	-	-	-	-	-	-	-	-	27,795,717	-	27,795,717	0.27%	0.09%	(REDACTED)%	(REDACTED)%
Zhu Que Asset Management (HK) Limited	-	-	-	-	-	-	-	-	-	-	-	26,726,651	-	26,726,651	0.26%	0.09%	(REDACTED)%	(REDACTED)%
Golden Camellia HK Limited	-	26,476,041	-	-	-	-	-	-	-	-	-	-	-	26,476,041	0.26%	0.09%	(REDACTED)%	(REDACTED)%
Cayman BingShang Limited Partnership	-	-	-	-	-	-	-	-	-	-	-	-	-	26,476,039	0.26%	0.09%	(REDACTED)%	(REDACTED)%
Dongfeng Bocun Yangping Motor Industry Equity Investment Fund (Wuhan) Partnership (Limited Partnership)	-	-	-	19,571,087	-	-	-	-	-	-	-	-	-	6,904,952	0.26%	0.09%	(REDACTED)%	(REDACTED)%

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Shareholders	Class A Ordinary Shares	Class B Ordinary Shares	Series Seed-1 Preferred Shares	Series Seed-2 Preferred Shares	Series A Preferred Shares	Series A1 Preferred Shares	Series A3 Preferred Shares	Series A5 Preferred Shares	Series B1 Preferred Shares	Series B2 Preferred Shares	Series B3 Preferred Shares	Series C Preferred Shares	Series D Preferred Shares	As of the Latest Practicable Date		Upon Completion of the (REDACTED) (assuming the (REDACTED) is not exercised and the conversion at Mid-point)		
														Aggregate number of Shares of the Latest Practicable Date	Aggregate ownership percentage	Voting power in our Company (1)	Aggregate ownership percentage	Voting power in our Company (1)
Dongfeng Asset Management Co., Ltd.	-	-	6,904,950	19,571,089	-	-	-	-	-	-	-	-	-	26,476,039	0.26%	0.09%	(REDACTED)%	(REDACTED)%
CEF Smur Holdings Limited	-	-	-	-	26,050,315	-	-	-	-	-	-	-	-	26,050,315	0.25%	0.08%	(REDACTED)%	(REDACTED)%
SG RFO Investment (BVI) Company Limited ⁽¹³⁾	-	-	-	-	-	-	-	-	-	-	-	14,111,673	-	14,111,673	0.14%	0.05%	(REDACTED)%	(REDACTED)%
SG Royal FO Investment I Pte. Ltd. ⁽¹³⁾	-	-	-	-	-	-	-	-	-	-	-	10,690,661	-	10,690,661	0.10%	0.03%	(REDACTED)%	(REDACTED)%
Xingyu Automotive Lighting (Hong Kong) Co., Limited	-	-	-	-	-	-	-	-	-	-	-	23,091,826	-	23,091,826	0.23%	0.07%	(REDACTED)%	(REDACTED)%
Zho Minseng Ouning Equity Investment Partnership (Limited Partnership) ⁽¹⁴⁾	-	-	-	-	-	-	-	-	-	-	-	13,363,326	-	13,363,326	0.13%	0.04%	(REDACTED)%	(REDACTED)%
Zho Huide Equity Investment Partnership (Limited Partnership) ⁽¹⁴⁾	-	-	-	-	-	-	-	-	-	-	-	8,017,996	-	8,017,996	0.08%	0.03%	(REDACTED)%	(REDACTED)%
Rich Horizon Investments Limited	-	-	-	-	-	-	-	-	-	-	-	21,381,321	-	21,381,321	0.21%	0.07%	(REDACTED)%	(REDACTED)%
Sunrise Lead Technologies Holdings Limited	-	-	-	-	-	-	-	-	-	-	-	21,381,321	-	21,381,321	0.21%	0.07%	(REDACTED)%	(REDACTED)%
ORX Asia Capital Limited	-	-	-	-	-	-	-	-	-	-	-	21,381,321	-	21,381,321	0.21%	0.07%	(REDACTED)%	(REDACTED)%
Wealth Pointer Global Limited	-	-	-	-	-	-	-	-	-	-	-	21,381,321	-	21,381,321	0.21%	0.07%	(REDACTED)%	(REDACTED)%
Bahai Securities Investment Co., Ltd.	-	-	-	-	-	-	-	-	-	-	-	21,381,321	-	21,381,321	0.21%	0.07%	(REDACTED)%	(REDACTED)%
Gory Assets Allocation II, L.P.	-	-	-	-	-	-	-	-	-	-	-	21,381,321	-	21,381,321	0.21%	0.07%	(REDACTED)%	(REDACTED)%
Qingdao Xinding Kenge I Equity Investment Partnership (Limited Partnership)	-	-	-	-	-	-	-	-	-	-	-	21,381,321	-	21,381,321	0.21%	0.07%	(REDACTED)%	(REDACTED)%
Shixiang Founders Capital VIII Limited	-	-	-	-	-	-	-	-	-	-	-	21,381,321	-	21,381,321	0.21%	0.07%	(REDACTED)%	(REDACTED)%
Photon Ventures II Limited	-	-	-	-	-	-	-	-	-	-	-	21,381,321	-	21,381,321	0.21%	0.07%	(REDACTED)%	(REDACTED)%
Yiwu WEHACHUANGXIN Phase I Equity Investment Partnership	-	-	-	-	-	-	-	-	-	-	-	21,381,321	-	21,381,321	0.21%	0.07%	(REDACTED)%	(REDACTED)%
CCBT GQ Investment Fund L.P.	-	-	-	-	-	-	-	-	-	-	-	17,105,057	-	17,105,057	0.17%	0.06%	(REDACTED)%	(REDACTED)%
KTBN No. 16 Venture Fund	-	-	-	-	-	-	-	-	-	-	-	14,966,925	-	14,966,925	0.15%	0.05%	(REDACTED)%	(REDACTED)%
Golden Link Worldwide Limited ⁽¹⁷⁾	-	-	-	-	-	-	-	-	-	-	-	12,828,793	-	12,828,793	0.13%	0.04%	(REDACTED)%	(REDACTED)%
Casim Partners, L.P.	-	-	-	2,206,943	-	-	-	-	-	-	-	9,668,405	-	11,875,348	0.12%	0.04%	(REDACTED)%	(REDACTED)%
Guangdong Xingyao II Equity Investment Partnership (Limited Partnership)	-	-	-	-	-	-	-	-	-	-	-	11,759,727	-	11,759,727	0.11%	0.04%	(REDACTED)%	(REDACTED)%
Jiaxing Heyi Investment Partnership (Limited Partnership)	-	-	-	-	-	-	-	-	-	-	-	10,690,661	-	10,690,661	0.10%	0.03%	(REDACTED)%	(REDACTED)%
Sunny Optical Technology (Group) Company Limited	-	-	-	-	-	-	-	-	-	-	-	10,690,661	-	10,690,661	0.10%	0.03%	(REDACTED)%	(REDACTED)%
Alpha Win IV PE LPF	-	-	-	-	-	-	-	-	-	-	-	10,690,661	-	10,690,661	0.10%	0.03%	(REDACTED)%	(REDACTED)%
Auto Hub Investment Limited	-	-	-	-	-	-	-	-	-	-	-	10,690,661	-	10,690,661	0.10%	0.03%	(REDACTED)%	(REDACTED)%
Ecoses Robotics Holdings Limited	-	-	-	-	-	-	-	-	-	-	-	10,690,661	-	10,690,661	0.10%	0.03%	(REDACTED)%	(REDACTED)%

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Shareholders	As of the Latest Practicable Date											Upon Completion of the (REDACTED) (assuming the (REDACTED) is not exercised and the conversion at Mid-point)						
	Class A Ordinary Shares	Class B Ordinary Shares	Series Seed-1 Preferred Shares	Series Seed-2 Preferred Shares	Series A Preferred Shares	Series A1 Preferred Shares	Series A3 Preferred Shares	Series A5 Preferred Shares	Series B1 Preferred Shares	Series B2 Preferred Shares	Series B3 Preferred Shares	Series C Preferred Shares	Series D Preferred Shares	Aggregate number of Shares in our Practicable Date	Aggregate ownership percentage	Voting power in our Company (%)	Aggregate ownership percentage	Voting power in our Company (%)
Asset Profit Investment Limited	-	-	-	-	-	-	-	-	-	-	-	10,690,661	-	10,690,661	0.10%	0.03%	(REDACTED)%	(REDACTED)%
Pingyang Dingyuan Tianhong Equity Investment Fund Partnership (Limited Partnership)	-	-	-	-	-	-	-	-	-	-	-	9,621,595	-	9,621,595	0.09%	0.03%	(REDACTED)%	(REDACTED)%
Favor Star Limited	-	-	-	-	1,344,918	-	-	-	-	-	-	5,969,031	-	7,313,949	0.07%	0.02%	(REDACTED)%	(REDACTED)%
Statech Growth Fund VCC for the account of Statech Growth Fund I	-	-	-	-	-	-	-	-	-	-	-	7,269,649	-	7,269,649	0.07%	0.02%	(REDACTED)%	(REDACTED)%
Oceanwide Sigma Limited	-	-	-	-	-	-	-	-	6,613,110	-	-	-	-	6,613,110	0.06%	0.02%	(REDACTED)%	(REDACTED)%
New Horizon Global Limited	-	-	-	-	-	-	-	-	-	-	-	6,414,397	-	6,414,397	0.06%	0.02%	(REDACTED)%	(REDACTED)%
Qingshan Limited	-	-	-	-	-	-	-	-	-	-	-	6,414,397	-	6,414,397	0.06%	0.02%	(REDACTED)%	(REDACTED)%
Fareast Land Development Co., Ltd.	-	-	-	-	-	-	-	-	-	-	-	5,872,973	-	5,872,973	0.06%	0.02%	(REDACTED)%	(REDACTED)%
Dao Asset Management Co., Ltd.(15)	-	-	-	-	-	-	-	-	-	-	-	3,720,350	-	3,720,350	0.04%	0.01%	(REDACTED)%	(REDACTED)%
Dao Investment Securities Co., Ltd.(15)	-	-	-	-	-	-	-	-	-	-	-	1,860,175	-	1,860,175	0.02%	0.01%	(REDACTED)%	(REDACTED)%
Automotive Intelligent and Connectivity Alliance (Beijing) Technology Co., Ltd.	-	-	-	-	-	-	-	-	-	-	-	4,276,265	-	4,276,265	0.04%	0.01%	(REDACTED)%	(REDACTED)%
Future Innovation Fund LP	-	-	-	2,675,522	1,600,742	-	-	-	-	-	-	-	-	4,276,264	0.04%	0.01%	(REDACTED)%	(REDACTED)%
Neumann Galaxy Limited	-	-	-	-	-	-	-	-	-	-	-	2,351,945	-	2,351,945	0.02%	0.01%	(REDACTED)%	(REDACTED)%
Silver Tone Enterprises Limited	-	-	-	-	-	-	-	-	-	1,653,276	-	-	-	1,653,276	0.02%	0.01%	(REDACTED)%	(REDACTED)%
•(16)	-	(1,087,202,710)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(REDACTED)%
(REDACTED)	-	(REDACTED)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(REDACTED)%
Total	2,395,932,525	(REDACTED)	820,000,000	80,000,000	614,300,320	547,100,600	404,327,650	97,570,490	1,344,898,062	247,532,056	105,904,158	3,583,574,611	283,197,279	10,229,809,266	100.00%	100.00%	100.00%	100.00%

Notes:

- On the basis that each Class B Ordinary Share and Preferred Shares entitles the Shareholder to one vote per Share and each Class A Ordinary Share entitles the Shareholder to ten votes per Share.
- As of the Latest Practicable Date, 1,733,612,127 Class A Ordinary Shares were held by Everest Robotics Limited, which is held by Bigsur Robotics Limited as to 99% and Horizon Robotics, Inc. as to 1%. Horizon Robotics, Inc. is wholly-owned by Dr. Yu. Bigsur Robotics Limited is wholly-owned by the trustee of Rock Street Trust, the family trust established by Dr. Yu (as settlor) for the benefit of Dr. Yu and his family.
- As of the Latest Practicable Date, 390,777,143 Class A Ordinary Shares were held by String Theory Robotics Limited, which is held by Gravitational Wave Technology Limited as to 99% and Grace Robotics, Inc. as to 1%. Grace Robotics, Inc. is wholly-owned by Dr. Huang. Gravitational Wave Technology Limited is wholly-owned by the trustee of Dr. Huang and his family.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

4. As of the Latest Practicable Date, 169,543,255 Class A Ordinary Shares were held by HOPE Robotics Holdings Inc., which is held by Venus Robotics Limited as to 99% and Kai Robotics, Inc. as to 1%. Kai Robotics, Inc. is wholly-owned by Ms. Tao. Venus Robotics Limited is wholly-owned by the trustee of TAO Trust, the family trust established by Ms. Tao (as settlor) for the benefit of Ms. Tao and her family. The Class A Ordinary Shares held by HOPE Robotics Holdings Inc. will be converted into Class B Ordinary Shares upon completion of the [REDACTED].
5. Walnut Robotics, Inc. is wholly-owned by Mr. Ming Yang, our former employee and an Independent Third Party. Pursuant to a proxy agreement entered into among Dr. Yu, Mr. Ming Yang and Walnut Robotics, Inc. in 2018, the voting rights of the Class A Ordinary Shares held by Walnut Robotics, Inc. have been delegated to Dr. Yu. The proxy agreement will be terminated upon [REDACTED] and the Class A Ordinary Shares held by Walnut Robotics, Inc. will be converted into Class B Ordinary Shares upon completion of the [REDACTED].
6. The [REDACTED] Class B Ordinary Shares will be issued to CARIAD Estonia AS upon completion of the [REDACTED] and assuming the Conversion at Mid-point.
7. Each of Forward Investment Corporation Limited and Forward Investment Corporation I is an affiliate of GAC Automobile Group Co., Ltd. (廣州汽車集團股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 02238.HK) and the Shanghai Stock Exchange (stock code: 601238.SH), and SBCVC (軟銀中國資本).
8. Each of Future Industry Investment Fund II (先進製造產業投資基金二期(有限合夥)) and Metropolitan Industrial Investment Fund (京津冀產業協同發展投資基金(有限合夥)) is limited partnerships formed under the laws of the PRC and the general partner and manager of both entities are CS Capital Co., Ltd. (國投招商投資管理有限公司).
9. Each of LCHR-I Holdings Limited, LCHR-II Holdings Limited and LCHR-III Holdings Limited is ultimately controlled by Linear Capital.
10. Each of China Securities (International) Finance Company Limited (中信建投(國際)財務有限公司) and Beijing Chunlin Equity Investment Center (Limited Partnership) (北京春霖股權投資中心(有限合夥)) is ultimately controlled by CSC Financial Co., Ltd. (中信建投證券股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 06066.HK) and the Shanghai Stock Exchange (stock code: 601066.SH), which is an affiliate of China Securities (International) Corporate Finance Company Limited, one of the Joint Sponsors and the [REDACTED].
11. Each of Vertex Growth Fund Pte. Ltd. and Vertex Growth Fund II Pte. Ltd. is ultimately controlled by the general partner, Vertex Growth Special Ltd. and Vertex Growth II Special Ltd., respectively.
12. JSC International Investment Fund SPC acting for and on behalf of Shan Xin SP is indirectly held by Jade Spring Shanxin (Beijing) International Equity Investment Fund (璟泉善信(北京)國際股權投資基金合夥企業(有限合夥)), of which (i) China Securities Investment Co., Ltd. (中信建投投資有限公司) is the limited partner and (ii) Jade Spring Shancheng Management Consulting (Beijing) Co., Ltd. (璟泉善誠管理諮詢(北京)有限公司) is the general partner, which is ultimately controlled by Beijing Financial Holdings Group Limited (北京金融控股集團有限公司). China Securities Investment Co., Ltd. is a wholly-owned subsidiary of CSC Financial Co., Ltd. (中信建投證券股份有限公司). Beijing Financial Holdings Group Limited (北京金融控股集團有限公司) is the largest shareholder of CSC Financial Co., Ltd. (中信建投證券股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 06066.HK) and the Shanghai Stock Exchange (stock code: 601066.SH), which is an affiliate of China Securities (International) Corporate Finance Company Limited, one of the Joint Sponsors and the [REDACTED].
13. Each of SG Royal FO Investment 1 Pte. Ltd. and SG R.FO Investment (BVI) Company Limited is ultimately controlled by SG.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

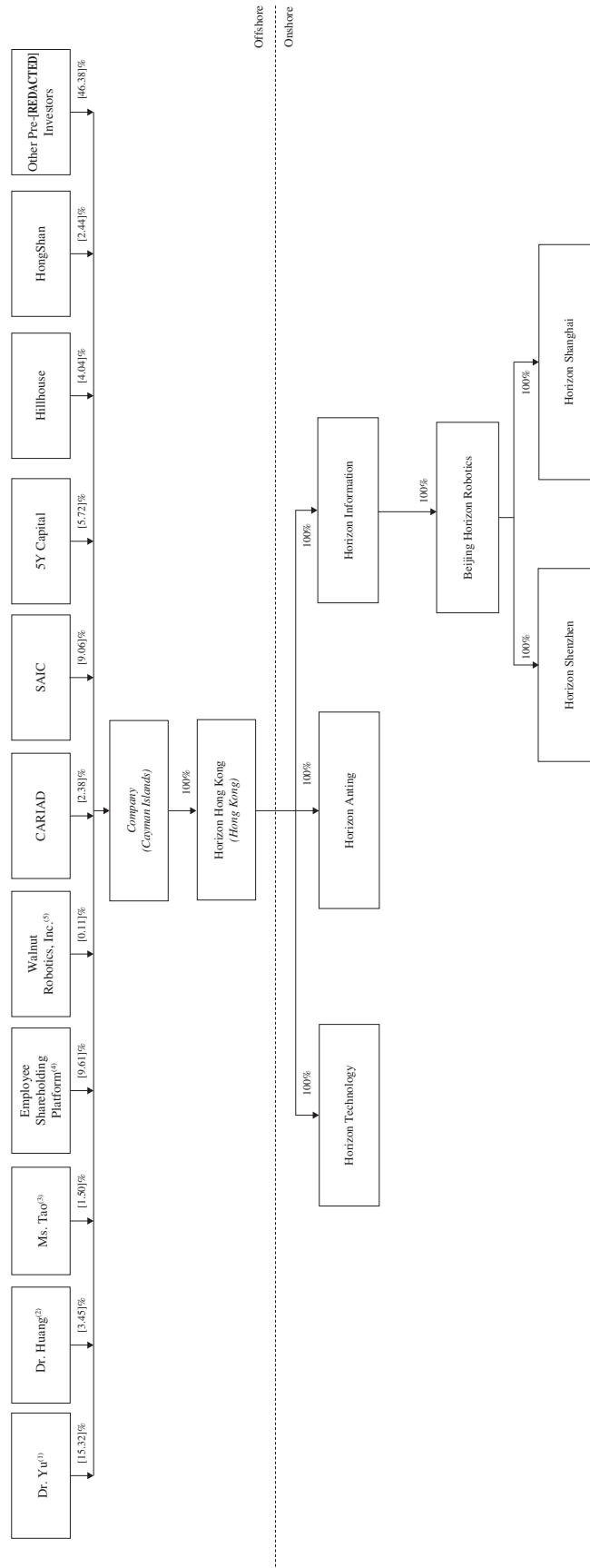
14. Each of Zibo Minsheng Ouming Equity Investment Partnership (Limited Partnership)(淄博民生歐明股權投資合夥企業(有限合夥)) and Zibo Huaide Equity Investment Partnership (Limited Partnership) (淄博懷德股權投資基金合夥企業(有限合夥)) is ultimately controlled by Minsheng Securities Co., Ltd. (民生證券股份有限公司).
15. Each of Daol Asset Management Co., Ltd., and Daol Investment Securities Co., Ltd. is ultimately controlled by Daol Investment & Securities Co., Ltd. (formerly known as KTB Investment & Securities Co., Ltd.).
16. Our employee shareholding platform under the 2018 Share Incentive Plan which [has been] set up by our Company with independent professional trustee company. The Class B Ordinary Shares to be held by such platform pursuant to the 2018 Share Incentive Plan are expected to be issued before [REDACTED].
17. For details, see “— Pre-[REDACTED] Investments — Information on the Pre-[REDACTED] Investors” in this section.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

CORPORATE STRUCTURE

Corporate structure before the [REDACTED]

The following diagram illustrates the simplified corporate and shareholding structure of our Company immediately prior to the completion of the [REDACTED]:



HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

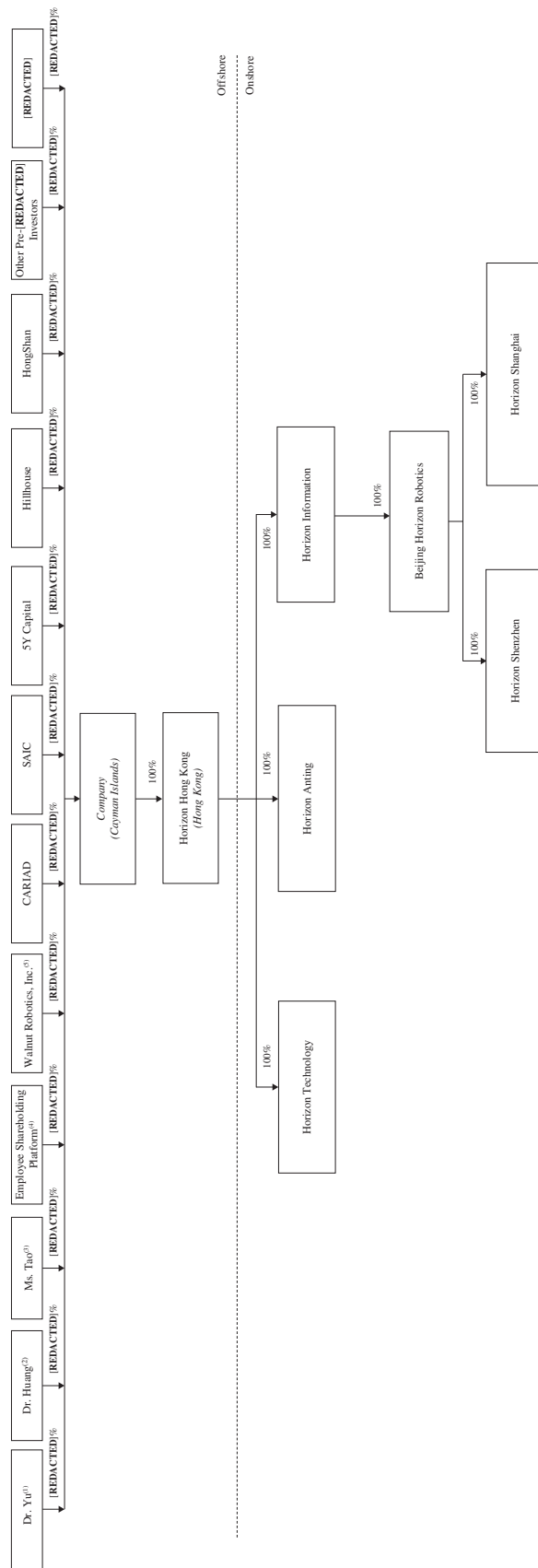
Notes:

- (1) Dr. Yu, through his family trust and controlled entities, will hold 1,733,612,127 Class A Ordinary Shares, representing approximately [15.32]% beneficial interests in the issued share capital of our Company. Please also see note 2 in the subsection headed “— Capitalization” above for details.
- (2) Dr. Huang, through his family trust and controlled entities, will hold 390,777,143 Class A Ordinary Shares, representing approximately [3.45]% beneficial interests in the issued share capital of our Company. Please also see note 3 in the subsection headed “— Capitalization” above for details.
- (3) Please refer to note 4 in the section headed “— Capitalization” above for details.
- (4) Please refer to note 16 in the section headed “— Capitalization” above for details.
- (5) Please refer to note 5 in the section headed “— Capitalization” above for details.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Corporate structure immediately following the [REDACTED]

The following diagram illustrates the simplified corporate and shareholding structure of our Company immediately following the completion of the [REDACTED] assuming the [REDACTED] is not exercised and the Conversion at Mid-point:



Note: For notes (1) to (5), please see “— Corporate structure before the [REDACTED]” above.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

PRC REGULATORY REQUIREMENTS

According to the M&A Rules jointly issued by MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the SAT, the CSRC, the State Administration of Industry and Commerce of the PRC (which has now been merged into the SAMR) and the SAFE on August 8, 2006, effective on September 8, 2006, and amended on June 22, 2009, a foreign investor is required to obtain necessary approvals when it (i) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (ii) subscribes the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (iii) establishes a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets; or (iv) purchases the assets of a domestic enterprise through relevant agreements and then invests such assets to establish a foreign-invested enterprise. The M&A Rules, among other things, further purport to require that an offshore special vehicle, or a special purpose vehicle, formed for overseas listing purposes and controlled directly or indirectly by PRC companies or individuals, to obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange, in the event that the special purpose vehicle acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies.

As advised by our PRC Legal Adviser, unless new laws and regulations are enacted or MOFCOM and CSRC publish new provisions or interpretations on the M&A Rules in the future, prior CSRC or MOFCOM approval for the [REDACTED] is not required under the M&A Rules.

SAFE REGISTRATION IN THE PRC

Pursuant to SAFE Circular 37, promulgated by SAFE and effective on July 14, 2014, replacing SAFE Circular 75, (i) a PRC resident must register with the local SAFE branch in connection with their contribution of offshore or domestic assets or equity interests in an overseas SPV that is directly established or indirectly controlled by the PRC resident for the purpose of conducting overseas investment or financing, and (ii) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change in respect of the Overseas SPV, including, among other things, a change of the Overseas SPV's PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV's capital, share transfer or swap, and merger or division.

Pursuant to SAFE Circular 37, failure to comply with these registration procedures may result in penalties. In addition, due to such failure to comply with the registration procedures, the PRC subsidiaries of that Overseas SPV may be prohibited from distributing their profits and dividends to their offshore parent company or from carrying out other subsequent cross-border foreign exchange activities, and the Overseas SPV and its offshore subsidiary may be restricted in their ability to contribute additional capital to their PRC subsidiaries.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Pursuant to the Circular of the SAFE on Further Simplification and Improvement in Foreign Exchange Administration on Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》, “SAFE Circular 13”), promulgated by SAFE and effective on June 1, 2015, the power to accept foreign exchange registration was delegated from local SAFE to qualified banks.

As advised by our PRC Legal Adviser, Dr. Yu, Dr. Huang and Ms. Tao have completed the required initial registration under SAFE Circular 37 and SAFE Circular 13.

BUSINESS

OUR MISSION

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

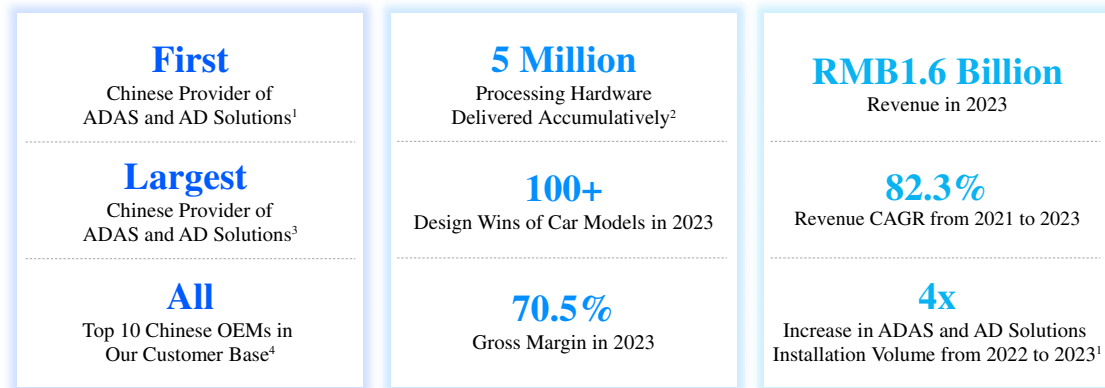
OUR VISION

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

OVERVIEW

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

— Market Leadership — — Commercial Success — — Hypergrowth at Scale —



Notes:

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

Smart vehicle transformation is a mega trend that has been reshaping the estimated US\$13.0 trillion global automotive, mobility and road freight industries in 2023. ADAS capabilities are increasingly common in cars nowadays, thanks to the rapid technology advancement and higher consumer demand in recent years. This is demonstrated by the ADAS penetration rates of over 50% in both the global and Chinese markets in 2023, according to CIC. Meanwhile, industry participants continue to make ongoing, inexhaustible efforts to march towards broader adoption of AD with increasing level of automation. We believe the

BUSINESS

demand for driving automation solutions will continue to grow significantly in the years to come. According to CIC, the global ADAS and AD solutions market presents a RMB61.9 billion opportunity in 2023 and is expected to grow at a CAGR of 49.2% through 2030 to reach RMB1,017.1 billion.

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

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

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

- ***Horizon Mono.*** Horizon Mono is our active safety ADAS solution designed to improve daily driving safety and comfort. It enables basic functions such as automatic emergency braking (AEB) and intelligent high beam (IHB) to improve passenger and road-user safety, as well as comfort functions such as adaptive cruise control (ACC) and traffic jam assist (TJA) to improve driving experience.
- ***Horizon Pilot.*** Horizon Pilot is our highway navigate on autopilot (NOA) solution that provides safe and efficient driving experience. In addition to enhanced active safety features, Horizon Pilot performs more advanced tasks such as automatic ramp on/off, autonomous merge-in and exit during traffic congestion, automated lane change, highway auto-pilot and more. These functions improve driving and riding experience for end users, especially in long-distance commute. At the same time, Horizon Pilot provides advanced parking functions such as auto parking assist (APA) and automated valet parking assist (VPA).
- ***Horizon SuperDrive.*** Horizon SuperDrive is our cutting-edge AD solution equipped with our most advanced processing hardware. It is designed to achieve smooth and human-like autonomous driving in all urban, highway and parking scenarios. It is expected to tackle a comprehensive range of complex road conditions with more assertive and interactive driving style, featuring smooth execution of obstacle avoidance, gentle and human-like braking, dynamic speed control, smooth execution of unprotected left turns, and more.

BUSINESS

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

- **Algorithm.** Our algorithms play an important role for our proprietary software-hardware co-designed solution. They are purpose-built and optimized for a wide spectrum of driving scenarios. Our full spectrum of algorithm capabilities range from perception, environmental modeling, planning and control to driving automation functions, fulfilling the development requirement for all levels of ADAS and AD solutions.
- **Brain Processing Unit (BPU).** BPU is our proprietary processing architecture tailored for automotive applications, including ADAS and AD functions. We incorporate our deep understanding of advanced software and algorithms into BPU architecture to empower the processing hardware with outstanding performance, high energy efficiency, low latency when running automotive algorithms.
- **Horizon OpenExplorer.** Horizon OpenExplorer is our flexible algorithm development toolkit that encompasses a series of ready-to-use modules and reference algorithms. With a user-friendly interface and abundant auxiliary tools, OpenExplorer enables the users to accurately and efficiently deploy algorithms and software on our processing hardware.
- **Horizon TogetheROS.** Horizon TogetheROS is a safe, simple and user-friendly autonomous driving embedded middleware. TogetheROS provides standardized automotive grade services and tools to help accelerate development, integration and verification efforts to boost mass production readiness.
- **Horizon Automotive Intelligence Development Instrument (AIDI).** Horizon AIDI is our software development platform, designed to accomplish automatic iterative improvements of models with enhanced efficiency. By offering various tools and application interfaces, as well as streamlined workflow, AIDI helps software developers optimize the entire software development process from deployment, training, verification, evaluation, to iteration.



BUSINESS

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

- System performance. Our software and hardware are developed and optimized hand-in-hand to ensure optimum system performance when integrated.
- High efficiency at affordable costs. Our solutions are highly efficient due to our co-optimization approach, delivering outstanding processing performance with low power consumption and low latency, which are crucial for automotive-grade deployment. In addition, our solutions are produced at affordable costs, laying the foundation for mass scale adoption.
- Open platform. We make available a series of base models, toolchains, frameworks and reference solutions to enable our customers and ecosystem partners to develop their own software applications catering to specific needs, helping them significantly shorten development cycles and reduce development costs.

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

Selected OEM / Brand Customers				Selected Tier-one Customers			
							
							
							
							
Selected Ecosystem Partners							
							

BUSINESS

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

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

OUR MARKET OPPORTUNITIES

The ongoing smart vehicle transformation is highly disruptive. As an early form of this ongoing technology-driven transformation, ADAS functions have gained traction among OEMs and are quickly becoming standard features of new car models nowadays. Recognizing such trend, OEMs around the world have begun to ramp up their adoption of ADAS solutions as the key competitive edge to compete in the global automotive industry. Meanwhile, it is expected that wide adoption of AD technology could be realized as early as 2025, which is set to revolutionize the global automotive, mobility and road freight industries, with a combined estimated market size of US\$20.0 trillion in 2030, according to CIC. AD solutions are expected to upgrade to provide more advanced features to tackle complex driving scenarios. As a result, more processing capacity and more advanced algorithms are critical for the evolution of the AD solutions in the future, which will lead to higher dollar content per vehicle for AD solutions. The size of the global ADAS and AD solutions market has reached RMB61.9 billion in 2023 and is expected to grow to RMB1,017.1 billion by 2030, representing a CAGR of 49.2% from 2023 to 2030, according to CIC.

BUSINESS

As the largest automotive market in the world in terms of sales volume, China has also become the world’s largest ADAS market and largest AD market in 2023, driven by an increasing focus on vehicle safety, a growing preference for enhanced driving and riding experience, and an increasing amount of investment and support. By 2030, the penetration rate of smart vehicles with ADAS or AD solutions is projected to reach 99.7% in China, according to CIC. China presents unique traffic conditions that add to the complexity of AD, hence demanding more sophisticated AD solutions. Consumers in China have shown great acceptance and enthusiasm for smart vehicles and are willing to pay a premium for features that improve driving safety and experience. These factors could drive OEMs to adopt more ADAS and AD solutions in China to tailor their automobile products to the Chinese consumers and market. The size of China’s ADAS and AD solutions market has reached RMB24.5 billion in 2023 and is expected to grow to RMB407.0 billion by 2030, representing a CAGR of 49.4% from 2023 to 2030, according to CIC.

OUR COMPETITIVE STRENGTHS

Established Market Leader with Significant Commercial Success and Deep Moat

We are a leading provider of ADAS and AD solutions for passenger vehicles, empowered by our proprietary software and hardware technologies. Our highly competitive ADAS and AD solutions with market-proven performance have become the go-to choices for many OEMs and tier-one suppliers. Such rapidly expanding commercialization has solidified our leading market position and established our branding, creating a deep moat that can drive and accelerate our growth in the future. The automotive industry holds strict quality standards to safeguard driver and passenger safety. Therefore, OEMs typically go through rigorous validation process to onboard suppliers to ensure product reliability, performance and adherence to top industry standards. As a result, it takes significant time and efforts to go through these challenges and prove a trust-worthy supplier. With our established reputation and track record of consistently delivering high-quality solutions, we managed to win the trust and confidence from OEMs, further solidifying their leading position.

Leveraging our leadership position, we are expanding market share and winning more contracts. For example, in 2023 alone we obtained more than 100 new design-wins for car models. Capitalizing on our market position and reputation we have successfully built our fortress and are well positioned to further benefit from it in the future. Such deep moat built upon our market position and reputation will keep propelling our business growth and widening our leadership.

BUSINESS

Localized Expertise in China Ensuring Our Win in the Largest Market Today and in the Future

Our localized expertise in China is a core competitive advantage and serves as the bedrock of our future growth. According to CIC, China is the largest automotive market in the world in terms of sales volume in 2023. In the same year, China has the world’s largest ADAS and AD market, driven by an increasing focus on vehicle safety, a growing preference for enhanced driving and riding experience, and an increasing amount of investment and support. The size of China’s ADAS and AD solutions market has reached RMB24.5 billion in 2023 and is expected to grow to RMB407.0 billion by 2030, representing a CAGR of 49.4% from 2023 to 2030, according to CIC. Our commitment to understanding and addressing the unique challenges and opportunities in China ensures that we not only thrive in the present but also maintain a competitive edge in the future.

Our localized expertise sets us apart from our competitors and ensures the competitiveness of our solutions in the ADAS and AD market in China. Our extensive research and development efforts, coupled with years of local business operations, have equipped us with insightful knowledge and practicable experience in designing our ADAS and AD solutions to address China’s unique and challenging road conditions. We have a proven record of developing ADAS and AD solutions that are best suited for deployment in China, as manifested by the fact that all top 10 Chinese OEMs have selected our solutions for mass production into their passenger vehicle models. In addition, with a dedicated team of professionals with valuable insights in China’s automotive industry landscape, we are committed to providing exceptional on-the-ground customer support in China, differentiating from other ADAS and AD solution providers, particularly certain global competitors who lack local insights. Moreover, our in-depth understanding of the business and regulatory environment in China enables us to effectively navigate through complex regulatory landscape.

Large, Blue-chip Customer Base with High Stickiness

We have maintained a large base of blue-chip customers that are established leaders in the automotive industry. All top 10 Chinese OEMs have selected our solutions for mass production into their passenger vehicle models. Additionally, we have formed joint ventures with global industry giants such as Volkswagen Group, evidencing our position as a trusted partner in assisted and autonomous driving for passenger vehicles. In addition to OEMs, we have also formed strategic partnerships with global leading tier-one customers such as Aptiv, Bosch, Continental, Denso and ZF. These customers and partners of ours represent the most advanced technology and largest scale production and are the most influential forces in leading the global smart vehicle transformation, keeping us at the leading edge of market evolution and reinforcing our role as a leading provider of ADAS and AD solutions for passenger vehicles.

BUSINESS

We form a long-term relationship with our customers by deeply integrating our ADAS and AD solutions into their systems and partnering with them in the development of specific features to meet their needs. We believe such integration and collaboration ensure a symbiotic partnership that fosters loyalty and mutual success. As a result, our customers are inclined to maintain these relationships, given that the substantial interdependence renders the prospect of switching challenging and unlikely due to costs of system redesign and loss of customized functions.

Integrated Solutions with Co-optimized Software and Hardware

We provide integrated ADAS and AD solutions encompassing algorithms, processing hardware and a suite of development tools. In solution design and development, we specialize in a software-hardware co-optimization approach. With our strong capabilities in both software and hardware, we are able to design hardware that better meets the evolving demands of software and algorithms in the automotive industry. Simultaneously, our sophisticated software and advanced algorithms can fully utilize the potential of our processing hardware to achieve optimal system-level performance. Leveraging such co-optimization, we are able to provide our customers with software-hardware integrated solutions which operate at optimal efficiency, high performance and minimal system latency.

The development, verification and testing of our solutions require years of dedicated research and engineering, strong algorithmic capabilities as well as deep industry know-how in hardware engineering and system integration. Our sophisticated algorithms are tailored for a wide range of complex driving scenarios and have received recognitions and awards from reputable journals and competitions in the industry for their outstanding efficiency and performance. To better support our customers in the cascading process of production development, we also encompass strong end-to-end system design and engineering capabilities, which are further strengthened by our rich mass-production experiences.

Our unique combination of software, hardware and engineering capabilities represents a significant competitive advantage, establishing higher barriers to entry.

Open Technology Platform to Foster Thriving Ecosystem

Openness is our philosophy, as we want to empower automotive industry participants with an open platform that can facilitate their innovation and product development and thus accelerating the adoption of ADAS and AD in mass production. To serve that purpose, we provide an open platform to allow OEMs and third-party developers to develop ADAS and AD features tailored to specific needs, using our algorithms and processing hardware as the base. Our open technology platform consists of a comprehensive suite of development tools, including but not limited to OpenExplorer, TogetheROS and AIDI. Please see “— Our Technologies” for details.

BUSINESS

Our open, flexible and easy-to-use tools obviate the need for users to build complex ADAS and AD software and systems from the ground up, thus largely lowering the barriers and improving the efficiency of product development. The users include not only our customers, but also upstream and downstream ecosystem partners with synergistic capabilities, such as domain control hardware and module companies. Together with these partners, we collaborate on system-level planning and go-to-market strategies to drive economy of scale in standardized products. In addition, as more customers and ecosystem partners adopt our solutions and technologies, we are able to collect feedbacks and iterate our solutions more rapidly, hence creating a Matthew effect, forming a virtuous cycle to maintain our product leadership.

Highly Flexible and Scalable Business Model

Our business model is characterized by its flexibility. We allow customers to choose any solution or any combination of components in our whole stack offerings from algorithms to software and development tools and to processing hardware, showcasing our ability to meet diverse and tailored customer demand.

Benefiting from such flexibility, we are able to continually attract new customers to our platform and expand our market share. Our design-wins in 2023 were more than three times of that in 2021, and the installation volume of our solutions increased by fourfold from 2022 to 2023. According to CIC, our market share in ADAS and AD solutions increased by approximately seven percentage points from 2022 to 2023 in terms of ADAS and AD solution installation volume in China.

Moreover, our business model also exhibits high scalability. As our customers ramp up production scale, our business scales in tandem with our customers’ increasing production volumes of vehicles equipped with our solutions. For instance, Li Auto significantly increased production of its L series vehicle model, equipped with our solutions.

Furthermore, following initial success with our solutions, our customers tend to adopt more categories of our solutions for additional vehicle models. This is primarily driven by the exceptional value we created for our customers and the considerable costs associated with switching to other suppliers and the platform design approach favored by mainstream OEMs, which incentivizes OEMs to apply the same solutions to all vehicle models with the same platform design. Additionally, we have the opportunity to sell more advanced solutions. For example, BYD has a wide range of demands for the advancing driving automation from its passenger vehicle consumers. We can help meet such requirements with our diverse solution portfolio, highly collaborative and scalable business model. Through our first cooperation with BYD, we gained in-depth understanding of their customized requirements across all stages of development, production and after-sales processes, and delivered highly satisfactory services to BYD. BYD has established a strategic and synergistic partnership with us. Our collaboration with BYD currently covers various driving automation solutions targeted for different scenarios on multiple vehicle platforms. During the Track Record Period, the number of our design-wins with BYD has significantly increased.

BUSINESS

In addition, our standard solutions portfolio and toolkits can serve the variety of demand from different OEMs for different vehicle models. This enables us to rapidly scale our production without spending extra development resources and efficiently cater to new customer demand to further grow our business.

Visionary and Experienced Management Team, World Class Talent and a Winning Culture

Our founding and executive team consists of visionary and experienced leaders in the industry with a combination of technical expertise, commercial acumen and organizational management skills. Our founders have published hundreds of research papers which have received thousands of citations. They were instrumental in initiating one of China’s first autonomous driving project in 2013. They also have unique strategic insights and strong managerial skills to lead our operations to achieve financial success, as demonstrated by our business performance during the Track Record Period.

Benefiting from the wealth of experience brought by our founding and executive team, we are able to establish a proven track record of successful product development and commercialization. Their ability to navigate evolving operating environment and execute strategic initiatives has been pivotal in driving our growth. Furthermore, we can attract world class R&D talent to continue pushing the boundaries in product innovation to advance the autonomous driving industry.

Integral to our success is our winning culture, characterized by pillars of innovation, meritocracy, transparency, and excellence. This culture fosters an environment where creativity flourishes, ideas are valued, and high standards are upheld. It enables us to remain agile, innovative, and competitive, ensuring that we stay at the forefront of technological and commercial leadership.

OUR GROWTH STRATEGIES

Continue to Invest in Technology and Expand Our Solutions Portfolio to Capitalize on the Industry Tailwind

According to CIC, the industry will witness significantly growing customer demands for ADAS and AD solutions in terms of both volume and solution complexity. We plan to continue our investments in technology to capture such growth and meet customer needs. We are expanding our solutions portfolio, including developing more advanced AD solutions based on our next generation of hardware. Such hardware embodies an optimized architecture, augmented performance capabilities, higher safety standard and enhanced compatibility with more categories of sensors. We also intend to continue to invest in advanced algorithms and AD software applications that are co-designed and co-optimized with our new generation of hardware to further optimize system level performance. These advanced solutions are designed to achieve automation in comprehensive range of complex road conditions with high level of sophistication, providing drivers and passengers with a safer, more efficient and more comfortable experience.

BUSINESS

Win Additional Mass Production Contracts with Existing and New Customers

We plan to deepen collaboration with our existing customers and implement our solutions on additional vehicle models of theirs. By becoming an essential partner for our OEM customers’ global platforms, we not only strengthen our current relationships with them but also increase our prospects of winning further mass production contracts. We believe this approach ensures that our solutions become embedded within our OEM partners’ products. At the same time, we can grow alongside with our OEM customers, aligning ourselves closely with their expansion plans and reinforcing our role as a trusted partner. We also plan to grow the size of our customer base through new design-wins from new customer, leveraging our current industry-leading position and technology know-how.

Continue to Enrich Our Ecosystem

Building an ecosystem around our open, scalable and efficient platform has been a core part of our strategy. OEMs are increasingly favoring highly open, flexible and compatible platforms such as ours that facilitate them to customize and build products that best suit their design preferences. To that end, we will continue to enhance and broaden our development portfolio, such as OpenExplorer, TogetheROS and AIDI, and services to better support our customers and partners, enabling them to design, develop and mass produce their customized products in a faster and more cost-efficient manner.

Attract Top Talents and Expand Our Team

We intend to continue our efforts in attracting top technology talents from well-known institutions and industry peers worldwide to augment our capabilities in both software development and hardware design. We also intend to enhance our field engineering team in order to improve our customer service capabilities and strengthen our relationships with various ecosystem participants. To further expand our business scale, capture market opportunities and maintain business relationships, we plan to expand and strengthen our sales and marketing team to ensure satisfaction of our existing customers, while exploring the opportunities to obtain additional mass production contracts from more OEMs and tier-one suppliers.

We will continue to allocate significant resources to the development of more advanced solutions to enable higher level autonomous driving. Our R&D personnel constitute 71.5% of our total employee base as of December 31, 2023, underscoring our commitment to innovation.

Continue to Enable Global Partners

We aim to enable global OEM and tier-ones to become more competitive in China and globally. We believe our success with Chinese OEMs is replicable to global OEMs with our highly flexible and scalable model. Many global OEMs, including our partner Volkswagen Group, are enhancing their ADAS and AD capabilities in China and globally. We can facilitate the upgrades of their models and expedite their research and development efforts. Such collaborative approach will strengthen our partnership and brings us industry visibility on a global scale.

BUSINESS

We also plan to trailblaze the global markets by building partnerships with global industry leaders. Japan, South Korea and Europe will be our focus markets for our global expansion. After initial market research and exploration, we have made meaningful progress by establishing strategic and commercial partnership with global industry leaders in these markets. For example, we have entered into strategic partnerships with leading global tier-one suppliers such as Aptiv, Bosch, Continental, Denso and ZF. We believe these partnerships enhance our market presence on a global scale and pave the way for collaborative innovation. We will continue to explore such partnership opportunities with global industry leaders to expand our presence in the global automotive industry.

OUR PRODUCTS AND SERVICES

Overview

We offer a comprehensive portfolio of ADAS and AD solutions, namely Horizon Mono, Horizon Pilot, and Horizon SuperDrive, to address different customer needs from mainstream assisted driving to advanced levels of autonomous driving. Built through nine years of development, testing and iteration, our Horizon Mono and Horizon Pilot solutions have been successfully validated, commercialized and deployed on mass scale, and we are working with a handful of OEMs who plan to implement our Horizon SuperDrive solution. We strive to constantly improve our solution offerings for the best experience of our customers and end customers.

We generate the vast majority of our revenue from the sale of ADAS and AD solutions to OEMs and tier-one automotive suppliers as well as the corresponding licensing and services. We record revenue 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. Under the Solution Delivery Model, we sell our solutions and typically determine the price of each solution based on the complexity and amount of algorithm and software involved, as well as the type and number of processing hardware integrated. With respect to the Licensing and Service Model, we provide licenses to customers for our algorithms, software and development toolkits upon request and provide related design and technical services, in exchange for licensing and service fees.

We build our solutions with the philosophy of software and hardware co-optimization. Such key philosophy underpins our product design and technology, differentiating our solutions in terms of performance, efficiency and openness. Our software serves as the foundation of our solutions, of which algorithms, BPU, OpenExplorer, TogetheROS and AIDI each plays an important role and works seamlessly to empower our solutions. We adopt a highly flexible and scalable business model. We allow our customers to choose any solution or any combination of components in our whole stack offerings from algorithms to application software and development tools and to processing hardware. Such business model has also helped us continuously acquire new customers and expand market share.

BUSINESS

We frequently and consistently interact with OEMs regarding their solution needs and generally receive visibility, typically a few years in advance, regarding the functions of solutions as well as budget and number of vehicle models expected to incorporate our solutions. We price our solutions based on specific customer needs and solution value. When we provide solutions to various customers, including both OEMs and tier-one suppliers, we remain flexible in combination of offerings. Our customers often prefer to work with open-platform and to choose flexible combinations like those we offer. More specifically, OEMs often seek to develop new products in tandem with solution providers, with an intention to build highly differentiated and customized products based on our flexible offerings, while minimizing the risks of unsuccessful deployment and commercialization. As of the Latest Practicable Date, all of the top 10 Chinese OEMs have selected our solutions for mass production into their passenger vehicle models.

Automotive Solutions

We offer ADAS and AD solutions that perceive and process surrounding inputs, and deliver strong processing capabilities and efficiency. Our ADAS and AD solutions combine a series of software and hardware to improve driving experience, keeping drivers and passengers safe and making trips more comfortable and more enjoyable.

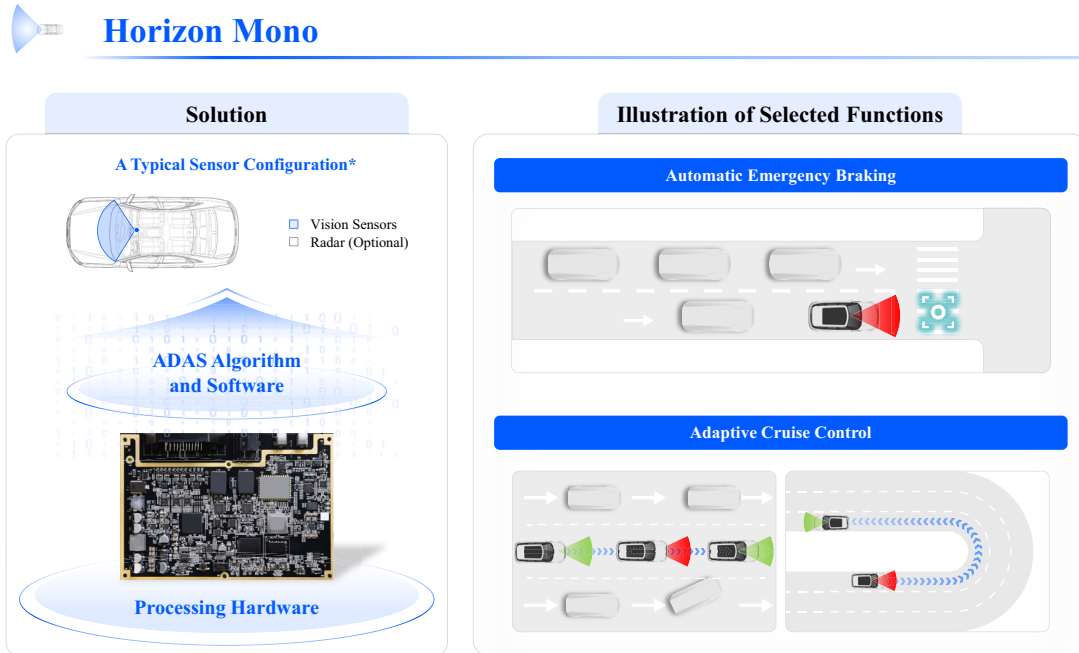
Horizon Mono

Horizon Mono is our active safety ADAS solution designed to improve daily driving safety and comfort. Globally, we were the first to launch an 8-megapixel monocular vision-only ADAS solution, and is still the only provider of this offering among Chinese providers, according to CIC. Horizon Mono can identify various objects, such as pedestrians, vehicles, roads and traffic signs. It provides active safety functions such as automatic emergency braking (AEB) and intelligent high beam (IHB) to improve passenger and road-user safety, as well as comfort functions such as adaptive cruise control (ACC), lane centering control (LCC), intelligent cruise assist (ICA) and traffic jam assist (TJA) to improve driving experience. According to CIC, we are the largest Chinese ADAS solution provider with a market share of 21.3% in 2023, in terms of ADAS installation volume to Chinese OEMs in China.

Horizon Mono is supported by our proprietary software portfolio and processing hardware. The number and choice of processing hardware may differ based on specific customer needs. Horizon Mono can work with third-party sensors to provide front view perception and support the qualifications of E-NCAP (2023) and C-NCAP (2024) five star ratings, representing industry-leading safety capabilities as of December 31, 2023, according to CIC. In addition, Horizon Mono can reach a successful rate of 90% for common traffic sign recognition in China, 95% for speed limit traffic sign in the EU and 98% for speed limit traffic sign in pan-European countries, Southeast Asia and South America. Moreover, up to the speed of 130 kph, Horizon Mono can support ACC for comfortable speed adjustments in response to real-time traffic conditions. Horizon Mono also supports detection of unconventional vehicles such as three-wheeled electric vehicles, elderly mobility scooters and delivery vehicles that are prone to tipping over or rolling over. Horizon Mono can also integrate 360-degree fisheye perception for APA.

BUSINESS

The following table sets forth the structure and selected functions for Horizon Mono:



* Solution may be configured to customer’s choice of third-party sensor sets

The first series production of Horizon Mono was launched in 2020 and various upgrades have been made since then. Built on our proprietary processing hardware and third-party sensors, Horizon Mono is capable of providing mainstream ADAS functions. With these functions, Horizon Mono can reduce the stress and fatigue level of drivers, improve their awareness of the surroundings and promote safer driving practice, as well as increase driving confidence. In addition, with our deep local knowledge and insight, Horizon Mono is designed to better suit the unique road scenarios in China. Moreover, our Horizon Mono solution can evolve with the upgrades of our processing hardware. It may be configured to different sensor portfolios to meet the diverse needs of our customers. As of December 31, 2023, Horizon Mono has been the choice of more than 200 OEM car models, including many of the industry’s best-selling models.

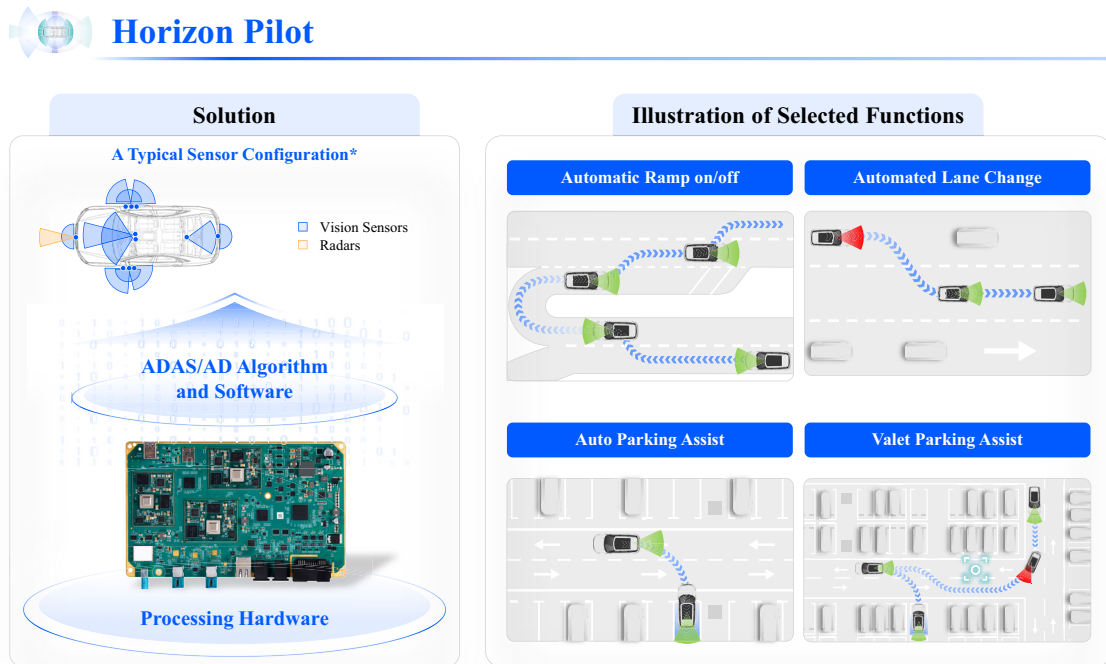
Horizon Pilot

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

BUSINESS

Horizon Pilot solution is designed to empower vehicles with functions which fulfill qualifications of C-NCAP (2024) five star standard. In addition, Horizon Pilot can reach more than 200 km safety MPI in the average traffic flow and realize high performance MPI in complex traffic conditions. MPI, or miles per intervention, is a performance metric used to measure the distance a vehicle can travel autonomously before requiring human intervention or driver takeover. According to CIC, such MPIs represent industry-leading NOA capability. Moreover, Horizon Pilot is capable of covering highways nationwide in China.

The following table sets forth the architecture and representative features of Horizon Pilot:



* Solution may be configured to customer’s choice of third-party sensor sets

As of December 31, 2023, Horizon Pilot has been the choice of more than 25 car models. For example, the Li Auto flagship six-seat family SUV Li L9 Pro is equipped with our Horizon Pilot solution. By utilizing our processing hardware and third-party sensors, this solution is capable of achieving a vision-centric 360-degree perception capability, allowing for more precise and timely detection of the surrounding traffic environment and participants. With Horizon Pilot, the Li Auto Li L9 Pro can deliver smoother performance in advanced driver assistance functions and offers a wide range of features such as high-speed point-to-point navigation assistance, automatic lane change, automatic ramp on/off, intelligent cruise control, and auto parking assist. Horizon Pilot helps the Li Auto Li L9, Li L8 and Li L7 series to establish their positions as leading smart vehicles in the current Chinese market in terms of sales volume.

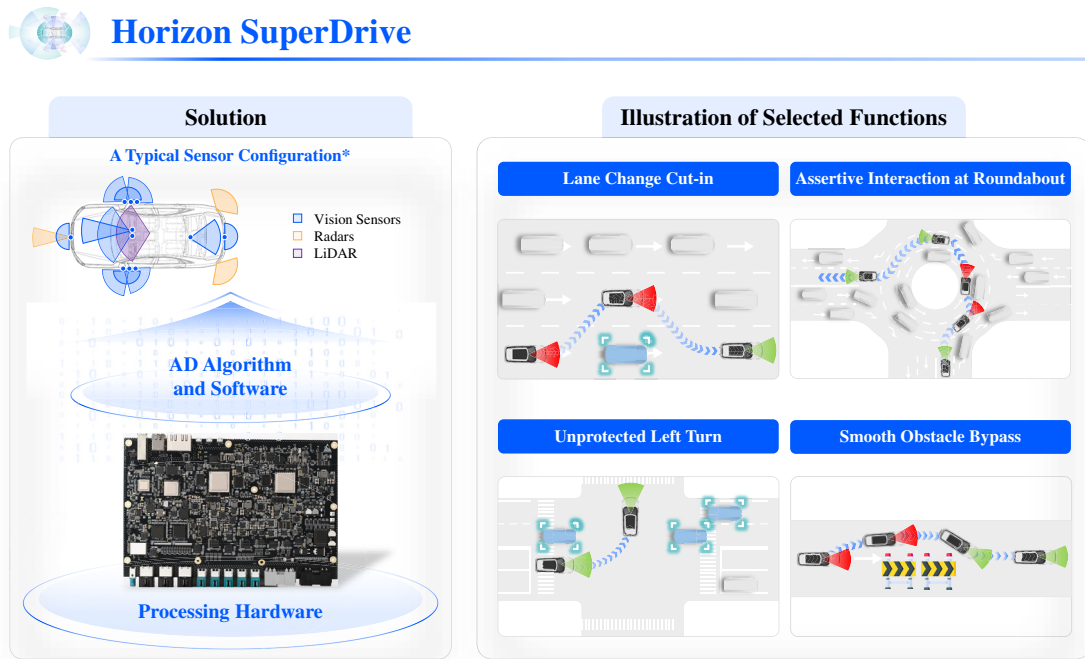
BUSINESS

Horizon SuperDrive

Horizon SuperDrive is our cutting-edge autonomous driving (AD) solution empowered by our most advanced processing hardware. It is designed to achieve smooth and human-like autonomous driving functions in all urban, highway and parking scenarios. It is expected to tackle a comprehensive range of complex road conditions with high level of sophistication, providing drivers and passengers with a safer, more efficient and more comfortable driving and riding experience.

As of the Latest Practicable Date, we are working with a handful of OEMs who plan to implement our Horizon SuperDrive solution. We aim to keep expanding the operating domain of Horizon SuperDrive and improving its driving performance, featured with more smooth and effortless driving style and more human-like and assertive interactions with road participants. For instance, in congestion scenarios, vehicles empowered by Horizon SuperDrive can seamlessly maneuver between lanes and cut in efficiently to overtake other vehicles based on precise perception and prediction of surrounding vehicles’ behavior. At a busy intersection, Horizon SuperDrive can enable interactions with other road participants in an assertive manner to take unprotected left and right turns safely. Other features include smooth execution of obstacle avoidance, gentle and human-like braking, dynamic speed control, swift reactions to surrounding environment, enhanced APA and VPA functionalities, and more.

The following table sets forth the key features and selected functions for Horizon SuperDrive:



* Solution may be configured to customer’s choice of third-party sensor sets

BUSINESS

Horizon SuperDrive AD system uses a BEV transformer-based end-to-end perception architecture for more accurate physical world representation, especially improving response to urban challenges like occlusions-awareness. It combines dynamic, static and occupancy networks into one, reducing processing loads and boosting efficiency. Its BEV framework supports adaptive multi-scale perception and optimizes resource distribution across different ranges, improving near and distant object perception and meeting diverse specifications. Instead of using rule-based planning methodology, Horizon SuperDrive is designed to imitate human driving behavior, which ensures interpretability and usability. With enhanced capabilities in interactive prediction and planning, Horizon SuperDrive empowers the vehicles with human-like decision making to deftly tackle complex traffic situations.

Other Automotive Solutions

In addition to our ADAS and AD solutions, we also provide an automotive in-cabin solution for the passenger vehicle to better understand and interact with drivers and passengers based on inputs, making journeys more comfortable and entertaining. Our in-cabin solution can perceive multi-modal inputs, such as verbal commands. Based on these inputs, it interacts with humans to satisfy users’ needs of safety, comfort, and entertainment. In terms of safety, our in-cabin solution can alert drivers to take rests when necessary. With respect to comfort functions, our in-cabin solution can help users to control windows, lights and air-conditioner, making vehicle control easier and journeys more enjoyable.

Revenue Contribution of Automotive Solutions

During the Track Record Period, we generated revenue from automotive solutions of RMB410.2 million, RMB801.1 million and RMB1,470.4 million, accounting for 87.9%, 88.5% and 94.8% of our total revenue, respectively.

Non-Automotive Solutions

We also offer non-automotive solutions for our customers. Our non-automotive solutions enable device manufacturers to design and manufacture devices and appliances, such as lawn mowers, with enhanced levels of intelligence, leading to better user experience. Our non-automotive solutions enjoy significant synergies with our automotive solutions, and are underpinned by our technological capabilities in software, algorithms and hardware. Our non-automotive solutions include perception algorithms that enable devices to recognize and interact with its surrounding environment and plan routes, as well as processing hardware that provides efficient and effective support. During the Track Record Period, we generated 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, respectively.

BUSINESS

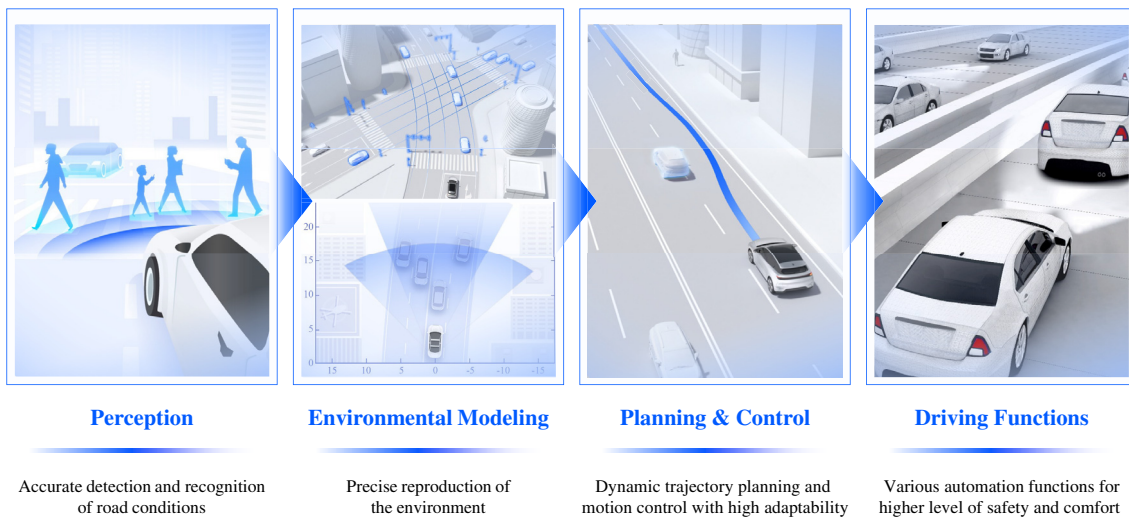
OUR TECHNOLOGIES

Software-Hardware Co-optimization Approach

We specialize in a software-hardware co-optimization approach in our solution design and development. With our strong capabilities in both software and hardware, we are able to design hardware that better meets the evolving demands of software and algorithms in the automotive industry. Simultaneously, our advanced algorithms and sophisticated software can fully utilize the potential of our processing hardware to achieve optimal system-level performance. Leveraging such co-optimization, we are able to provide our customers with products and solutions at optimal efficiency, high performance and minimal system latency.

Algorithm

Algorithms play a pivotal role in software-hardware co-optimization approach. Our commitment to developing industry-leading products is underpinned by the robust support of our software suite, with a particular focus on algorithms. Guided by our insight into the evolving trends of the industry, we dedicate significant investment in the development of algorithms to enhance our solutions and benefit our customers. Additionally, our algorithms can also be directly monetized as our flexible business model allows customers to procure algorithms as independent modules or in conjunction with other components in our technology stack. The following diagram sets forth modules of our end-to-end autonomous driving framework:



BUSINESS

Our full stack of algorithm capabilities are sufficient to cover requirements from various levels of ADAS and AD development, including edge processing algorithms such as perception, environment modeling, planning and control, user function of driving application. The perception algorithm stack supports accurate detection and recognition of hundreds of different types of traffic elements, road users and various obstacles across different countries and regions. The environment modeling combines position, speed, shape and other information of various objects, road elements and obstacles in the environment, as well as the relationship between them. Through environment modeling, the autonomous driving system can understand the situation around the vehicle in real time, and the planning and control algorithm stack is designed to support a multitude of functions in diverse scenarios, including highways, urban areas, and parking lots, demonstrating the ability to manage intricate traffic dynamics and challenging road conditions effectively. Various user functions of the driving application are built based on the standard ability, such as ACC, LKA, APA, NOA, AEB and more.

The prevailing architectures for autonomous driving algorithms utilize BEV Transformer, and end-to-end perception to prediction. While these techniques offer superior accuracy, they often struggle to meet the desired latency on the embedded computing platforms. To address this challenge, we have curated a team of algorithm specialists who have a deep understanding of both algorithms and processing architectures. This blend of cross-disciplinary expertise empowers them to devise model structures that not only align perfectly with our hardware setup but also facilitate the swift deployment of these highly accurate algorithms.

Our expertise in algorithms has also received recognitions and awards from reputable journals and industry competitions. With our long-term insight and deep understanding of ADAS and AD technology development, we believe our algorithms are well-positioned to help us stay ahead of the curve and to design holistic automotive ADAS and AD solutions.

BPU

BPU, or Brain Processing Unit, is our proprietary processing structure tailored for automotive applications, including ADAS and AD functions. We developed BPU with our deep understanding of software development, algorithmic trends, and processing architecture to deliver outstanding results in terms of energy efficiency, performance and cost. With a focus on software-hardware co-design and co-optimization, our BPU combines performance efficiency, programming flexibility and ease of use. Our BPU also features versatile and customizable base elements, enabling customers to keep pace with the algorithmic innovations. We are capable of commercializing our BPU as an independent module, including through IP licensing.

BUSINESS

We developed BPU to address the constraints by traditional processing structure, as the performance level of advanced and sophisticated algorithms is often limited by processing capacity and power efficiency of the processing hardware that run the algorithms. Such constraint is exacerbated in the domain of ADAS and AD technologies, as smart vehicles require continuous, accurate, and real-time situational awareness by processing a massive amount of multi-modal inputs. ADAS and AD functions of smart vehicles also require simultaneous processing of different types of information, such as object extraction, detection and segmentation, among others. These constraints and requirements call for a high performance processing platform with sufficiently strong processing capabilities, high power efficiency, cost efficiency and low latency. To address such needs, BPU was designed and developed specifically for the improvement of algorithm performance. BPU co-optimizes and exploits the synergy of software (such as the compiler) and hardware (such as the architecture of processing structure), with the goal to maximize performance and minimize latency.

Technology Highlights. In particular, BPU has enabled us to achieve the following technological breakthroughs:

- BPU enables processing hardware to deliver high performance at low latency, which enables vehicles to accurately perceive, plan, and make decisions in real-time, with the ultimate goal of improving the overall vehicle safety and riding experience;
- BPU also incorporates multiple proprietary architectures, including memory-in-compute and high-bandwidth data bridge, which further reduce processing power consumption and latency, contributing significant advantage in product metrics. These metrics, such as FPS per Watt, are key to our customers’ design and sourcing decisions;
- BPU enables multiple hardware units to operate concurrently, which leads to better utilization of such units; and
- BPU also contributes to high level of software parallelism, which leads to more efficient processing hardware memory utilization while minimizing power consumption.

We expect to launch our next generation Journey 6 processing hardware in April 2024, based on our latest BPU architecture Nash. The Journey 6 processing hardware is expected to provide ideal support for the industry’s latest mainstream architectures of algorithms including BEV Transformer. Full-stack processing tasks for complete ADAS and AD functions including perception, planning and decision-making and control are all expected to be realized with a single Journey 6 processing hardware. It delivers both improved performance and better power efficiency, as compared to our previous generations of processing hardware.

BUSINESS

Horizon OpenExplorer

OpenExplorer is a flexible development toolkit featuring a wide collection of sample algorithms, models, development framework and toolchains. It ensures accurate and efficient algorithm deployment on Journey series processing hardware, which creates synergies with our processing hardware and provides us with more sales opportunities. Leveraging software-hardware co- optimizations, the toolkit enhances the performance of advanced algorithms and greatly reduces the engineering efforts to adapt and finetune algorithms for mass production.

In OpenExplorer, we offer reference algorithms to help accelerate the development and optimization of mass production solutions for our customers and partners, lowering the barriers to developing proprietary algorithms and creating significant customer value. The toolkit also includes optimized network architecture examples for modern hardware, providing a base for tuning and designing efficient algorithms. It also offers best practices in key areas like BEV fusion, object detection, and free-space segmentation, aiding the development of production-ready models. Our standardized tools, born from extensive debugging and tuning experience, enable users to complete independent optimization and effective production engineering.

During the Track Record Period, we have attracted a variety of customers who leverage our OpenExplorer development toolkit to develop algorithms that run on our processing hardware.

Horizon TogetheROS

TogetheROS is a safe, simple and user-friendly autonomous driving embedded middleware. Aiming to address the common industry challenges of inefficient and tedious integration as well as testing of autonomous driving applications for mass production, TogetheROS provides standardized automotive grade services and tools for accelerating mass production readiness. Combining support for development, integration and verification, its key features include (i) a modular application development framework tailored for volume production, supporting application configuration and optimization, (ii) advanced visualization and analysis tools for performance enhancement, (iii) multi-layered framework and standardized interface protocols that simplify system integration and (iv) recommended development checkpoints to facilitate the integration of third-party products and services at optimal stages of development. Additionally, TogetheROS is open-source and compatible with leading commercial and open-source systems, offering developers the flexibility to adapt and customize according to their specific requirements.

BUSINESS

Horizon AIDI

AIDI is our software development platform, designed to accomplish automatic model iterations with enhanced efficiency. AIDI offers ready-to-use software building blocks that obviates the need for users to construct complex systems from the ground up, and allow them to concentrate on developing their proprietary models. As the automotive industry evolves towards a more algorithm and software-centric approach, AIDI creates value by providing a comprehensive and effective portfolio of tools tailored to meet the demands of industry stakeholders.

In summary, AIDI facilitates software developers by providing various tools and application programming interfaces (APIs), including for example (i) automatic recognition, segmentation and classification, and more, (ii) graphical user interface (GUI) for task management and (iii) development platform for algorithm training and compilation, software deployment and verification, as well as performance evaluation and analysis. These tools are seamlessly integrated within AIDI, making it a practical and all-encompassing solution for development needs.

RESEARCH AND DEVELOPMENT

R&D Philosophy and Process

Since our inception, we have been dedicated to developing industry-leading solutions, recognizing that comprehensive support from research and development is essential to achieve this goal. We understand that leading solutions require holistic support in software, algorithms, and hardware. In the design of our solutions, we 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 tools.

Our commitment to R&D covers from the foundational architecture to the end solutions. We dedicate ourselves to developing key technical aspects, fostering interconnectedness across various stacks right from the initial design phase, to achieve a synchronized state for our solutions. Since our establishment, we have accumulated comprehensive expertise in partnerships, industry insights, large-scale production capabilities, technical talents, and supply chain management within the industry. Leveraging our industry position and collaborating with ecosystem partners, we can strategically position ourselves three to five years ahead in shaping the direction of industry development. This allows us to make targeted research and development investments, coupled with significant generational upgrades, including algorithms and backend hardware structure.

BUSINESS

Our R&D Team

We believe our strong research and development capabilities are a core competitive strength and have led to our leading position in the industry. As of December 31, 2023, we have 1,478 full time-equivalent research and development employees, representing 71.5% of our total employees. 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.

Our research and development efforts focus on projects to improve our ADAS and AD solutions, as well as enhance our technological capacity. Our future R&D plans are primarily focused on (i) development and commercialization of new generation of autonomous driving technology; (ii) continuously improve our existing ADAS and AD solutions; (iii) development of our next generation processing hardware and (iv) development and upgrades of our technology pillars, including algorithms, BPU, OpenExplorer, TogetheRoS, and AIDI.

We also focus on building and maintaining a large pool of talented researchers to drive our research and development efforts. As of December 31, 2023, 74.0% of our research and development employees have post-graduate qualifications. We provide rigorous training to new recruits to familiarize them with our platforms and our research and development team. Our R&D team is led by our co-founders Dr. Yu and Dr. Huang, both of whom have profound technology background and broad industry recognition.

INTELLECTUAL PROPERTY

Since our inception, we have internally developed a variety of intellectual property rights. As of December 31, 2023, we have 542 granted patents as well as 649 trademarks both in China and overseas. We also own more than 100 copyrights, including both software and design copyrights. We also own one domain name in China for our website as of December 31, 2023. See “Appendix IV — Statutory and General Information — B. Further Information About Our Business — 2. Intellectual Property Rights of Our Group” for details of our material intellectual property rights.

We believe these intellectual property rights are critical for us to reinforce our deep moat and we intend to continue to develop more advanced algorithms and processing hardware with stronger processing power and efficiency, which are expected to bring long-term benefits to participants of our ecosystem. See “Risk Factors — 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.” for additional detail describing the protection of our intellectual property rights.

BUSINESS

During the Track Record Period and up to the Latest Practicable Date, we did not have any material disputes or any other pending legal proceedings regarding intellectual property rights with third parties.

SALES AND MARKETING

Sales

Our sales personnel are teamed up by geological regions, and each team is led by a regional manager with key accounts coverage duties under its territory. As of the Latest Practicable Date, our sales team has covered most reputable Chinese OEMs, including all of the top 10 Chinese OEMs in terms of sales volume in China, according to CIC.

We adopt an account-solution-fulfillment co-responsible triangular model for sales. Account representative (AR) is responsible for customer relations, key accounts coverage and business development for our potential customers. Solution representative (SR) is responsible for identifying customer needs and tailoring solutions for our customers. Fulfillment representative (FR) is responsible for the overall external and internal coordination. To meet the needs of our strategic OEM customers, we establish a dedicated and systemized sales team consisting of AR, SR and FR with a close and stable team structure. Our sales team operates differently from the typical project-based approach: the triangular team structure allows for seamless coordination with various roles and levels within the customer’s organization. With such end-to-end coverage, we are able to establish and maintain comprehensive and multi-dimensional customer relationships. Furthermore, most members of our sales team are based locally at the customer’s location to ensure tailored service and timely response.

Many of our customers are undergoing critical strategic shift to align with the rapidly involving industry landscape. This requires us to go beyond simple sale of solutions to engage in deep collaboration with customers in strategy, technological roadmap, and even organizational management. We strive to establish comprehensive and all-encompassing partnerships with our customers, where we can achieve full alignment at the strategic level with our customers before implementing the solutions through specific vehicles. By establishing and maintaining such strategic relationships with our customers, we will be able to sell our solutions effectively and efficiently.

Marketing

We enhance the awareness of our brand and promote our new and existing platforms through both offline and online channels. We participate in various offline events, such as industry conferences, product launches and industry salons to showcase our technological advancements and develop relationships with industry participants. We attend auto trade shows and industry forums to actively market and promote our solutions to new OEMs and tier-one company partners. We use this strategy to expand our presence in the automotive industry, particularly for international partners.

BUSINESS

Distributors for Non-automotive Solutions

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.

We engage independent third-party distributors in China to sell our non-automotive solutions, which is consistent with the industry norm. We believe our distributors help us effectively execute our marketing strategies specifically tailored to each geographical location. We and our distributors constitute a seller and buyer relationship. Accordingly, we recognize revenue when our solutions are delivered to and accepted by the distributors.

We selected our distributors based on their business qualifications and distribution capabilities, such as distribution network coverage, quality, number of personnel, cash flow conditions, creditworthiness, logistics, compliance standard and past performance, and its capacities in customer management. As of the Latest Practicable Date, we were not aware of any potential abuses or improper use of our name by our distributors which could adversely affect our reputation, business operation or financial condition.

We typically enter into a framework distribution agreement with our distributors with regard to our sales of our solutions. The key terms of the agreements primarily include:

- *Duration*: generally two years, subject to renewal by mutual agreement;
- *Geographical region*: within the agreed areas;
- *Risk allocation*: all significant risks, including inventory risks, are transferred to our distributors upon delivery and acceptance, and we retain no ownership control over the products sold to our distributors;
- *Credit terms*: we generally offer a 20-30 day credit terms upon delivery and acceptance to our distributors;
- *Product returns and warranty*: we do not allow our distributors to return our solutions without cause (causes generally only include defects) and provide warranty of one-year term; and
- *Pricing*: a fixed price provided in each purchase order under the framework distribution agreement.

OUR CUSTOMERS

Our customers are mostly OEMs and tier-ones, both of which purchase ADAS and AD solutions and/or in license algorithms and software from us. We have a highly flexible business model, and our customers may choose to purchase an entire solution from us, or a portion of our solutions such as software or algorithm to develop products of their own. Generally OEMs purchase our solutions for deployment on their passenger vehicles, and tier-ones purchase our solutions to integrate with their products for further deliveries.

BUSINESS

We are committed to establishing strategic partnerships with our customers. Through our constant dialogue, we understand their overall driving automation strategies, technology roadmaps and product plans. Based on this understanding, we provide customized solutions tailored to their needs. Our field application engineer (FAE) team collaborate closely with our marketing team to provide comprehensive and one-stop shop services to our customers.

In the initial stages of a project, we match our product solutions to specific vehicle platforms and configurations based on the customer’s requirements. We assign specialists to present the solution proposals in detail. If the customer is satisfied with our proposals, it provides us with more detailed project information and cost requirements. In response, we provide formal project assessments, solution responses, and quotations. Subsequently, we communicate with the customer to finalize the solution, price, and sign the contract. Generally, we provide at least one year warranty to our customers. After the contract is signed, we proceed with comprehensive development per agreement. Due to the unique nature of ADAS and AD solutions, ongoing communication and adjustments with the customer are necessary during the development and production phases, including adapting and optimizing the solution based on identified issues. This process culminates in mass production acceptance. Mass production is not the end of our project collaboration, and we maintain continuous communication with the customer to continuously optimize the solution based on end-user feedback and requirements.

Throughout the process, we maintain strong direct relationships and strong channels of communication with our customers. According to CIC, the duration from the start of a collaboration to mass production usually takes one to two years and will depend on the specifications of the OEM customers and the testing requirements. We have established business relationships with a large number of OEMs and tier-one companies in the automotive industry. As of the Latest Practicable Date, our ADAS and AD solutions have been selected by 24 OEMs (or 31 OEM brands) for implementation in over 230 car models. We have been particularly successful in the Chinese market and all of the top 10 Chinese OEMs in terms of sales volume in China are our customers.

For example, we work closely with Li Auto for them to integrate our solutions through concept inception, solution design and development, verification and validation, implementation and mass production. We first engaged Li Auto in 2019. Through resource sharing and open collaboration, Li Auto and we have shortened the verification cycle and achieved remarkable efficiency in development and delivery. Our Horizon Mono solution empowered by Journey 3 processing hardware debuted and achieved mass production on the Li Auto One in just eight months. In addition, our Horizon Pilot solution empowered by Journey 5 processing hardware debuted and successfully reached delivery on the Li Auto Li L series — Pro and Air models in a mere seven months. Since our initial collaboration, we deeply engage with Li Auto and build a sticky and lasting relationship with them. As a result, we scaled deployment of our solutions with mass production of Li Auto’s vehicles, and they trusted us to equip our solutions into more of their vehicle models, many of which were proven to be very successful best-sellers. In October 2023, Li Auto granted us “Li Auto Top Award” to recognize as one of its most important global partners. We believe such award demonstrated our significant contribution to Li Auto as a leader in China’s new energy vehicle market.

BUSINESS

Our popularity and success among China OEMs have attracted the attention of international giants, such as Volkswagen. Volkswagen has invested in the Company and we’ve strategically established a joint venture with them to capture the future opportunities of customized driving automation solutions in China. See “— Our Partnership with Volkswagen Group” for further details.

Our Ecosystem Partners

In addition to OEMs and tier-one suppliers, we maintain relationships with a variety of ecosystem partners within the industry value chain. Our ecosystem partners include companies upstream and downstream that have complementary capabilities we need, such as domain control hardware and module companies. Together with these partners, we collaborate on system-level planning and go-to-market strategies to drive economy of scale in standardized products, thereby enhancing solution performance and reducing costs, and creating a positive cycle that accelerates our competitiveness. Furthermore, we collaborate with capable software companies to expand our capacity and customer reach. We believe our ecosystem partners will gradually become familiar with and accustomed to our development platform, technical tools and processing hardware, resulting in user stickiness and dependency. We may not generate revenue directly from ecosystem partners; however, we believe that the habits of ecosystem partners to our offerings serve as the tentacles and leverage of our go-to-market efforts, which enlarges our customer base and deepens our moat. On the other hand, our ecosystem partners can generate revenue or enhance their product capabilities by leveraging our solutions, resulting in a win-win outcome.

Top Five Customers

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

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Rank	Customers	Type of Products Purchased	Background	Approximate Years of Business Relationship	Revenue <i>(RMB in millions)</i>	% of Our Total Revenue <i>%</i>
For the year ended December 31, 2021						
1 . .	Customer A	Automotive Solutions	a Cayman Island Company established in 2017, listed on both the Nasdaq and the Stock Exchange, and whose business entity in China is an electric vehicle manufacturer established in 2015 and based in Beijing.	five years	115.2	24.7
2 . .	Customer B	Automotive Solutions	a software company in the automotive industry, established in Chongqing with a registered share capital of approximately RMB99.0 million, and subsidiary to a state-owned automotive company listed on the Shenzhen Stock Exchange.	three years	52.0	11.1
3 . .	Customer C	Automotive Solutions	an automotive electronics solutions provider, established in Hong Kong in 2001, listed on the Stock Exchange.	four years	45.0	9.6
4 . .	Customer D	Automotive Solutions	a technology company established in Zhejiang province in 2017, with a registered share capital of RMB1,500.0 million.	five years	42.5	9.1
5 . .	Customer E	Automotive Solutions	a technology company established in Jiangsu province in 2020, with a registered share capital of RMB16,000.0 million.	four years	28.4	6.1
For the year ended December 31, 2022						
1 . .	Customer A	Automotive Solutions	a Cayman Island Company established in 2017, listed on both the Nasdaq and the Stock Exchange, and whose business entity in China is an electric vehicle manufacturer established in 2015 and based in Beijing.	five years	145.3	16.0
2 . .	SAIC	Automotive Solutions	an automobile manufacturer listed on the Shanghai Stock Exchange, established in Shanghai in 1984, with a registered share capital of approximately RMB11,683.5 million.	five years	101.8	11.2
3 . .	Customer F	Automotive Solutions	a technology company, listed on the Shenzhen Stock Exchange, and established in Beijing in 2002, with a registered share capital of approximately RMB2,377.8 million.	three years	87.8	9.7

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Rank	Customers	Type of Products Purchased	Background	Approximate Years of Business Relationship	Revenue <i>(RMB in millions)</i>	% of Our Total Revenue <i>%</i>
4	Customer G	Automotive Solutions	a technology company in automotive industry, established in Beijing with a registered share capital of RMB680.0 million.	two years	75.0	8.3
5	Customer H	Non-automotive Solutions	an electronic component and technical service provider, established in Shanghai in 2005, with a registered share capital of RMB10 million.	four years	72.2	8.0
For the year ended December 31, 2023						
1	CARIZON	Automotive Solutions	see “Our Partnership with Volkswagen Group — CARIZON — Our Joint Venture with Volkswagen Group”.	one year	627.3	40.4
2	Customer A	Automotive Solutions	a Cayman Island Company established in 2017, listed on both the Nasdaq and the Stock Exchange, and whose business entity in China is an electric vehicle manufacturer established in 2015 and based in Beijing.	five years	193.7	12.5
3	Customer D	Automotive Solutions	a technology company established in Zhejiang province in 2017, with a registered share capital of RMB1,500.0 million.	five years	107.0	6.9
4	SAIC	Automotive Solutions	an automobile manufacturer listed on the Shanghai Stock Exchange, established in Shanghai in 1984, with a registered share capital of approximately RMB11,683.5 million.	five years	82.4	5.3
5	Customer C	Automotive Solutions	an automotive electronics solutions provider, established in Hong Kong in 2001, listed on the Stock Exchange.	four years	56.5	3.6

OUR SUPPLIERS

Manufacturers

We engage an industry-leading multinational semiconductor manufacturer (“Supplier A”) as the manufacturer of our processing hardware. We then engage another manufacturer (“Supplier C”) to perform assembly and testing services for our processing hardware. We first established business relationship with Supplier A in 2016, and have been in close collaboration with them throughout the design and manufacturing process. Consistent with market practice, we do not maintain any long-term contract or framework agreement with Supplier A. We place actual orders for different processing hardware with Supplier A, where we set out key

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commercial terms such as price, quantity and product technology. We place actual orders according to our business needs. Once a purchase order is confirmed, Supplier A starts the manufacturing process and then ships the products in due course. We make prepayments to Supplier A prior to shipment. We currently engage Supplier A to manufacture all of our processing hardware. See “Risk Factors — Risks Related to Our Business and Industry — We depend on a limited number of third-party business partners for certain essential materials, equipment and services” for details.

Supplier A then typically transports the completed interim products to our assembly and testing provider Supplier C. Supplier C completes the manufacturing of processing hardware as a typical outsourced assembly and testing vendor and delivers the completed products to us. With initial engineering sample, we perform additional testing to ensure proper functioning and compatibility with the relevant algorithms. The manufacturing process by Supplier A typically takes three to four months, depending on the design and process complexity, and the assembling and testing process by Supplier C generally takes another two to three months.

IP and EDA Vendors

We in-license certain third party IPs such as interface, hardware functioning block and electronic design automation tools from IP and EDA vendors. Depending on the particular in-license, we either pay pre-determined license fees as is customary for EDA services or servicing contracts for in-licensed IP, or royalties on a price-per-unit basis for every processing hardware.

IT Vendors

We procure data storage facilities and cloud services from notable industry suppliers. Data storage facility providers supply us secure and stable data storage environment. Cloud service suppliers provide pre-built functionalities and services that we can integrate into our development needs.

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Top Five Suppliers

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

Rank	Suppliers	Type of Products/ Services Provided	Background	Approximate Years of Business Relationship	Credit Terms	Purchase Amount <i>(RMB in millions)</i>	% of Our Total Purchase %
For the year ended December 31, 2021							
1.	Supplier A	manufacturer	a multinational semiconductor contract manufacturing and design company.	eight years	100% prepayment before shipment	100.7	20.8
2.	Supplier B	supplier of materials	an electronic component distributor established in Shanghai in 2002, with a registered share capital of US\$25.00 million.	five years	100% prepayment before shipment	66.4	13.7
3.	Supplier C	assembly and testing service	a provider of semiconductor manufacturing services.	five years	30 days upon the invoice	45.7	9.4
4.	Supplier D	outsource service	an intelligent operating system products and technologies provider established in Jiangsu province, with a registered share capital of RMB80.00 million.	six years	30 days upon the invoice	20.7	4.3
5.	Supplier E	server and equipment	a technology company that provides IT products and services established in Beijing in 2018, with a registered share capital of RMB11.00 million.	five years	30 days upon the invoice	18.0	3.7

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Rank	Suppliers	Type of Products/ Services Provided	Background	Approximate Years of Business Relationship	Credit Terms	Purchase Amount <i>(RMB in millions)</i>	% of Our Total Purchase <i>%</i>
For the year ended December 31, 2022							
1 . . .	Supplier H	IP/EDA vendor	an electronic design automation company established in the United States in 1987 and listed on the Nasdaq.	five years	45 to 90 days upon the invoice	226.3	15.7
2 . . .	Supplier A	manufacturer	a multinational semiconductor contract manufacturing and design company.	eight years	100% prepayment before shipment	214.5	14.9
3 . . .	Supplier F	IP vendor	a processing hardware design and service provider established in Shenzhen in 2016, with a registered share capital of approximately US\$66.10 million.	seven years	30 days upon the invoice	156.2	10.8
4 . . .	Supplier D	outsource service	an intelligent operating system products and technologies provider established in Jiangsu province, with a registered share capital of RMB80.00 million.	six years	30 days upon the invoice	152.0	10.6
5 . . .	Supplier C	assembly and testing service	a provider of semiconductor manufacturing services.	five years	30 days upon the invoice	141.3	9.8
For the year ended December 31, 2023							
1 . . .	Supplier A	manufacturer	a multinational semiconductor contract manufacturing and design company.	eight years	100% prepayment before shipment	458.5	19.5
2 . . .	Supplier B	supplier of materials	an electronic component distributor established in Shanghai in 2002, with a registered share capital of US\$25.00 million.	five years	100% prepayment before shipment	232.9	9.9
3 . . .	Supplier C	assembly and testing service	a provider of semiconductor manufacturing services.	five years	30 days upon the invoice	200.7	8.6
4 . . .	Supplier G	construction	a building construction services provider established in Beijing in 1980, with a registered share capital of RMB10,000 million.	five years	20 days upon the invoice	149.9	6.4
5 . . .	Supplier H	IP/EDA vendor	an electronic design automation company established in the United States in 1987 and listed on the Nasdaq.	five years	45 to 90 days upon the invoice	136.0	5.8

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Supply Chain Management

We utilize a supply chain management framework to manage our overall product development, procurement and production processes. Starting from the product research and development phase, we establish detailed supplier onboarding procedures. We primarily consider price, quality, technology capabilities, delivery speed and qualifications before onboarding a supplier. We also conduct periodic supplier review, quarterly, annually, or at key project milestones, to assess their performance. In addition, we also implement measures for anomaly management to continuously monitor the final product quality. See “Quality Assurance — Quality Assurance Procedures” for further details.

We believe that we have effectively managed our supply chain during the Track Record Period and up to the Latest Practicable Date. During the Track Record Period, we did not encounter any material supply chain issues, enabling us to continuously deliver ADAS and AD solutions to our customers. Even during the industry’s supply chain shortage, especially from 2021 to 2022, we managed to fulfill deliveries to our customers, which is benefited from our strategy to further accumulate and store a secure supply of inventory to counteract the cyclical nature of the automotive industry. As of the Latest Practicable Date, we maintain strong collaborative relationships with various suppliers in the field, journeying with them together to drive industry growth.

OUR PARTNERSHIP WITH VOLKSWAGEN GROUP

CARIZON — Our Joint Venture with Volkswagen Group

We strategically partner with affiliates of Volkswagen Group (“Volkswagen”) through the joint venture Carizon (Beijing) Technology Co., Ltd (“CARIZON”), which was established in 2023, to capture the future opportunities of customized driving automation solutions in China. CARIZON engages in the business of research and development, manufacture of autonomous driving application software and self-driving systems, and it also provides aftersales services, training, consulting, testing and technical services of its products. In the short term, its primary customer will be the Volkswagen Group, and its products will be applied towards vehicles Volkswagen sells in China. Volkswagen holds 60% and we hold 40% of the equity interest in CARIZON, respectively. The total registered capital of CARIZON is RMB6,757.0 million, and we have committed to contribute RMB2,703.0 million by installment prior to December 14, 2025, representing 40% of the total registered capital of CARIZON. As of the Latest Practicable Date, we have contributed RMB1,351.0 million as registered capital of CARIZON. There is no term limitation of CARIZON. Neither Volkswagen or we may transfer our equity interests without the other party’s prior written consent, subject to customary right of first offer, right of first refusal and transfer among affiliates conditions.

Pursuant to our agreement with affiliates of Volkswagen, we will license our ADAS and AD solutions for a fee to CARIZON and provide technical support to CARIZON for its R&D and manufacturing of its products; and CARIAD will provide technical support to CARIZON in product roadmap, sales facilitation, sales channel management and marketing.

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Convertible Loan

In November 2022, we strategically entered into a convertible loan agreement with an affiliate of Volkswagen. Pursuant to which and subject to the terms therein, Volkswagen has agreed to provide us a convertible loan in the amount of US\$800 million for a term of three years since the utilization date with tiered annual interest rates from 2.0% to 5.0%. For conversion mechanics and further details of the convertible loan, please see “History, Reorganization and Corporate Structure — Convertible Loan.”

QUALITY ASSURANCE

Quality Assurance Procedures

We follow thorough quality assurance procedures to monitor the quality, product safety and conformity of our solutions during the entire development, manufacturing, delivery and services processes. We have dedicated quality assurance procedures and protocols to deliver outstanding solutions to our customers.

Our quality assurance starts with stringent onboarding procedure. For manufacturers, we engage well-known industry-leading suppliers and require them to be IATF16949 (or equivalent) qualified. For IP and EDA suppliers, we consider their technological capacity and problem-solving ability in fulfilling the requirements of the IPs needed. For IT service providers, we require their services to be reliable and easy-to-use. We aim to maintain long-term and stable relationships with our suppliers fostering win-win partnerships.

We train our staff, including technical engineers and production engineers, to follow quality assurance and technical review protocol as documented in our quality assurance manuals. Our quality assurance personnel are responsible for ensuring compliance with internal quality assurance procedures as prescribed in our written manuals. Our Journey 2, Journey 3 and Journey 5 series processing hardware are all qualified for AEC Q100 Grade 2, a robust and well-recognized stress test in the automotive industry. The efficiency and effectiveness of our quality management system is reviewed on a regular basis.

Our key suppliers who communicate with us throughout their processes and independently engage in internal quality assurance procedures to ensure the quality of their outputs. Our SQE and R&D teams control for quality and product, and our R&D team evaluates the level of technical expertise and innovation of the suppliers. We conduct formal evaluations and audits of our suppliers and manufacturing sites to ensure that they meet our quality assurance procedures and requirements.

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We have designated supplier quality engineering (SQE) functions, integrating supply chain quality control capabilities, to ensure raw material quality, process quality and outgoing quality. Our software development is based on integrated product development (IPD), combining the Automotive Software Process Improvement and Capability Determination (ASPICE) framework. A number of our staff have received external training for ASPICE practices and obtained ASPICE assessors certification.

Certifications

We have established a full suite of functional safety (FuSa) processes meeting the highest level of ISO26262 process (ASIL-D). We have also obtained ISO9001, ISO14001, ISO27001, ISO21434 ML3 and ISO21448 certifications. We also serve as the committee member and participated in the setting of several international standards such as ISO26262. Our processing hardware Journey 5 is the first automotive processing hardware in China and one of the first globally to meet the ASIL-B level under ISO26262 standard.

DATA SECURITY AND PRIVACY

As our customers are OEMs and tier-one companies 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. See “Risk Factors — Risks Related to Our Business and Industry — 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.” for further detail describing the data privacy risks associated with our operations.

We have also established an information technology security program in order to implement data security requirements and best practices and we intend to continuously invest heavily in data security and privacy protection. Our information technology security program applies multiple layers of safeguards. We strive to adopt encryption technologies throughout the data lifecycle to safeguard privacy and enhance data security. We implement internal policies governing the authentication and authorization of access to our systems to ensure confidential and certain categories of data can only be accessed by authorized staff. Our employees only have access to data which is relevant and necessary for their responsibilities, for limited purposes, and are expected to verify authorization upon access. We have also implemented internal rules and procedures relating to the design and implementation of R&D projects and code auditing, to ensure that the designed security requirements are met in our R&D activities and code quality and security. We implement access control and account authority control for all data. We provide data security training to these employees and require them to report any information security breach.

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During the Track Record Period and up to the Latest Practicable Date, we have not received any claim from any third party against us on the ground of infringement of such party’s right to data and privacy protection as provided by any applicable laws and regulations in the PRC or other jurisdictions.

COMPETITION

The global smart vehicle industry is rapidly evolving with frequent updates to ADAS and AD technologies. We compete with other players in the industry whose businesses include the design and development of software, algorithms and hardware related to ADAS and AD. We face increasingly intense competition with other leading players in various aspects of our business, including solution coverage, product design, processing capabilities as well as consumer experience. See “Industry Overview.” According to CIC, during the Track Record Period, Chinese OEMs gained notable market share in the China passenger vehicle market, and all of the top 10 Chinese OEMs are our customers. According to CIC, we are the largest Chinese ADAS solution provider with a market share of 21.3% in 2023, in terms of ADAS installation volume to Chinese OEMs in China.

EMPLOYEES

As of December 31, 2021, 2022 and 2023, we employed an aggregate of 1,454, 1,986 and 2,066 full-time employees, respectively. The following table sets forth a breakdown of the number of our employees as of December 31, 2023 by work function.

Research and Development	1,478
Sales and Marketing	420
General and Administrative	168
Total	2,066

Substantially most of our employees are based in the PRC. Our success depends on our ability to attract, retain and motivate qualified personnel, and we believe that our high-quality talent pool is one of our core strengths. We adopt high standards and strict procedures in our recruitment, including campus recruitment, online recruitment, internal referral and recruitment through executive search, to satisfy our demands for different types of talents. We recruit employees based on their educational background, relevant experience in similar positions and professional qualifications, as well as our expansion strategy and job vacancies. We offer competitive compensation for our employees. In addition, we regularly evaluate the performance of our employees and reward those who perform well with higher compensation or promotion.

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We provide regular and specialized training tailored to the needs of our employees in different departments. Our employees can also improve their skills through our development of technologies and mutual learning among colleagues. New employees will receive pre-job training and general training.

As required by PRC laws and regulations, we participate in various employee social security schemes organized by municipal and provincial government, including pension, maternity insurance, unemployment insurance, work-related injury insurance, health insurance and housing provident fund. We are required under PRC laws and regulations to make contributions to employee social security schemes at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government from time to time.

We believe our leadership in the industry is the key factor in the retention of talent, as our employees are attracted and motivated by the exposure of working with us. However, we also enter into standard contracts and agreements regarding confidentiality, noncompetition, intellectual property, employment and commercial ethics with our executive officers and full-time employees. These contracts typically include a noncompetition provision effective during and up to two years after their employment with us and a confidentiality provision effective during and after their employment with us.

We believe that we maintain a good working relationship with our employees, and we have not experienced any significant labor disputes or any difficulty in recruiting staff for our operations during the Track Record Period and up to the Latest Practicable Date.

INSURANCE

Pursuant to PRC regulations, we provide social insurance including pension insurance, unemployment insurance, work-related injury insurance, maternity insurance and medical insurance for our employees based in China. We also purchase supplemental commercial medical insurance for our employees.

In line with general market practice, we do not maintain any business interruption insurance or product liability insurance, which are not mandatory under PRC laws. We do not maintain key man life insurance, insurance policies covering damages to our network or information technology systems or any insurance policies for our properties. See the section headed “Risk Factors — Risks Related to Our Business and Industry — We may not have sufficient insurance coverage to cover our business risks” in this Document. During the Track Record Period, we did not make any material insurance claim in relation to our business.

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ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Overview

We are committed to fostering sustainable practices, promoting social responsibility, and maintaining strong governance standards, reflecting our dedication to Environmental, Social, and Governance (“ESG”) principles. We will establish a set of ESG policies (“ESG Policy”) in accordance with the standards of Appendix C2 to the Listing Rules, which outlined, among others, (i) the appropriate risk governance on ESG matters, including climate-related risks and opportunities, (ii) ESG strategy formation procedures, (iii) ESG risk management and monitoring, (iv) the identification of key performance indicator (“KPI”) and (v) the relevant measurements and mitigating measures.

Our ESG Policy will set out different parties’ respective responsibilities and authority in managing ESG matters. Our Board will have overall responsibility for overseeing and determining our environmental, social, and climate-related risks and opportunities impacting us, establishing and adopting the ESG Policy and our targets, and reviewing our performance annually against the ESG targets and revising the ESG strategies as appropriate if significant variance from the target is identified.

Our Board will establish an ESG working group to support our Board in implementing the agreed ESG Policy, targets and strategies; conducting materiality assessments of ESG related risks; collecting ESG data from different parties while preparing for the ESG report; and continuous monitoring of the implementation of measures to address our Group’s ESG-related risks. The ESG working group has to report to our Board on an annual basis on our ESG performance and the effectiveness of the ESG systems.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material claim or penalty or accident in relation to health, work safety, social and environmental protection, as advised by our PRC Legal Advisors we had been in compliance with the relevant PRC laws and regulations in all material aspects.

Potential Impacts of ESG-related Risks

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 as our key agenda. Supervised by our Board, we actively identify and monitor the ESG-related risks and opportunities over the short, medium and long term, and we seek to incorporate such climate-related issues into our businesses, strategy and financial planning.

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We regularly check and analyze the carbon emissions caused by our own business operations, and continuously explore solutions to reduce carbon emissions. As an ADAS and AD solutions provider, we will only produce scope 2 emissions under the Listing Rules. Based on the tracking and review of emission indicators, we actively explored actions to reduce carbon emissions and disposal. Non-hazardous waste is handled by the property in compliance. During the track record period, we have not incurred significant capital expenditure or compliance costs related to climate and environmental protection.

Metrics and Targets

The ESG working group sets targets for each material KPI at the beginning of each financial year in accordance with the disclosure requirements of Appendix C2 to the Listing Rules and other relevant rules and regulations upon [REDACTED]. The relevant targets on material KPIs will be reviewed by the board on an annual basis to ensure that they remain appropriate to the needs of our Group. In setting targets for the KPIs, we have taken into account their respective historical levels and have considered our future business expansion thoroughly and prudently with a view of balancing business growth and environmental protection to achieve sustainable development.

We monitor the following indicators to assess and manage our environmental and climate-related risks arising from our business operations.

Indicators	For year ended December 31,		
	2021	2022	2023
Greenhouse gases	Total greenhouse gas emission (tons of CO ₂ e)		
	978.7	1,642.4	2,250.0
	Total greenhouse gas emission per unit of revenue (tons of CO ₂ e/RMB in million)		
	2.1	1.8	1.5
	Year-over-year change of total greenhouse gas emission per unit of revenue		
	NA	(13.5%)	(20.0%)

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Indicators		For year ended December 31,		
		2021	2022	2023
Power consumption	Total electricity consumption (MWh)	1,623.4	2,797.6	3,783.8
	Total electricity consumption per unit of revenue (MWh/RMB in million)	3.5	3.1	2.4
	Year-over-year change of total electricity consumption per unit of revenue	N/A	(11.2%)	(21.1%)
Water consumption	Total water consumption (tons)	5,756.4	12,657.3	17,529.4
	Total water consumption per unit of revenue (tons/RMB in million)	12.3	14.0	11.3
	Year-over-year change of total water consumption per unit of revenue	N/A	13.3%	(19.2%)
Waste generation	Amount of non-hazardous waste (tons)	76.3	89.2	137.0
	Amount of hazardous waste (tons)	0.9	– ⁽¹⁾	1.0
	Total amount of waste:	77.2	89.2	138.0
	Total amount of waste per unit of revenue (tons/RMB in million)	0.2	0.1	0.1
	Year-over-year change of total amount of waste per unit of revenue	N/A	(40.4%)	(9.7%)

1. The original data is 0.01, since only one decimal place is retained, it is written “–”.

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Corporate Social Responsibility

We have been committed to corporate responsibility projects, especially education. In line with this commitment, our CEO and Chairman, Dr. Yu, has donated RMB11.0 million to establish the Horizon Fund with a leading education institution in the PRC. This special fund aims to contribute to the enhancement of education and support scientific research and talent development in related fields.

Building upon our dedication to education, we have initiated the Horizon University Developer Program. This program has a broad vision of reaching thousands of universities globally and cultivating millions of university-level developers. Central to this program is the Horizon Development Kit, which serves as a comprehensive teaching resource for software and hardware programs in universities.

Through the Horizon University Developer Program, we seek to foster collaboration between universities and our organization. Specific collaborations include co-building curriculum systems, conducting research collaborations, fostering innovation and entrepreneurship, as well as partnering in competitions and events. By working together, we aim to create a vibrant ecosystem that nurtures talent, promotes innovation, and empowers students to excel in the fields of science and technology.

Employment and Care

We have entered into employment contracts with our employees in accordance with the applicable PRC laws and regulations such as the Labor Law of the People’s Republic of China and the Labor Contract Law of the People’s Republic of China, and formulated the Employee Manual, the Labor and Employment Management Regulations and other internal policies. We hire employees based on their merits, following the principles of lawfulness, fairness, equality, voluntariness, consensus, honesty and credibility. We prohibit any use of child labor in any of our operations.

We believe that having a balanced lifestyle is crucial to achieving a good mindset at work. Therefore, we encourage employees to maintain good mental and physical health by participating in sports and recreational activities.

We nurtured a friendly and inspirational corporate culture that we believe is attractive to the talented scientists who are keen to our success, and we invest heavily in training and retaining them. We provide adequate resources to help them succeed, including easy access to our rich internal resources for training and studying, our invaluable industry-related insights and opportunities to work in an inclusive community with our similar-minded scientists.

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Benefits and Welfare

We strive to offer competitive salaries to attract and retain employees, and we provide attractive benefits and care to employees, including wedding and birth benefits, festival care and community activities, as well as gym, mother and baby room, lounge and other complete functional rooms.

We will also focus on embracing diversity within our organization and equal and respectful treatment of all of our employees in their hiring, training, wellness and professional and personal development. While maximizing equal career opportunity for everyone, we will also continue to promote work-life balance and create a pleasant workplace for all of our employees.

Workplace Safety

We have adopted and maintained a series of rules, standard operating procedures, and measures to maintain our employees’ healthy and safe environment to ensure our operations comply with applicable workplace safety regulations in jurisdictions where we operate. We implement safety guidelines to set out information about potential safety hazards. Also, we have policies in place and have adopted relevant measures to ensure the hygiene of our work environment and the health of our employees. As we do not operate any production facilities, we are not subject to significant health, work safety, social or environmental risks. To ensure compliance with applicable laws and regulations, our human resources department would, if necessary and after consultation with our legal advisers, adjust our human resources policies to accommodate material changes to relevant labor and safety laws and regulations.

Development and Training

To further support professional development, staff training management is divided into on-the-job training and onboarding training. The onboarding training for employees includes explaining professional knowledge and company culture values. At the beginning of the year, our human resources department collects the training requirements of all departments and conducts on-the-job training according to the common needs or pain points. At the same time, we also provide relevant leadership training for managers at different levels to help managers improve their team management skills and continue to move towards better management positions.

Anti-corruption and Anti-bribery

In addition, we have implemented a set of policies to ensure our operations comply with applicable anti-bribery and anti-corruption regulations in jurisdictions where we operate. The policies explain potential bribery and corruption conduct and our anti-bribery and anti-corruption measures. Improper payments prohibited by the policy include bribes, kickbacks, excessive gifts or facilitation payment, or any other payment made or offered to obtain an undue business advantage. Our compliance department is responsible for investigating the

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reported incidents and taking appropriate measures as necessary. We conduct background check procedures before hiring any third party and ensure that the hiring procedure is implemented fully in accordance with the anti-bribery and anti-corruption policies. We also have regular trainings for employees regarding anti-bribery and anti-corruption policies to facilitate better implementation.

Supply Chain Management

Our suppliers mainly include manufacturers and assembly and testing service providers and IP, EDA, IT vendors. We utilize a supply chain management framework to manage our overall product development, procurement, and production processes. We have a supplier management policy, based on which we evaluate our suppliers carefully according to their historical quality performance and ask them to provide certificate including ISO14001 certification, ISO45001 certification, Registration, Evaluation, Authorization, and Restriction of Chemicals (REACH) and Restriction of Hazardous Substances (RoHS) by the EU.

In addition, we also encourage our suppliers to comply with relevant environmental and social regulations. Since we are not engaged in manufacturing of products and we do not directly perform the delivery of goods, we do not purchase any cartons or other packaging materials to package the products we sold under the distribution method. We commit to reducing our environmental footprint. We adhere to the principles of simplicity, high efficiency and convenient use for customers, and expect to collaborate with our suppliers to package the products in a more environment friendly manner. We have also included anti-corruption clauses in our agreements with our suppliers to prevent collusion and corruption.

Product Quality and Safety

We inform our customers that certificates have been obtained from professional testing institutions that conducted efficacy tests and safety assessments on our products. Through these results, we communicate to our customers about the reliability and efficacies of our products. We have established a full-suite of functional safety (FuSa) processes meeting the highest level of ISO26262 process (ASIL-D). We have also obtained ISO9001, ISO14001, ISO27001, ISO21434 ML3 and ISO21448 certifications. We also serve as the committee member and participated in the setting of several international standards such as ISO26262.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material claim or penalty in relation to any product safety issues and false advertising incidents and had been in compliance with the relevant laws and regulations in China in all material aspects.

BUSINESS

PROPERTIES

Our principal executive offices are located in Beijing and Shanghai, China, respectively. According to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this Document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all our interests in land or buildings, for the reason that, as of the Latest Practicable Date, none of the properties leased by us had a carrying amount of 15% or more of our consolidated total assets.

We currently do not own any properties. As of the Latest Practicable Date, we own one land use right with a total area of approximately 15.6 thousand sq.m., which shall be used for the purpose of “scientific research and design (R&D headquarters industry project category)” according to the relevant land grant contract which we entered into with local government authority in Shanghai in October 2022. We had fully paid the considerations for the land use right and obtained the real estate right ownership certificate. We mortgaged the aforesaid land use right for a loan from Shanghai Pudong Development Bank Co., Ltd. in the new branch of Shanghai Pilot Free Trade Zone and has registered the mortgage. As of the Latest Practicable Date, we primarily leased 16 properties in China with an aggregate gross floor area of 34.9 thousand sq. m. as our office space. We believe that there is sufficient supply of properties in mainland China and we do not rely on the existing leases for our business operations. We believe that our current facilities are adequate to meet our current needs.

LEGAL PROCEEDINGS AND COMPLIANCE

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

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

BUSINESS

LICENSES AND PERMITS

The following table sets forth the details of the material licenses and permits necessary for the business operations in which we engaged in China.

License/Permit	Entity Holding the License/Permit	Grant Date	Expiration Date
High and New Technology Enterprises Certificate	Horizon Shanghai	2023.12.12	2026.12.11
High and New Technology Enterprises Certificate	Horizon Information	2023.11.30	2026.11.29
High and New Technology Enterprises Certificate	Horizon Shenzhen	2022.12.19	2025.12.18
High and New Technology Enterprises Certificate	Beijing Horizon Robotics	2022.10.18	2025.10.17
High and New Technology Enterprises Certificate	Horizon Nanjing	2021.11.30	2024.11.29
Quality management system certification: GB/T19001-2016/ISO9001:2015	Beijing Horizon Robotics	2021.09.22	2024.08.23
Quality management system certification: GB/T19001-2016/ISO9001:2015	Horizon Shanghai	2022.12.07	2025.11.06
Quality management system certification: GB/T19001-2016/ISO9001:2015	Horizon Shenzhen	2022.12.08	2025.11.04
Quality management system certification: GB/T19001-2016/ISO9001:2015	Horizon Nanjing	2022.12.02	2025.11.06
Quality management system certification: GB/T19001-2016/ISO9001:2015	Horizon Information	2023.02.10	2026.02.09
Environmental management system certification: GB/T24001-2016/ISO14001:2015	Beijing Horizon Robotics	2021.09.22	2024.09.21
Environmental management system certification: GB/T24001-2016/ISO14001:2015	Horizon Information	2023.02.10	2026.02.09
Environmental management system certification: GB/T24001-2016/ISO14001:2015	Horizon Nanjing	2022.12.02	2025.12.01
Environmental management system certification: GB/T24001-2016/ISO14001:2015	Horizon Shanghai	2022.12.07	2025.12.06
Environmental management system certification: GB/T24001-2016/ISO14001:2015	Horizon Shenzhen	2022.12.08	2025.12.07
IT Product Information Security Certification	Beijing Horizon Robotics	2022.11.23	2025.11.22

BUSINESS

During the Track Record Period and up to the Latest Practicable Date, we had obtained all material licenses, permits, approvals and certificates necessary to conduct our actual business operations from the relevant government authorities in the PRC, and such licenses, permits, approvals and certificates remained in full effect.

RISK MANAGEMENT AND INTERNAL CONTROL

We have established and currently maintain risk management and internal control systems consisting of policies and procedures that we consider to be appropriate for our business operations. We are dedicated to continuously improving these systems. We have adopted and implemented risk management policies in various aspects of our business operations. Our Board of Directors is responsible for the establishment and updating of our internal control systems, while our senior management monitors the daily implementation of the internal control procedures and measures with respect to each subsidiary and functional department.

Financial Reporting Risk Management

We have adopted comprehensive accounting policies in connection with our financial reporting risk management, such as financial management, budget management and financial statement preparation. We also have procedures in place to carry out such accounting policies, and our finance department reviews our management accounts in accordance with such procedures. In addition, we provide ongoing training to our finance staff to ensure that these policies are well-observed and effectively implemented.

Information System Risk Management

Sufficient maintenance, storage and protection of our data and other related information are critical to our success. We have implemented relevant internal procedures and controls to ensure that our data is protected and that leakage and loss of such data are avoided.

We have implemented comprehensive internal policies on protecting data privacy and security. We also engage external legal counsel to review and update our internal policies and ensure continuous compliance with all applicable laws and regulations.

During the Track Record Period and up to the Latest Practicable Date, we have not become aware of any material information leakage or loss of our data. See “Data Security and Privacy” in this section for more information about our information security procedures and policies.

BUSINESS

Compliance and Intellectual Property Risk Management

We have designed and adopted strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations, as well as the protection of our intellectual property rights. Our legal department examines the contract terms and reviews all relevant documents for our business operations, including licenses and permits obtained by the counterparties or us to perform contractual obligations and all the necessary underlying due diligence materials, before we enter into any contract or business arrangements. There was no material and systemic noncompliance during the Track Record Period and as of the Latest Practicable Date.

We have in place detailed internal procedures to ensure that our in-house legal department reviews our solutions and services, including upgrades to existing solutions, for regulatory compliance before they are made available to the general public. Our legal department is also responsible for obtaining any requisite governmental pre-approvals or consent, including preparing and submitting all necessary documents for filing with relevant government authorities within the prescribed regulatory timelines and ensuring all necessary application, renewals or filings for trademark, copyright and patent registration have been timely made to the competent authorities.

Internal Control Risk Management and Measure

We have designed and adopted strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations. We maintain internal procedures to ensure that we have obtained all material requisite licenses, permits and approvals for our business operation, and conduct regular reviews to monitor the status and effectiveness of those licenses and approvals. We obtain requisite governmental approvals or consents, including preparing and submitting all necessary documents for filing with relevant government authorities within the prescribed regulatory timelines.

Human Resources Risk Management

We have established internal control and risk management policies covering various aspects of human resource management such as recruitment, training, work ethics and legal compliance. We maintain high standards in recruitment with strict procedures to ensure the quality of new hires and provide specialized training tailored to the needs of our employees in different departments. We also conduct periodic performance reviews for our employees, and their remuneration is performance-based. We monitor the implementation of internal risk management policies on a regular basis to identify, manage and mitigate internal risks in relation to the potential noncompliance with our code of conduct, work ethics, and violations of our internal policies or illegal acts at all levels of our Group.

BUSINESS

Investment Risk Management

Our investment department is responsible for investment project sourcing, screening, execution and portfolio management. The department sources investment projects in accordance with our investment strategy, and conducts thorough pre-investment due diligence to assess the risks, business synergies and potential return of the investment projects.

Audit Committee Experience and Qualification and Board Oversight

We will establish an audit committee to monitor the implementation of our risk management policies across our Company on an ongoing basis to ensure that our internal control system is effective in identifying, managing, and mitigating risks involved in our business operations. The audit committee will consist of three members, namely Dr. Jun Pu (chairman), Dr. Katherine Rong XIN and Dr. Ya-Qin Zhang all being independent non-executive Directors. For the professional qualifications and experiences of the members of our audit committee, see “Directors and Senior Management — Board Committees.”

We also maintain an internal audit department that is responsible for reviewing the effectiveness of internal controls and reporting to the audit committee on any issues identified. Our internal audit department holds regular meetings with the management to discuss any internal control issues we face and the corresponding measures to implement toward resolving such issues.

AWARDS AND RECOGNITIONS

Award/Recognition	Award Authority	Award Year
China Auto Parts Award of the Year in Mass Production	Auto Business Review	2022
China Auto Parts Award in Prospective Category	Auto Business Review	2021
China Auto Parts Award in Mass Production	Auto Business Review	2020
Innovation Awards in the Vehicle Intelligence and Self-driving Technology Category	Consumer Electronics Show (CES)	2019
One of the 50 Smartest Companies, TR50	MIT Technology Review	2019
China Auto Parts Annual Contribution Award	Auto Business Review	2019
Most Innovative Company of the Year in China.	Forbes China	2018

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Upon [REDACTED], the Board will consist of twelve Directors, including four executive Directors, four non-executive Directors and four independent non-executive Directors. The following table provides certain information about our Directors:

The following table sets forth the key information about our Directors:

Name	Age	Position/Title	Time of Joining our Group	Date of Appointment as a Director	Responsibilities
Dr. Kai Yu (余凱)	47	Chairman of the Board, executive Director and chief executive officer	July 2015	July 21, 2015	In charge of our overall strategic and business development
Dr. Chang Huang (黃暢)	43	Executive Director and chief technology officer	July 2015	November 1, 2017	In charge of our overall R&D work
Ms. Feiwen Tao (陶斐雯)	38	Executive Director and chief operating officer	July 2015	September 7, 2017	In charge of our operations and management
Dr. Liming Chen (陳黎明)	61	Executive Director and president	September 2021	March 18, 2024	In charge of our overall management, with a strategic focus on supply chain and quality assurance
Mr. Liang Li (李良)	52	Non-executive Director	November 2017	November 2017	Provide strategic advice on the development of the Company
Mr. Qin Liu (劉芹)	51	Non-executive Director	October 2015	October 2015	Provide strategic advice on the development of the Company
Dr. André Stoffels	55	Non-executive Director	December 2023	December 2023	Provide strategic advice on the development of the Company

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position/Title	Time of Joining our Group	Date of Appointment as a Director	Responsibilities
Dr. Juehui Zhang (張覺慧)	61	Non-executive Director	January 2022	January 2022	Provide strategic advice on the development of the Company
Dr. Jun Pu (浦軍)	47	Independent non-executive Director	[REDACTED] [●]		Provide independent opinion and judgment to the Board
Mr. Yingqiu Wu (吳迎秋)	62	Independent non-executive Director	[REDACTED] [●]		Provide independent opinion and judgment to the Board
Dr. Katherine Rong XIN	60	Independent non-executive Director	[REDACTED] [●]		Provide independent opinion and judgment to the Board
Dr. Ya-Qin Zhang (張亞勤)	58	Independent non-executive Director	January 2020	January 2020	Provide independent opinion and judgment to the Board

Note: As of the Latest Practicable Date, Mr. Xin Zhang (張欣) was our Director appointed by one of our investors. He will resign from directorship effective before [REDACTED].

Executive Directors

Dr. Kai Yu (余凱), aged 47, is our founder, chairman of the Board, an executive Director and chief executive officer. Dr. Yu is in charge of our overall strategic and business development. Dr. Yu was appointed as a Director in July 2015 and re-designated as an executive Director in March 2024.

Dr. Yu is a globally recognized scientist, and has approximately 25 years of research and development experience in computer engineering. Dr. Yu has published more than 100 research papers with over 30,000 citations. Before founding the Company, Dr. Yu was the deputy head of Baidu Research (百度研究院) from April 2012 to June 2015. He was instrumental in initiating China’s one of the first autonomous driving project at Baidu in 2013. Prior to joining Baidu, Dr. Yu played various key R&D roles in Germany and the United States for 12 years,

DIRECTORS AND SENIOR MANAGEMENT

including senior research scientist at the Neural Computation Department of Siemens Corporate Technology, head of the Media Analytics Department at NEC Laboratories America. He was also an adjunct faculty at the Computer Science Department of Stanford University during the period.

Dr. Yu obtained his bachelor’s degree and master’s degree in electronic engineering from Nanjing University (南京大學) in July 1998 and June 2000, respectively, and his Ph.D. degree in computer science from University of Munich in Germany in July 2004.

Dr. Chang Huang (黃暢), aged 43, is our co-founder, an executive Director and chief technology officer. Dr. Huang is in charge of our overall R&D work. Dr. Huang was appointed as a Director in November 2017 and re-designated as an executive Director in March 2024.

Dr. Huang is one of the top researchers in computer engineering. As a renowned expert in both industry and academia, he has over 20,000 academic citations and owns more than 80 patents internationally. Dr. Huang served as the chief R&D architect at Baidu Inc. (NASDAQ: BIDU; stock code: 9888.HK) from November 2014 to August 2015, the principal architect of Baidu USA LLC from July 2012 to November 2014, a researcher of NEC Laboratories America from November 2010 to July 2012, and a postdoctoral researcher at the University of Southern California in the United States from November 2007 to July 2010.

Dr. Huang received his bachelor’s, master’s and Ph.D. degrees in computer science and technology from Tsinghua University (清華大學) in July 2003, July 2005 and July 2007, respectively.

Ms. Feiwen Tao (陶斐雯), aged 38, is our co-founder, an executive Director and chief operating officer. Ms. Tao is in charge of our operations and management. Ms. Tao was appointed as a Director in September 2017 and re-designated as an executive Director in March 2024.

Ms. Tao has extensive experiences in leading international technology companies. Prior to founding the Company, Ms. Tao worked at Baidu USA LLC before working at the headquarter of Baidu Inc. (NASDAQ: BIDU; stock code: 9888.HK) in the PRC from May 2012 to February 2016. She worked in the sales & operations team at Google’s headquarters from February 2011 to May 2012. She served as a senior analyst at Foote, Cone and Belding Limited from January 2009 to February 2011.

Ms. Tao received her bachelor’s degree in economics from Nanjing University (南京大學) in June 2007 and her master’s degree in science and integrated marketing communications from Northwestern University in the United States in December 2008.

DIRECTORS AND SENIOR MANAGEMENT

Dr. Liming Chen (陳黎明), aged 61, is our executive Director appointed in March 2024 and the president of our Company. Dr. Chen is in charge of our overall management, with a strategic focus on supply chain and quality assurance.

Dr. Chen is a widely respected technologist and industry leader in the automotive industry and renowned business leader in strategy development, management system and sustainable business growth with about 30 years’ experiences. Prior to joining the Company, Dr. Chen held various senior positions within the Bosch Group including application manager from August 2004 to May 2007, engineering director from June 2007 to December 2010, vice president from January 2011 to June 2012 and senior vice president and regional president of Bosch Group’s chassis systems control division in China from 2012 to 2021, and was responsible for its P&L and overall management.

Dr. Chen received his bachelor’s and master’s degree in aeronautical powerdevice control from Nanjing University of Aeronautics and Astronautics (南京航空航天大學) (formerly known as Nanjing College of Aeronautics (南京航空學院)) in July 1983 and June 1986, respectively, and his Ph.D. degree in mechanical engineering from Wayne State University in the United States in May 1995. Dr. Chen has been a member of Global Automotive Executive Council (全球汽車精英組織) since October 2017.

Non-executive Directors

Mr. Liang Li (李良), aged 52, was appointed as a Director in November 2017 and was re-designated as our non-executive Director in March 2024. He is primarily responsible for providing strategic advice on the development of the Company.

Mr. Li has served as a partner at Hillhouse Investment since November 2005.

Mr. Li received his bachelor’s degree in automation in July 1994 and his master’s degree in systems engineering in June 1997 from Tsinghua University (清華大學).

Mr. Qin Liu (劉芹) (former name: Ya Liu (劉雅)), aged 51, was appointed as a Director in October 2015 and was re-designated as our non-executive Director in March 2024. He is primarily responsible for providing strategic advice on the development of the Company.

Mr. Liu co-founded and has been serving as a managing partner of 5Y Capital (formerly known as Morningside Venture Capital Limited) since June 2007. Before co-founding 5Y Capital, Mr. Liu served various roles including the business development director for investment at Morningside IT Management Services (Shanghai) Co. Ltd. (晨興信息科技諮詢(上海)有限公司) from July 2000 to November 2008. Mr. Liu has been a director of JOYY Inc. (NASDAQ: YY) since June 2008, and he currently serves as a member of the corporate governance and nominating committee and the investment committee of JOYY Inc.. Mr. Liu became a director of Xiaomi Corporation (stock code: 1810.HK) in May 2010, and he currently serves as a non-executive director and a member of the audit committee of Xiaomi Corporation. Since December 2014, Liu Qin has been a director of Agora, Inc. (NASDAQ: API), and he currently serves as a member of the audit committee, the nominating and corporate governance committee and the compensation committee of Agora Inc. Mr. Liu served as a non-executive director of XPeng Inc. (NYSE: XPEV, stock code: 9868.HK) from September 2019 to June 2023.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Liu received his bachelor’s degree in industrial electrical automation from University of Science and Technology Beijing (北京科技大學) in July 1993, and his master’s degree in business administration from China Europe International Business School (中歐國際工商學院) in April 2000.

Dr. André Stoffels, aged 55, was appointed as a Director in December 2023 and was re-designated as our non-executive Director in March 2024. He is primarily responsible for providing strategic advice on the development of the Company.

From September 2023 to present, Dr. Stoffels has been the chief financial officer at CARIAD SE, prior to which he held various senior positions within the Volkswagen Group including the executive first vice president (finance) in FAW-Volkswagen Co. Ltd. from April 2019 to July 2023, a management position in finance, China, compliance and integrity department at AUDI AG from October 2018 to March 2019, the chief financial officer at Ducati Motor Holding spa from September 2015 to September 2018, the chief financial officer in Volkswagen Group España Distribución from May 2012 to August 2015, and the head of strategic corporate planning at AUDI AG from June 2004 to April 2012.

Dr. Stoffels received his diploma in engineering (general engineering) from École Centrale in France and his diploma in engineering (electrical engineering) from RWTH Aachen University in Germany in June 1994 and December 1995, respectively. Dr. Stoffels received his Ph.D. degree in mechanical engineering from Technical University Darmstadt in Germany in May 2001.

Dr. Juehui Zhang (張覺慧), aged 61, was appointed as a Director in January 2022 and was re-designated as our non-executive Director in March 2024. He is primarily responsible for providing strategic advice on the development of the Company.

Dr. Zhang has been the deputy chief engineer at SAIC Motor from October 2019 to present, prior to which he successively served as deputy general manager of SAIC Motor’s fuel cell division, deputy director of the engineering research institute, deputy general manager of the new energy vehicle division, deputy director of the technology center, director of the new energy and technology management department, chief engineer of the passenger vehicle division, deputy director of the technology center, and executive deputy director of the technology center from June 2006 to September 2019. From August 1986 to June 2006, Dr. Zhang successively served as product engineering designer, head of the technical coordination department and head of product engineering of Shanghai Volkswagen Automotive Co., Ltd. (上海大眾汽車有限公司). Dr. Zhang has been a director of Z-ONE Technology Co., Ltd. (零束科技有限公司) since December 2021 and a supervisor of Shanghai Hydrogen Propulsion Technology Co. Ltd. (上海捷氫科技股份有限公司) since December 2021.

Dr. Zhang received his bachelor’s degree in mechanical engineering in July 1986 and his Ph.D. degree in vehicle engineering from Tongji University (同濟大學) in March 2010.

Independent Non-executive Directors

Dr. Jun Pu (浦軍), aged 47, was appointed as an independent non-executive Director in [●]. He is primarily responsible for providing independent opinion and judgment to the Board.

DIRECTORS AND SENIOR MANAGEMENT

Dr. Pu has been an accounting professor since December 2016 at University of International Business and Economics (對外經濟貿易大學), a researcher of the Beijing Enterprises’ Global Management Research Centre (北京企業國際化經營基地) and the Research Centre for the Internationalization of Chinese Enterprises (中國企業國際化經營研究中心) since 2005 at University of International Business and Economics (對外經濟貿易大學).

Dr. Pu has been an independent non-executive director and the chairman of the audit committee of the board of directors of China Quanjude (Group) Co., Ltd. (中國全聚德(集團)股份有限公司, stock code: 002186.SZ) since January 2019, an independent non-executive director and the chairman of the audit committee of the board of directors of New Journey Health Technology Group Co., Ltd. (新里程健康科技集團股份有限公司, stock code: 002219.SZ) since March 2021, an independent non-executive director and the chairman of the audit committee of the board of directors of China Science Publishing & Media Ltd (中國科技出版傳媒股份有限公司, stock code: 601858.SH) since January 2022, and an independent non-executive director and a member of the audit committee of the board of directors of Ecovacs Robotics Co., Ltd. (科沃斯機器人股份有限公司, stock code: 603486.SH) since May 2022. Dr. Pu served as an independent non-executive director of Beijing Baination Pictures Co., Ltd. (北京百納千成影視股份有限公司, stock code: 300291.SZ) from November 2016 to March 2023.

Dr. Pu received his bachelor’s degree in economics in July 1999, master’s degree in management in June 2002 and Ph.D. degree in economics in June 2005 from University of International Business and Economics (對外經濟貿易大學).

Mr. Yingqiu Wu (吳迎秋), aged 62, was appointed as an independent non-executive Director in [●]. He is primarily responsible for providing independent opinion and judgment to the Board.

Mr. Wu has been the chairman and chief executive officer of Huanqiu Automobile Group (寰球汽車集團) since September 2010. He was an adjunct professor at the school of journalism at Lanzhou university (蘭州大學). Mr. Wu served as the senior vice president and the chairman of the media committee of Yiche Media Group (易車傳媒集團) from February 2008 to December 2010. From December 1987 to February 2008, Mr. Wu worked at China Automotive News (中國汽車報社) with the last position as deputy editor.

Mr. Wu received his bachelor’s degree in literature from Lanzhou University (蘭州大學) in 1983.

Dr. Katherine Rong XIN, aged 60, was appointed as an independent non-executive Director in [●]. She is primarily responsible for providing independent opinion and judgment to the Board.

Dr. XIN has been a professor of management since September 2001 and associate dean since 2011 at the China Europe International Business School (中歐國際工商學院). She worked as a professor and associate professor in various renowned universities from 1999 to 2009. Dr. XIN served as an independent director in Shanghai Blossom Hill Hotel Management Co. Ltd., (上海布洛斯酒店管理有限公司), a company mainly engaged in boutique hotel management in China under the brand of Blossom Hill (花間堂), from March 2012 to April 2017.

DIRECTORS AND SENIOR MANAGEMENT

Dr. XIN has been an independent non-executive director of Fosun Tourism Group (復星旅遊文化集團, stock code: 1992.HK) since November 2018, an independent non-executive director of EuroEyes International Eye Clinic Limited (德視佳國際眼科有限公司, stock code: 1846.HK) since April 2021, an independent non-executive director of Kingdee International Software Group Company Limited (金蝶國際軟件集團有限公司, stock code: 268.HK) since December 2021, an independent non-executive director of Landsea Green Life Service Company Limited (朗詩綠色生活服務有限公司, stock code: 1965.HK) since April 2022, and a director of Contemporary Amperex Technology Co., Limited (寧德時代新能源科技股份有限公司, stock code: 300750.SZ) since November 2022. Dr. XIN served as an independent non-executive director of Besunyen Holdings Company Limited (碧生源控股有限公司, stock code: 926.HK) from July 2010 to December 2012.

Dr. XIN was awarded the Chinese Most Cited Researchers by Elsevier, a global provider of scientific, technical, and medical information, for nine consecutive years from 2014 to 2022.

Dr. XIN received her bachelor’s degree in English from Auhui University (安徽大學) in July 1984. She received her master’s degree in applied linguistics from Graduate University of Chinese Academy of Sciences (中國科學院研究生院) in July 1986, and her master’s degree in business administration from California State University in the United States in June 1991. She received her Ph.D. degree in business administration from the University of California in the United States in June 1995.

Dr. Ya-Qin Zhang (張亞勤), aged 58, has been our independent Director taking non-executive role since January 2020 and was re-designated as our independent non-executive Director in March 2024. He is primarily responsible for providing independent opinion and judgment to the Board.

Dr. Zhang was the president of Baidu Inc. (NASDAQ: BIDU, stock code: 9888.HK) from 2014 to 2019. Prior to Baidu, Dr. Zhang had been an executive at Microsoft for 16 years with different key positions, including managing director of Microsoft Research Asia, chairman of Microsoft China, and corporate vice president and chairman of Microsoft Asia R&D.

Dr. Zhang was elected as a fellow of the Chinese Academy of Engineering (CAE), the American Academy of Arts and Sciences (AAA&S), the Australian Academy of Technology and Engineering (ATSE), the National Academy of Inventors (NAI), and the Euro-Asia Academy of Sciences. He is a fellow of IEEE and CAAI. He is one of the top scientists and technologists in computer engineering, with over 500 papers authored, 60 U.S. patents granted, and 11 books published. His original research has become the basis for start-up ventures, new products, and international standards.

Dr. Zhang has been an independent non-executive director of AsiaInfo Technologies Limited (亞信科技控股有限公司, stock code: 1675.HK) since December 2018. He has been a non-executive director of WPP (NYSE: WPP, LSE: WPP) since January 2021 and Chinasoft International Limited (中軟國際有限公司, stock code: 354.HK) since December 2008.

Dr. Zhang received his bachelor’s degree in radio electronics and master’s degree in telecommunication and electrical systems from the University of Science and Technology of China (中國科技大學) in July 1983 and January 1986, respectively. In February 1990, Dr. Zhang received his Ph.D. degree in electrical engineering from George Washington University, Washington D.C.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

The following table sets forth the key information about our senior management.

Name	Age	Position/Title	Time of Joining our Group	Date of Appointment as a senior management	Responsibilities
Dr. Kai Yu (余凱)	47	Chairman of the Board, executive Director and chief executive officer	July 2015	July 2015	In charge of our overall strategic and business development
Dr. Chang Huang (黃暢)	43	Executive Director and chief technology officer	July 2015	July 2015	In charge of our overall R&D work
Ms. Feiwen Tao (陶斐雯)	38	Executive Director and chief operating officer	July 2015	July 2015	In charge of our operations and management
Dr. Liming Chen (陳黎明)	61	Executive Director and president	September 2021	September 2021	In charge of our overall management, with a strategic focus on supply chain and quality assurance

For the biographical details of Dr. Yu, Dr. Huang, Ms. Tao and Dr. Liming Chen, see “— Board of Directors — Executive Directors.”

GENERAL

Save as disclosed above, none of the Directors or members of senior management of our Company has been a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this Document.

Save as disclosed above, none of the Directors or members of the senior management of our Company is related to any other Directors and members of the senior management of our Company.

DIRECTORS AND SENIOR MANAGEMENT

Save as disclosed herein and the section headed “Risk Factors — 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” with respect to a class action involving Dr. Ya-Qin Zhang, to the best knowledge, information and belief of our Directors having made all reasonable inquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

JOINT COMPANY SECRETARIES

Ms. Qi Zhao (趙奇) is our joint company secretary. Ms. Zhao joined the Company in December 2015 and now serves as the head of compliance of legal and compliance department, responsible for regulatory compliance matters of the Company. Ms. Zhao received her bachelor’s degree in English from Shanghai Jiao Tong University (上海交通大學) in July 2010 and her master’s degree in law from Fudan University (復旦大學) in June 2013.

Ms. Ka Man So (蘇嘉敏) is a director of the corporate services division of Tricor Services Limited and has been providing professional corporate services to Hong Kong listed companies as well as multi-national, private and offshore companies. Ms. So has over 20 years of experience in the corporate secretarial and compliance service field. Ms. So is currently acting as the company secretary or joint company secretary of a few listed companies on the Stock Exchange.

Ms. So received her bachelor’s degree of arts in accountancy from The Hong Kong Polytechnic University in November 1996. Ms. So is a Chartered Secretary, a Chartered Governance Professional and a fellow of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

BOARD COMMITTEES

Our Board delegates certain responsibilities to various committees. In accordance with the relevant PRC laws and regulations and the Corporate Governance Code, our Company has formed four Board committees, namely the Audit Committee, the Nomination Committee, the Remuneration Committee and the Corporate Governance Committee.

Audit Committee

We [have established] an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of the Corporate Governance Code. The Audit Committee consists of three Directors, namely Dr. Jun Pu, Dr. Katherine Rong XIN and Dr. Ya-Qin Zhang. Dr. Jun Pu has the appropriate professional qualifications or accounting or

DIRECTORS AND SENIOR MANAGEMENT

related financial management expertise as required under Rules 3.10(2) and 3.21 of the Listing Rules. Dr. Jun Pu serves as the chairman of the Audit Committee. The primary duties of the Audit Committee include, but not limited to, the following:

- proposing the appointment or change of external auditors to our Board, and monitoring the independence of external auditors and evaluating their performance;
- examining the financial information of our Company and reviewing financial reports and statements of our Company;
- examining the financial reporting system, the risk management and internal control system of our Company, overseeing their rationality, efficiency and implementation and making recommendations to our Board; and
- dealing with other matters that are authorized by our Board.

Remuneration Committee

We [have established] a Remuneration Committee with written terms of reference in compliance with paragraph E.1 of the Corporate Governance Code. The Remuneration Committee consists of three Directors, namely Dr. Ya-Qin Zhang, Dr. Katherine Rong XIN and Dr. Kai Yu. Dr. Ya-Qin Zhang serves as the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee include, but not limited to, the following:

- making recommendations to the Board on the Company’s policy and structure for all Directors’ and senior managements’ remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- monitoring the implementation of remuneration system of our Company;
- making recommendations on the remuneration packages of our Directors and senior management; and
- dealing with other matters that are authorized by our Board.

Nomination Committee

We [have established] a Nomination Committee with written terms of reference in compliance with paragraph B.3 of the Corporate Governance Code. The Nomination Committee consists of three Directors, namely Mr. Yingqiu Wu, Dr. Katherine Rong XIN and Dr. Kai Yu. Mr. Yingqiu Wu serves as the chairman of the Nomination Committee. The primary duties of the Nomination Committee include, but not limited to, the following:

- conducting extensive search and providing to our Board suitable candidates for our Directors, chief executive officer and other members of the senior management;

DIRECTORS AND SENIOR MANAGEMENT

- reviewing the structure, size and composition of our Board at least annually and making recommendations on any proposed changes to our Board;
- researching and developing standards and procedures for the election of our Board members, chief executive officer and members of the senior management, and making recommendations to our Board; and
- dealing with other matters that are authorized by our Board.

Corporate Governance Committee

We [have established] a Corporate Governance Committee in compliance with Chapter 8A of the Listing Rules. The Corporate Governance Committee comprises three independent non-executive Directors, namely Dr. Ya-Qin Zhang, Dr. Jun Pu and Mr. Yingqiu Wu. Dr. Ya-Qin Zhang is the chairman of the Corporate Governance Committee. The primary duties of the corporate governance committee are, among other things, to ensure that the Company is operated and managed for the benefit of all Shareholders and to ensure the Company’s compliance with the Listing Rules and safeguards relating to the weighted voting right structures of the Company. For details of their experience in corporate governance related matters, see the biographies of the independent non-executive Directors in the section headed “— Independent Non-executive Directors” above.

In accordance with Rule 8A.30 of the Listing Rules and the Corporate Governance Code, the work of our corporate governance committee as set out in its terms of reference includes:

- (a) to develop and review the Company’s policies and practices on corporate governance and make recommendations to the Board;
- (b) to review and monitor the training and continuous professional development of Directors and senior management;
- (c) to review and monitor the Company’s policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors;
- (e) to review the Company’s compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report;
- (f) to review and monitor whether the Company is operated and managed for the benefit of all its Shareholders;

DIRECTORS AND SENIOR MANAGEMENT

- (g) to confirm, on an annual basis, that the beneficiaries of weighted voting rights have been members of the Board throughout the year and that no matters under Rule 8A.17 of the Listing Rules have occurred during the relevant financial year;
- (h) to confirm, on an annual basis, whether or not the beneficiaries of weighted voting rights have complied with Rules 8A.14, 8A.15, 8A.18 and 8A.24 of the Listing Rules throughout the year;
- (i) to review and monitor the management of conflicts of interests and make a recommendation to the Board on any matter where there is a potential conflict of interest between the Company, a subsidiary of the Company and/or Shareholders of the Company (considered as a group) on one hand and any beneficiary of weighted voting rights on the other;
- (j) to review and monitor all risks related to the Company's weighted voting rights structure, including connected transactions between the Company and/or a subsidiary of the Company on one hand and any beneficiary of weighted voting rights on the other and make a recommendation to the Board on any such transaction;
- (k) to make a recommendation to the Board as to the appointment or removal of the Compliance Adviser;
- (l) to seek to ensure effective and on-going communication between the Company and its Shareholders, particularly with regards to the requirements of Rule 8A.35 of the Listing Rules;
- (m) to report on the work of the corporate governance committee on at least a half-yearly and annual basis covering all areas of its terms of reference; and
- (n) to disclose, on a comply or explain basis, its recommendations to the Board in respect of the matters in sub-paragraphs (i) to (l) above in the report referred to in sub-paragraph (m) above.

Pursuant to Rule 8A.32 of the Listing Rules, the Corporate Governance Report prepared by the Company for inclusion in our interim and annual reports after [REDACTED] will include a summary of the work of the corporate governance committee for the relevant period.

DIRECTORS AND SENIOR MANAGEMENT

ROLE OF OUR INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to Rule 8A.26 of the Listing Rules, the role of the independent non-executive directors of a listed company with WVR structure must include, but is not limited to, the functions described in Code Provisions C.1.2, C.1.6 and C.1.7 of part 2 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. The functions of the independent non-executive Directors include:

- participating in Board meetings to bring an independent judgment to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct;
- taking the lead where potential conflicts of interests arise;
- serving on the audit, compensation, nomination and corporate governance committees, if invited;
- scrutinizing the Company's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting;
- giving the Board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation;
- making a positive contribution to the development of the Company's strategy and policies through independent, constructive and informed comments; and
- attending general meetings and developing a balanced understanding of the views of our Shareholders.

CONFIRMATION FROM OUR DIRECTORS

Rule 8.10 of the Listing Rules

Each of our Directors confirms that as of the Latest Practicable Date, save as disclosed above he or she did not have any interest in a business which competes or is likely to compete, either directly or indirectly, with our Company's business which would require disclosure under Rule 8.10 of the Listing Rules.

Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules in March 2024, and (ii) understands his or her obligations as a director of a listed issuer under the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors has confirmed (i) his/her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) he/she has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person of the Company under the Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his/her independence at the time of his/her appointments.

COMPENSATION OF DIRECTORS

Our Directors receive compensation in the form of fees, salaries, allowances, discretionary bonuses, share-based compensation, retirement benefit scheme contributions and other benefits in kind.

For the years ended December 31, 2021, 2022 and 2023, the aggregate amount of remuneration paid or payable to our Directors amounted to RMB70.2 million, RMB28.6 million and RMB17.0 million, respectively.

Under the current compensation arrangement, we estimate the total compensation before taxation to be accrued to our Directors for the year ended December 31, 2024 to be approximately RMB14.5 million.

The total emoluments for the remaining individuals among the five highest paid individuals amounted to RMB13.8 million, RMB30.7 million and RMB174.1 million for the years ended December 31, 2021, 2022 and 2023, respectively.

During the Track Record Period, no remuneration was paid by our Company to, or receivable by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Company or as compensation for loss of office in connection with the management positions of our Company or any of our subsidiaries.

During the Track Record Period, none of our Directors waived any remuneration. Save as disclosed above, no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors or the five highest paid individuals during the Track Record Period.

CORPORATE GOVERNANCE

Pursuant to Code Provision C.2.1 of part 2 of the Corporate Governance Code as set out in Appendix C1 of the Listing Rules, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairman and the chief executive officer should be separate and should not be performed by the same individual. We do not have a separate chairman and chief executive officer and Dr. Yu currently performs these two roles. The Board believes that vesting the roles of both

DIRECTORS AND SENIOR MANAGEMENT

chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively.

BOARD DIVERSITY POLICY

In order to enhance the effectiveness of our Board and to maintain the high standard of corporate governance, we [have adopted] the board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board. Pursuant to the board diversity policy, we seek to achieve board diversity through the consideration of a number of factors when selecting the candidates to our Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural and educational background, and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board.

Our Directors have a balanced mix of knowledge and skills, including overall management and strategic development, accounting and corporate governance in addition to industry experience. We have four independent non-executive Directors with different industry backgrounds, representing one-third of the members of our Board. Our Company has evaluated the structure, size and composition of our Board, and is of the opinion that the structure of our Board is reasonable, and the experience and skills of the Directors in various aspects and fields can enable our Company to maintain a high standard of operations.

Besides, we particularly recognize the importance of gender diversity. We have taken, and will continue to take, steps to promote gender diversity at all levels of our Company, including but without limitation to our Board and senior management levels. Going forward, we will continue to work to enhance gender diversity of our Board when selecting and recommending suitable candidates for Board appointments. Our Company also intends to promote gender diversity at the mid to senior level so that our Company can maintain a balanced gender ratio at different levels. Taking into account our existing business model and specific needs as well as the different background of our Directors, the composition of our Board satisfies our board diversity policy.

Our Nomination Committee is responsible for ensuring the diversity of our Board members. After the [REDACTED], our Nomination Committee will examine the board diversity policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the board diversity policy on an annual basis.

COMPLIANCE ADVISER

We have appointed Somerley Capital Limited as our Compliance Adviser pursuant to Rule 8A.33 of the Listing Rules. Our Compliance Adviser will provide us with guidance and advice as to compliance with the Listing Rules and applicable Hong Kong laws.

DIRECTORS AND SENIOR MANAGEMENT

Pursuant to Rules 3A.23 and 8A.34 of the Listing Rules, our Compliance Adviser will advise our Company, among others, in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (c) where we propose to use the [REDACTED] from the [REDACTED] in a manner different from that detailed in this Document or where our business activities, developments or results deviate from any forecast, estimate or other information in this Document;
- (d) where the Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules;
- (e) the WVR Structure;
- (f) transactions in which any beneficiary of weighted voting rights in the Company has an interest; and
- (g) where there is a potential conflict of interest between the Company, its subsidiary and/or Shareholders (considered as a group) on one hand and any beneficiary of weighted voting rights in the Company on the other.

The term of appointment of the Compliance Adviser shall commence on the [REDACTED]. Pursuant to Rule 8A.33 of the Listing Rules, the Company is required to engage a compliance adviser on a permanent basis.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

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

RULE 8.10 OF THE LISTING RULES

As of the Latest Practicable Date, none of our Controlling Shareholders or Directors had any interest in any business which competes or is likely to compete, either directly or indirectly, with our Company’s business which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE OF OUR BUSINESS

Having considered the following factors, our Directors are satisfied that we are able to carry out our business independently from our Controlling Shareholders and their respective close associates upon and after the [REDACTED].

Operational Independence

Our Company has full rights to make all decisions on, and to carry out, our own business operations independently. We hold our own operation resources including but not limited to suppliers and customers, as well as our own registered patents which can be used for our research and development. We have a team of senior management to operate the business independently from our Controlling Shareholders and their respective close associates. We also have access to third parties independently from, and not connected with, our Controlling Shareholders for sources of suppliers, customers and business partners.

Based on the above, our Directors believe that we are operationally independent from our Controlling Shareholders and their respective close associates.

Management Independence

Our management and operational decisions are made by the Board in a collective manner. The Board comprises twelve Directors, including four executive Directors, four non-executive Directors and four independent non-executive Directors.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Our Directors have relevant experience to ensure the proper functioning of the Board. We further believe that our Directors and members of the senior management are able to perform their roles in our Company in managing our business independently from our Controlling Shareholders and their respective close associates for the following reasons:

- (a) all members of the Board and senior management other than Dr. Yu are independent from the Controlling Shareholders and their respective close associates. They have substantial experience in the industry as further described in the section headed “Directors and Senior Management”, which will enable them to discharge their duties independently from the Controlling Shareholders;
- (b) our independent non-executive Directors have extensive experience in different areas. We believe that they will be able to exercise their independent judgment and will be able to provide impartial opinions in the decision-making process of our Board to protect the interests of our Shareholders;
- (c) each of our Directors is aware of his or her fiduciary duties as a director, which requires, among other things, that he or she acts for our Company’s best interests and he or she must not allow any conflict between his or her duties as a Director and his or her personal interests; and
- (d) where a Board meeting or Shareholders’ meeting is held to consider a proposed transaction in which our Directors or Controlling Shareholders or any of their respective close associates have a material interest, the relevant Directors or our Controlling Shareholders and their respective close associates shall abstain from voting on the relevant resolutions and shall not be counted towards the quorum for the voting.

Financial Independence

We have a financial department independent from our Controlling Shareholders and their respective close associates. We have also established an independent financial system to make the decisions based on our own business needs. In addition, we are capable of obtaining financing from third parties without relying on any guarantee or security provided by our Controlling Shareholders and their respective close associates. During the Track Record Period and as of the Latest Practicable Date, we had received the Pre-[REDACTED] Investment from third party investors independently. For details of the Pre-[REDACTED] Investment, see “History, Reorganization and Corporate Structure.” As of the Latest Practicable Date, there were no loans, advances and balances due to or from our Controlling Shareholders or their respective close associates, nor were there any pledges and guarantees provided by and to our Controlling Shareholders or their respective close associates.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES

In light of this, the Company [has established] a corporate governance committee pursuant to Rule 8A.30 which has adopted terms of reference consistent with Code Provision A.2.1 in Part 2 of Appendix C1 to, and Rule 8A.30 of, the Listing Rules effective Upon [REDACTED]. The members of the corporate governance committee are independent non-executive Directors with experience in overseeing corporate governance related functions of private and listed companies. The primary duties of the corporate governance committee are to ensure that the Company is operated and managed for the benefit of all shareholders and to ensure the Company’s compliance with the Listing Rules and safeguards relating to its WVR structure.

We will also adopt the following corporate governance measures to avoid potential conflict of interests between our Group and our Controlling Shareholders:

- where a Shareholders’ meeting is to be held for considering proposed transactions in which our Controlling Shareholders or any of their respective close associates has a material interest, our Controlling Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;
- our Group has established internal control mechanisms to identify connected transactions. Upon the [REDACTED], if any transaction is proposed between our Group and our Controlling Shareholders and their respective associates, we will comply with the requirements of the Articles of Association and the Listing Rules, including, where appropriate, the reporting, annual review by the independent non-executive Directors, announcement and independent shareholders’ approval;
- our Board consists of a balanced composition of executive Directors and independent non-executive Directors, with independent non-executive Directors representing one-third of our Board to ensure that our Board is able to effectively exercise independent judgment in its decision-making process and provide independent advice to our Shareholders. Our independent non-executive Directors individually and collectively possess the requisite knowledge and experience to perform their duties. They will review whether there is any conflict of interests between our Group and our Controlling Shareholders and provide impartial and professional advice to protect the interests of our minority Shareholders;
- where our Directors reasonably request the advice of independent professionals, such as financial advisers, the appointment of such independent professionals will be made at our Company’s expenses; and
- we have appointed Somerley Capital Limited as our Compliance Adviser, who will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors’ duties and corporate governance, and inform us on a timely basis of any amendment or supplement to the Listing Rules or applicable laws and regulations in Hong Kong.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Company and our Controlling Shareholders, and to protect our minority Shareholders’ interests after the [REDACTED].

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, each of following persons will have an interest and/or short position (as applicable) in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will, directly or indirectly, be interested in 10% or more of any class of share capital carrying rights to vote in all circumstances at any general meeting of the Company:

Name of substantial shareholder	Capacity/Nature of Interest	Number of Shares	Approximate percentage of shareholding in respective class of Share of our Company as of the Latest Practicable Date	Approximate percentage of shareholding in the issued share capital of our Company as of the Latest Practicable Date	Approximate percentage of shareholding in respective class of Share of our Company upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised and the Conversion at Mid-point)	Approximate percentage of shareholding in the issued share capital of our Company upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised and the Conversion at Mid-point)
<i>Class A Ordinary Shares</i>						
Dr. Yu						
Dr. Yu	Interest in controlled corporations, founder and beneficiary of a trust ⁽¹⁾	1,733,612,127	75.18%	16.95%	[REDACTED]%	[REDACTED]%
Trident Trust Company (HK) Limited	Trustee ⁽¹⁾	1,733,612,127	75.18%	16.95%	[REDACTED]%	[REDACTED]%
Bigsur Robotics Limited	Interest in controlled corporations ⁽¹⁾	1,733,612,127	75.18%	16.95%	[REDACTED]%	[REDACTED]%
Horizon Robotics, Inc.	Interest in controlled corporations ⁽¹⁾	1,733,612,127	75.18%	16.95%	[REDACTED]%	[REDACTED]%
Everest Robotics Limited	Beneficial owner ⁽¹⁾	1,733,612,127	75.18%	16.95%	[REDACTED]%	[REDACTED]%
Dr. Huang						
Dr. Huang	Interest in controlled corporations, founder and beneficiary of a trust ⁽²⁾	390,777,143	16.95%	3.82%	[REDACTED]%	[REDACTED]%
Trident Trust Company (HK) Limited	Trustee ⁽²⁾	390,777,143	16.95%	3.82%	[REDACTED]%	[REDACTED]%

SUBSTANTIAL SHAREHOLDERS

Name of substantial shareholder	Capacity/Nature of Interest	Number of Shares	Approximate percentage of shareholding in respective class of Share of our Company as of the Latest Practicable Date	Approximate percentage of shareholding in the issued share capital of our Company as of the Latest Practicable Date	Approximate percentage of shareholding in respective class of Share of our Company upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised and the Conversion at Mid-point)	Approximate percentage of shareholding in the issued share capital of our Company upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised and the Conversion at Mid-point)
Gravitational Wave Technology Limited	Interest in controlled corporations ⁽²⁾	390,777,143	16.95%	3.82%	[REDACTED]%	[REDACTED]%
Grace Robotics, Inc.	Interest in controlled corporations ⁽²⁾	390,777,143	16.95%	3.82%	[REDACTED]%	[REDACTED]%
String Theory Robotics Limited	Beneficial owner ⁽²⁾	390,777,143	16.95%	3.82%	[REDACTED]%	[REDACTED]%
Ms. Tao						
Ms. Tao	Interest in controlled corporations, founder and beneficiary of a trust ⁽³⁾	169,543,255	7.35%	1.66%	[REDACTED]%	[REDACTED]%
Trident Trust Company (HK) Limited	Trustee ⁽³⁾	169,543,255	7.35%	1.66%	[REDACTED]%	[REDACTED]%
Kai Robotics, Inc.	Interest in controlled corporations ⁽³⁾	169,543,255	7.35%	1.66%	[REDACTED]%	[REDACTED]%
Venus Robotics Limited	Interest in controlled corporations ⁽³⁾	169,543,255	7.35%	1.66%	[REDACTED]%	[REDACTED]%
HOPE Robotics Holdings Inc.	Beneficial owner ⁽³⁾	169,543,255	7.35%	1.66%	[REDACTED]%	[REDACTED]%

SUBSTANTIAL SHAREHOLDERS

Name of substantial shareholder	Capacity/Nature of Interest	Number of Shares	Approximate percentage of shareholding in respective class of Share of our Company as of the Latest Practicable Date	Approximate percentage of shareholding in the issued share capital of our Company as of the Latest Practicable Date	Approximate percentage of shareholding in respective class of Share of our Company upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised and the Conversion at Mid-point)	Approximate percentage of shareholding in the issued share capital of our Company upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised and the Conversion at Mid-point)
<i>Class B Ordinary Shares</i>						
Employee Shareholding Platform						
●	Trustee ⁽⁴⁾	[1,087,202,710]	–	–	[REDACTED]%	[REDACTED]%
●	Interest in controlled corporation ⁽⁴⁾	[1,087,202,710]	–	–	[REDACTED]%	[REDACTED]%
●	Beneficial owner ⁽⁴⁾	[1,087,202,710]	–	–	[REDACTED]%	[REDACTED]%
CARIAD Estonia AS						
Ferdinand Porsche Familien-Privatstiftung	Interest in controlled corporations ⁽⁵⁾	269,711,694 ⁽⁶⁾ [REDACTED] ⁽⁷⁾	3.40% –	2.64% –	[REDACTED] [REDACTED]%	[REDACTED] [REDACTED]%
Ferdinand Porsche Familien-Holding GmbH	Interest in controlled corporations ⁽⁵⁾	269,711,694 ⁽⁶⁾ [REDACTED] ⁽⁷⁾	3.40% –	2.64% –	[REDACTED] [REDACTED]%	[REDACTED] [REDACTED]%
Ferdinand Alexander Porsche GmbH	Interest in controlled corporations ⁽⁵⁾	269,711,694 ⁽⁶⁾ [REDACTED] ⁽⁷⁾	3.40% –	2.64% –	[REDACTED] [REDACTED]%	[REDACTED] [REDACTED]%
Familie Porsche Beteiligung GmbH	Interest in controlled corporations ⁽⁵⁾	269,711,694 ⁽⁶⁾ [REDACTED] ⁽⁷⁾	3.40% –	2.64% –	[REDACTED] [REDACTED]%	[REDACTED] [REDACTED]%
Porsche Automobil Holding SE	Interest in controlled corporations ⁽⁵⁾	269,711,694 ⁽⁶⁾ [REDACTED] ⁽⁷⁾	3.40% –	2.64% –	[REDACTED] [REDACTED]%	[REDACTED] [REDACTED]%
Volkswagen AG	Interest in controlled corporations ⁽⁵⁾	269,711,694 ⁽⁶⁾ [REDACTED] ⁽⁷⁾	3.40% –	2.64% –	[REDACTED] [REDACTED]%	[REDACTED] [REDACTED]%
Porsche Siebte Vermögensverwaltung GmbH	Interest in controlled corporations ⁽⁵⁾	269,711,694 ⁽⁶⁾ [REDACTED] ⁽⁷⁾	3.40% –	2.64% –	[REDACTED] [REDACTED]%	[REDACTED] [REDACTED]%

SUBSTANTIAL SHAREHOLDERS

Name of substantial shareholder	Capacity/Nature of Interest	Number of Shares	Approximate percentage of shareholding in respective class of Share of our Company as of the Latest Practicable Date	Approximate percentage of shareholding in the issued share capital of our Company as of the Latest Practicable Date	Approximate percentage of shareholding in respective class of Share of our Company upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised and the Conversion at Mid-point)	Approximate percentage of shareholding in the issued share capital of our Company upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised and the Conversion at Mid-point)
CARIAD SE	Interest in controlled corporations ⁽⁵⁾	269,711,694 ⁽⁶⁾ [REDACTED] ⁽⁷⁾	3.40% –	2.64% –	[REDACTED] [REDACTED]%	[REDACTED] [REDACTED]%
CARIAD Estonia AS	Beneficial owner ⁽⁵⁾	269,711,694 ⁽⁶⁾ [REDACTED] ⁽⁷⁾	3.40% –	2.64% –	[REDACTED] [REDACTED]%	[REDACTED] [REDACTED]%
SAIC QIJUN I Holdings Limited						
SAIC Motor	Interest in controlled corporations ⁽⁸⁾	1,025,310,055	12.94%	10.02%	[REDACTED]%	[REDACTED]%
SAIC Investment	Interest in controlled corporations ⁽⁸⁾	1,025,310,055	12.94%	10.02%	[REDACTED]%	[REDACTED]%
SAIC Changzhou	Interest in controlled corporations ⁽⁸⁾	1,025,310,055	12.94%	10.02%	[REDACTED]%	[REDACTED]%
Ji Feng	Interest in controlled corporations ⁽⁸⁾	1,025,310,055	12.94%	10.02%	[REDACTED]%	[REDACTED]%
Shanghai Qiyuan	Interest in controlled corporations ⁽⁸⁾	1,025,310,055	12.94%	10.02%	[REDACTED]%	[REDACTED]%
Shangqi Capital	Interest in controlled corporations ⁽⁸⁾	1,025,310,055	12.94%	10.02%	[REDACTED]%	[REDACTED]%
Shanghai Qimeng	Interest in controlled corporations ⁽⁸⁾	1,025,310,055	12.94%	10.02%	[REDACTED]%	[REDACTED]%
SAIC QIJUN I Holdings Limited	Beneficial owner ⁽⁸⁾	1,025,310,055	12.94%	10.02%	[REDACTED]%	[REDACTED]%

SUBSTANTIAL SHAREHOLDERS

Name of substantial shareholder	Capacity/Nature of Interest	Number of Shares	Approximate percentage of shareholding in respective class of Share of our Company as of the Latest Practicable Date	Approximate percentage of shareholding in the issued share capital of our Company as of the Latest Practicable Date	Approximate percentage of shareholding in respective class of Share of our Company upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised and the Conversion at Mid-point)	Approximate percentage of shareholding in the issued share capital of our Company upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised and the Conversion at Mid-point)
5Y Shareholders						
Jianming Shi	Interest in controlled corporations ⁽⁹⁾	647,537,121	8.17%	6.33%	[REDACTED]%	[REDACTED]%
Qin Liu	Interest in controlled corporations ⁽⁹⁾	647,537,121	8.17%	6.33%	[REDACTED]%	[REDACTED]%
5Y Capital GP Limited	Interest in controlled corporations ⁽⁹⁾	194,490,981	2.45%	1.90%	[REDACTED]%	[REDACTED]%
Morningside Venture (VII) Investments Limited	Interest in controlled corporations ⁽⁹⁾	453,046,140	5.72%	4.43%	[REDACTED]%	[REDACTED]%
Landmark Trust Switzerland SA	Interest in controlled corporations ⁽⁹⁾	453,046,140	5.72%	4.43%	[REDACTED]%	[REDACTED]%
TMT General Partner Ltd.	Interest in controlled corporations ⁽⁹⁾	453,046,140	5.72%	4.43%	[REDACTED]%	[REDACTED]%
Morningside China TMT GP IV, L.P.	Interest in controlled corporations ⁽⁹⁾	453,046,140	5.72%	4.43%	[REDACTED]%	[REDACTED]%
Morningside China TMT Fund IV, L.P.	Beneficial owner ⁽⁹⁾	411,860,100	5.20%	4.03%	[REDACTED]%	[REDACTED]%
Morningside China TMT Fund IV Co-Investment, L.P.	Beneficial owner ⁽⁹⁾	41,186,040	0.52%	0.40%	[REDACTED]%	[REDACTED]%
Evolution Special Opportunity Fund I, L.P.	Beneficial owner ⁽⁹⁾	131,937,848	1.67%	1.29%	[REDACTED]%	[REDACTED]%
Evolution Fund I Co-investment, L.P.	Beneficial owner ⁽⁹⁾	19,790,678	0.25%	0.19%	[REDACTED]%	[REDACTED]%

SUBSTANTIAL SHAREHOLDERS

Name of substantial shareholder	Capacity/Nature of Interest	Number of Shares	Approximate percentage of shareholding in respective class of Share of our Company as of the Latest Practicable Date	Approximate percentage of shareholding in the issued share capital of our Company as of the Latest Practicable Date	Approximate percentage of shareholding in respective class of Share of our Company upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised and the Conversion at Mid-point)	Approximate percentage of shareholding in the issued share capital of our Company upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised and the Conversion at Mid-point)
5Y Capital Growth Fund I, L.P.	Beneficial owner ⁽⁹⁾	38,891,420	0.49%	0.38%	[REDACTED]%	[REDACTED]%
5Y Capital Growth Fund I Co-Investment, L.P.	Beneficial owner ⁽⁹⁾	3,871,035	0.05%	0.04%	[REDACTED]%	[REDACTED]%
HRRB Holdings Limited						
Hillhouse Investment Management, Ltd.	Interest in controlled corporation ⁽¹⁰⁾	456,649,964	5.76%	4.46%	[REDACTED]%	[REDACTED]%
Hillhouse Fund II, L.P.	Interest in controlled corporation ⁽¹⁰⁾	456,649,964	5.76%	4.46%	[REDACTED]%	[REDACTED]%
HRRB Holdings Limited	Beneficial owner ⁽¹⁰⁾	456,649,964	5.76%	4.46%	[REDACTED]%	[REDACTED]%

Notes:

- (1) The entire interest of 1,733,612,127 Class A Ordinary Shares is held by Everest Robotics Limited, which is held by Bigsur Robotics Limited as to 99% and Horizon Robotics, Inc. as to 1%. Horizon Robotics, Inc. is wholly-owned by Dr. Yu. Bigsur Robotics Limited is wholly-owned by Trident Trust Company (HK) Limited as trustee of Rock Street Trust, the family trust established by Dr. Yu (as settlor) for the benefit of Dr. Yu and his family. Each of Horizon Robotics, Inc., Bigsur Robotics Limited, Trident Trust Company (HK) Limited and Dr. Yu is deemed to be interested in the Class A Ordinary Shares held by Everest Robotics Limited under the SFO.
- (2) The entire interest of 390,777,143 Class A Ordinary Shares is held by String Theory Robotics Limited, which is held by Gravitational Wave Technology Limited as to 99% and Grace Robotics, Inc. as to 1%. Grace Robotics, Inc. is wholly-owned by Dr. Huang. Gravitational Wave Technology Limited is wholly-owned by Trident Trust Company (HK) Limited as trustee of Gravitational Wave Trust, the family trust established by Dr. Huang (as settlor) for the benefit of Dr. Huang and his family. Each of Grace Robotics, Inc., Gravitational Wave Technology Limited, Trident Trust Company (HK) Limited and Dr. Huang is deemed to be interested in the Class A Ordinary Shares held by String Theory Robotics Limited under the SFO.
- (3) The entire interest of 169,543,255 Class A Ordinary Shares is held by HOPE Robotics Holdings Inc., which is held by Venus Robotics Limited as to 99% and Kai Robotics, Inc. as to 1%. Kai Robotics, Inc. is wholly-owned by Ms. Tao. Venus Robotics Limited is wholly-owned by Trident Trust Company (HK) Limited as trustee of TAO Trust, the family trust established by Ms. Tao (as settlor) for the benefit of Ms. Tao and her family. Each of Kai Robotics, Inc., Venus Robotics Limited, Trident Trust Company (HK) Limited and Ms. Tao is deemed to be interested in the Class A Ordinary Shares held by HOPE Robotics Holdings Inc. under the SFO.

SUBSTANTIAL SHAREHOLDERS

- (4) Before [REDACTED] and under the 2018 Share Incentive Plan, a total of [1,087,202,710] Class B Ordinary Shares will be issued to [●], a company incorporated in [●] and wholly-owned by [●], the trustee of [●], the trust set up by the Company to facilitate the administration of the 2018 Share Incentive Plan. By virtue of the SFO, [●] and [●] is deemed to be interested in the Class B Ordinary Shares held by [●].

- (5) CARIAD Estonia AS is wholly-owned by CARIAD SE, which is in turn wholly-owned by Porsche Siebte Vermögensverwaltung GmbH (“PSV”), a wholly-owned subsidiary of Volkswagen AG, a company listed on a number of stock exchanges including the Frankfurt Stock Exchange (ticker symbol: VOW and VOW3). Porsche Automobil Holding SE (“PSE”) holds approximately 53.35% voting interest in Volkswagen AG, and Familie Porsche Beteiligung GmbH (“FPB”) holds approximately 55.46% voting interest in PSE. FPB is wholly-owned by Ferdinand Alexander Porsche GmbH (“FAPD”), which is in turn wholly-owned by Ferdinand Porsche Familien-Holding GmbH (“FPFH”). Ferdinand Porsche Familien-Privatstiftung (“PoPS”), a private foundation established in Austria, holds 90% of FPFH.

By virtue of the SFO, each of CARIAD SE, PSV, Volkswagen AG, PSE, FPB, FAPD, FPFH and PoPS is deemed to be interested in the Shares directly held by CARIAD Estonia AS.

- (6) Refer to the number of Class B Ordinary Shares as of the Latest Practicable Date.
- (7) Refer to the number of Class B Ordinary Shares assuming the Conversion at Mid-point.
- (8) SAIC QIJUN I Holdings Limited is wholly-owned by Shanghai Qimeng Management Partnership (Limited Partnership) (上海頡盟企業管理合夥企業(有限合夥)) (“Shanghai Qimeng”), of which the general partner is Shangqi Capital (上海尚頡投資管理合夥企業(有限合夥)), whose general partner is Shanghai Qiyuan Business Consulting Co., Limited (上海頡元商務諮詢有限公司) (“Shanghai Qiyuan”), which is ultimately controlled by Ji Feng (馮戟) (“Mr. Feng”).

Shanghai Qimeng is owned as to approximately 99.95% by its limited partner SAIC (Changzhou) Innovation and Development Investment Fund Co., Ltd. (上汽(常州)創新發展投資基金有限公司) (“SAIC Changzhou”), which is held as to 99.5% by Shanghai Automobile Group Investment Management Co., Ltd. (上海汽車集團投資管理有限公司) (“SAIC Investment”), which is wholly-owned by SAIC Motor.

Therefore, each of Shanghai Qimeng, Shangqi Capital, Shanghai Qiyuan, Mr. Feng, SAIC Changzhou, SAIC Investment and SAIC Motor is deemed to be interested in the 1,025,310,055 Class B Ordinary Shares directly held by SAIC QIJUN I Holdings Limited under the SFO.

- (9) Morningside China TMT Fund IV, L.P. and Morningside China TMT Fund IV Co-Investment, L.P. are controlled by their general partner, Morningside China TMT GP IV, L.P.. Morningside China TMT GP IV, L.P. is controlled by its general partner, TMT General Partner Ltd. Consequently, TMT General Partner Ltd. is deemed to be interest in the Shares in which Morningside China TMT Fund IV, L.P. and Morningside China TMT Fund IV Co-Investment, L.P. have an interest.

Each of Qin Liu, Jianming Shi and Morningside Venture (VII) Investments Limited is entitled to exercise or control the exercise of one-third of the voting power of all issued shares in TMT General Partner Ltd. at its general meeting and is therefore deemed to be interested in the Shares in which TMT General Partner Ltd. is interested. Morningside Venture (VII) Investments Limited is indirectly wholly-owned by the Landmark Trust Switzerland SA as trustee of a discretionary trust established by Mdm. Tan Ching Fen Chan for the benefit of certain members of her family and other charitable objects.

Each of Evolution Special Opportunity Fund I, L.P., Evolution Fund I Co-investment, L.P., 5Y Capital Growth Fund I, L.P. and 5Y Capital Growth Fund I Co-Investment, L.P. are controlled by their general partner 5Y Capital GP Limited. Consequently, 5Y Capital GP Limited is deemed to be interest in the Shares in which Evolution Special Opportunity Fund I, L.P., Evolution Fund I Co-investment, L.P., 5Y Capital Growth Fund I, L.P. and 5Y Capital Growth Fund I Co-Investment, L.P. have an interest.

Each of Qin Liu and Jianming Shi is entitled to exercise or control the exercise of one-half of the voting power of all issued shares in 5Y Capital GP Limited at its general meeting and is therefore deemed to be interested in the Shares in which 5Y Capital GP Limited is interested.

- (10) The ownership of HRRB Holdings Limited is controlled by Hillhouse Fund II, L.P., which is managed and controlled by Hillhouse Investment Management, Ltd.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed above and the section headed “Statutory and General Information — C. Further Information about our Directors and Substantial Shareholders” in Appendix IV to this Document, our Directors are not aware of any person who will, immediately following completion of the [REDACTED] (assuming that the [REDACTED] is not exercised and the Conversion at Mid-point), have any interest and/or short position in the Shares or underlying Shares of our Company which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company or any other members of the Group.

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AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of the Company immediately prior to and upon the completion of the [REDACTED] assuming the [REDACTED] is not exercised and the Conversion at Mid-point.

Share capital as of the date of this Document

(i) *Authorized share capital*

Number	Description of Shares	Aggregate Nominal Value⁽¹⁾
2,350,582,688	Class A Ordinary Share with a nominal value of US\$0.0000025 each in issue	US\$5,876.457
9,271,123,237	Class B Ordinary Share with a nominal value of US\$0.0000025 each in issue	US\$23,177.81
8,378,294,075	Preferred Shares with a nominal value of US\$0.0000025 each in issue	US\$20,945.74
20,000,000,000	Total	US\$50,000.00

Note:

- (1) The figures are subject to rounding adjustments and any discrepancies between totals and sums of amounts listed herein are due to rounding adjustments.

SHARE CAPITAL

(ii) Issued and to be issued, fully paid or credited to be fully paid

Number	Description of Shares	Aggregate Nominal Value⁽¹⁾
2,305,932,525	Class A Ordinary Share with a nominal value of US\$0.0000025 each in issue	US\$5,764.83
[1,212,674,225]	Class B Ordinary Share with a nominal value of US\$0.0000025 each in issue	US\$[3,031.69]
7,798,405,226	Preferred Shares with a nominal value of US\$0.0000025 each in issue	US\$19,496.01
[11,317,011,976]	Total	US\$[28,292.53]

Note:

- (1) The figures are subject to rounding adjustments and any discrepancies between totals and sums of amounts listed herein are due to rounding adjustments.

Share capital immediately following the completion of the [REDACTED]

(i) Authorized share capital

Number	Description of Shares	Aggregate Nominal Value⁽¹⁾
2,124,389,270	Class A Ordinary Shares with a nominal value of US\$0.0000025 each in issue	US\$5,310.97
17,875,610,730	Class B Ordinary Shares with a nominal value of US\$0.0000025 each in issue	US\$44,689.03
20,000,000,000	Total	US\$50,000.00

Note:

- (1) The figures are subject to rounding adjustments and any discrepancies between totals and sums of amounts listed herein are due to rounding adjustments.

SHARE CAPITAL

(ii) *Issued and to be issued, fully paid or credited to be fully paid (assuming the [REDACTED] is not exercised and the Conversion at Mid-point)*

Number	Description of Shares	Aggregate Nominal Value⁽¹⁾
2,124,389,270	Class A Ordinary Shares with a nominal value of US\$0.0000025 each in issue	US\$5,310.97
[1,212,674,225]	Class B Ordinary Shares with a nominal value of US\$0.0000025 each in issue	US\$[3,031.69]
181,543,255	Class B Ordinary Shares to be converted from Class A Ordinary Shares	US\$453.86
7,798,405,226	Class B Ordinary Shares with a nominal value of US\$0.0000025 to be issued on conversion of Preferred Shares	US\$19,496.01
[REDACTED]	Class B Ordinary Shares with a nominal value of US\$0.0000025 to be issued assuming the Conversion at Mid-point	US\$[REDACTED]
[REDACTED]	Class B Ordinary Shares with a nominal value of US\$0.0000025 to be issued pursuant to the [REDACTED]	US\$[REDACTED]
[REDACTED]	Total	US\$[REDACTED]

Note:

(1) The figures are subject to rounding adjustments and any discrepancies between totals and sums of amounts listed herein are due to rounding adjustments.

SHARE CAPITAL

(iii) *Issued and to be issued, fully paid or credited to be fully paid (assuming the [REDACTED] is fully exercised and the Conversion at Mid-point)*

Number	Description of Shares	Aggregate Nominal Value ⁽¹⁾
2,124,389,270	Class A Ordinary Shares with a nominal value of US\$0.0000025 each in issue	US\$5,310.97
[1,212,674,225]	Class B Ordinary Shares with a nominal value of US\$0.0000025 each in issue	US\$[3,031.69]
181,543,255	Class B Ordinary Shares to be converted from Class A Ordinary Shares	US\$453.86
7,798,405,226	Class B Ordinary Shares with a nominal value of US\$0.0000025 to be issued on conversion of Preferred Shares	US\$19,496.01
[REDACTED]	Class B Ordinary Shares with a nominal value of US\$0.0000025 to be issued assuming the Conversion at Mid-point	US\$[REDACTED]
[REDACTED]	Class B Ordinary Shares with a nominal value of US\$0.0000025 to be issued pursuant to the [REDACTED]	US\$[REDACTED]
[REDACTED]	Class B Ordinary Shares with a nominal value of US\$0.0000025 to be issued pursuant to the [REDACTED]	US\$[REDACTED]
[REDACTED]	Total	US\$[REDACTED]

Note:

(1) The figures are subject to rounding adjustments and any discrepancies between totals and sums of amounts listed herein are due to rounding adjustments.

WEIGHTED VOTING RIGHTS STRUCTURE

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

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The Reserved Matters are:

- (i) any amendment to the Memorandum and Articles;
- (ii) the variation of the rights attached to any class of Shares;
- (iii) the appointment, election or removal of any independent non-executive Director;
- (iv) the appointment or removal of the Company’s auditors; and
- (v) the voluntary liquidation or winding-up of the Company.

In addition, Shareholders, including holders of Class B Ordinary Shares, holding not less than one-tenth of the paid up capital of the Company that carries the right of voting at general meetings (on a one share one vote basis) are entitled to convene an extraordinary general meeting of the Company and add resolutions to the meeting agenda.

See “Summary of the Constitution of our Company and Cayman Islands Company Law — 2 Articles of Association” in Appendix III to this Document for further details.

Class A Ordinary Shares may be converted into Class B Ordinary Shares on a one to one basis. Upon the conversion of all the issued and outstanding Class A Ordinary Shares into Class B Ordinary Shares, the Company will issue 2,124,389,270 Class B Ordinary Shares, representing approximately [REDACTED]% the total number of issued Class B Ordinary Shares immediately following the [REDACTED] (assuming the [REDACTED] is not exercised and the Conversion at Mid-point).

The weighted voting rights attached to our Class A Ordinary Shares will cease when the WVR Beneficiaries cease to have beneficial ownership of any of our Class A Ordinary Shares, in accordance with Rule 8A.22 of the Listing Rules. This may occur:

- (i) upon the occurrence of any of the circumstances set out in Rule 8A.17 of the Listing Rule, in particular where the WVR Beneficiaries are: (1) deceased; (2) no longer a member of our Board; (3) deemed by the Stock Exchange to be incapacitated for the purpose of performing his duties as a director; or (4) deemed by the Stock Exchange to no longer meet the requirements of a director set out in the Listing Rules;
- (ii) when the holders of Class A Ordinary Shares have transferred to another person the beneficial ownership of, or economic interest in, the Class A Ordinary Shares or the control over the voting rights attached to them, other than in the circumstances permitted by Rule 8A.18 of the Listing Rule;
- (iii) where a vehicle holding Class A Ordinary Shares on behalf of a WVR Beneficiary no longer complies with Rule 8A.18(2) of the Listing Rule; or
- (iv) when all of the Class A Ordinary Shares have been converted to Class B Ordinary Shares.

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Shareholding Structure of the WVR Beneficiaries

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

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

Notes:

- (1) On the basis that each Class B Ordinary Share entitles the Shareholder to one vote per Share and each Class A Ordinary Share entitles the Shareholder to ten votes per Share.
- (2) For details of the shareholding structure of our WVR Beneficiaries, please refer to note 1 and note 2 in the section headed “History, Reorganization and Corporate Structure — Capitalization.”

The Company confirms that the holding arrangement through which the WVR Beneficiaries hold the Class A Ordinary Shares as described above meets the requirements in Rule 8A.18 of the Listing Rules and the holding arrangement is permitted under the “Consultation Conclusions — a listing regime for companies from emerging and innovative sectors” issued by the Stock Exchange in April 2018, namely: (a) a partnership of which the WVR Beneficiary is a partner and the terms of which must expressly specify that the voting rights attached to any and all of the Class A Ordinary Shares held by such partnership are solely dictated by the WVR Beneficiary; (b) a trust of which the WVR Beneficiary is a beneficiary and that meets the following conditions: (i) the WVR Beneficiary must in substance retain an element of control of the trust and any immediate holding companies of, or, if not permitted in the relevant tax jurisdiction, retain a beneficial interest in any and all of the Class A Ordinary Shares held by such trust; and (ii) the purpose of the trust must be for estate planning and/or tax planning purposes; or (c) a private company or other vehicle wholly owned and wholly controlled by the WVR Beneficiary or by a trust referred to in paragraph (b) above.

To ensure that there will not be any circumvention of Rule 8A.18(1), each of the Company, Dr. Yu and Dr. Huang undertakes that so long there is any weighted voting rights attached to the Shares held by Everest Robotics Limited and String Theory Robotics Limited, respectively, Dr. Yu and Dr. Huang will not transfer any beneficial ownership of or economic interest in Everest Robotics Limited and String Theory Robotics Limited or the control over the voting rights attached to the Shares held by Everest Robotics Limited and String Theory Robotics Limited to another person. In the event that there is any change in the beneficial ownership of or economic interest in the Shares held by Everest Robotics Limited and String Theory Robotics Limited or the control over the voting rights attached to the Shares held by Everest Robotics Limited and String Theory Robotics Limited, and/or change in beneficiary,

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and settlor of Everest Robotics Limited and String Theory Robotics Limited as trustee for the family trust established by Dr. Yu and Dr. Huang, respectively, to another person, resulting in change of beneficial ownership of, or economic interest in, the Shares held under the trust or the control over the voting rights attached to the Shares held under the trust, the Company, Dr. Yu and/or Dr. Huang will notify the Stock Exchange pursuant to Rule 8A.19 of the Listing Rules and comply with the relevant statutory obligations including obligations of disclosure of interests under the SFO, and the weighted voting rights attached to the Class A Ordinary Shares held by Everest Robotics Limited and String Theory Robotics Limited shall cease upon such transfer accordingly. The Company will also comply with Rule 8A.30 of the Listing Rules to confirm, on an annual basis, that the WVR Beneficiary has complied with Rule 8A.18 of the Listing Rules.

Contribution of the WVR Beneficiaries

Since the inception of our principal business, we are led by an executive team with combination of technical expertise, commercial acumen and organizational management skills. Our executive team is headed by the WVR Beneficiaries, namely Dr. Yu and Dr. Huang.

Dr. Yu is the chairman, an executive Director and the chief executive officer of our Company, responsible for the overall strategic development of the Company. Dr. Yu has profound industry insight and deep understanding and knowledge of assisted driving and autonomous driving technologies and solutions, which laid the foundation for the Company’s technological layout. He had played important roles in designing and developing the Company’s key technologies, solutions and strategic plans. With Dr. Yu, we have successfully developed and deployed our ADAS and AD solutions and achieved industry-leading positions. In addition, Dr. Yu has led the Company in building strong business connections relationships with ecosystem partners along the industry value chain, which is invaluable to our success.

Dr. Huang is an executive Director and the chief technology officer of our Company in charge of our research and development. With deep knowledge, expertise and practical experiences in assisted driving and autonomous driving technologies and solutions, Dr. Huang was an indispensable part of the mastermind behind the Company’s innovation and commercialization success. He led the research and development team to develop the Company’s technical strategy and research and development direction, as well as innovative structure and matrix of our software, algorithm and processing hardware. In addition, Dr. Huang contributed to the successful launch of the Company’s first-generation processing hardware, as well as China’s first automotive processing hardware. Dr. Huang also led and coordinated the Company’s software and hardware teams to formulate our software-hardware co-optimization strategy and guided corresponding research and development direction. Moreover, Dr. Huang led the Company to complete the tape out and mass production of a series of the Company’s processing hardwares. Under his leadership, the Company’s processing hardware design effectively matched industry developments and captured the needs of algorithms and applications, which leads to industry-leading processing efficiency and performance.

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

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

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

RANKING

The [REDACTED] will rank *pari passu* in all respects with all Class B Ordinary Shares currently in issue or to be issued as mentioned in this Document, and will qualify and rank equally for all dividends or other distributions declared, made or paid on the Shares on a record date which falls after the date of this Document.

UNDERTAKINGS BY THE WVR BENEFICIARIES

Pursuant to Rule 8A.43 of the Listing Rules, each WVR Beneficiary is required to give a legally enforceable undertaking to the Company that he will comply with the relevant requirements as set out in Rule 8A.43, which is intended to be for the benefit of and enforceable by the Shareholders. On [●], each of Dr. Yu and Dr. Huang made an undertaking to the Company (the “Undertaking”), that for so long as he is a WVR Beneficiary:

- (a) he shall comply with (and, if the shares to which the weighted voting rights that he is beneficially interested in are attached are held through a limited partnership, trust, private company, or other vehicle, use his best endeavors to procure that such limited partnership, trust, private company or other vehicle complies with) all applicable requirements under Rules 8A.09, 8A.14, 8A.15, 8A.17, 8A.18 and 8A.24 of the Listing Rules from time to time in force (the “Requirements”); and

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- (b) he shall use his best endeavors to procure that the Company complies with all applicable Requirements.

For the avoidance of doubt, the Requirements are subject to Rule 2.04 of the Listing Rules. The WVR Beneficiaries acknowledged and agreed that the Shareholders rely on the Undertaking in acquiring and holding their Shares. The WVR Beneficiaries acknowledged and agreed that the Undertaking is intended to confer a benefit on the Company and all Shareholders and may be enforced by the Company and/or any Shareholder against the WVR Beneficiaries.

The Undertaking shall automatically terminate upon the earlier of (i) the date of [REDACTED] of the Company from the Stock Exchange, and (ii) the date on which the relevant WVR Beneficiary ceases to be a beneficiary of weighted voting rights in the Company. For the avoidance of doubt, the termination of the Undertaking shall not affect any rights, remedies, obligations or liabilities of the Company and/or any Shareholder and/or the WVR Beneficiary himself that have accrued up to the date of termination, including the right to claim damages and/or apply for any injunction in respect of any breach of the Undertaking which existed at or before the date of termination.

The Undertaking shall be governed by the laws of Hong Kong and all matters, claims or disputes arising out of the Undertaking shall be subject to the exclusive jurisdiction of the courts of Hong Kong.

ALTERATION OF SHARE CAPITAL

Pursuant to the Cayman Companies Act and the terms of the Memorandum and Articles, our Company may by ordinary resolution (a) increase its share capital by new Shares of such amount as it thinks expedient; (b) consolidate and divide all or any of its share capital into Shares of a larger amount than its existing Shares; (c) subdivide its Shares, or any of them, into Shares of an amount smaller than that fixed by the Memorandum, provided that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced Share shall be the same as it was in case of the Share from which the reduced Share is derived; and (d) cancel any Shares that, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the Shares so cancelled. In addition, our Company may by special resolution reduce its share capital or any capital redemption reserve subject to the Cayman Companies Act.

See “Summary of the Constitution of Our Company and Cayman Islands Company Law — 2 Articles of Association” in Appendix III to this Document for further details.

SHARE CAPITAL

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company may by ordinary resolution (i) increase its share capital by the creation of new shares; (ii) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares; (iii) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person; and (iv) sub-divide its shares or any of them into shares of smaller amount. In addition, our Company may by special resolution reduce its share capital or any capital redemption reserve subject to any conditions prescribed by the Cayman Companies Act. See the section headed “Summary of the Constitution of Our Company and Cayman Islands Company Law — 2 Articles of Association — 2.5 Alteration of capital” in Appendix III to this Document for further details. If at any time the share capital of our Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Cayman Companies Act, be varied or abrogated only with (in addition to a special resolution to amend the Memorandum or the Articles) the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a resolution passed at a separate meeting of the holders of the shares of that class by members holding shares representing three-fourths in nominal value of the shares Present (as defined in the Articles) and voting at such meeting. See the section headed “Summary of the Constitution of Our Company and Cayman Islands Company Law — 2 Articles of Association — 2.4 Variation of rights of existing shares or classes of shares” in Appendix III to this Document for further details.

SHARE INCENTIVE PLANS

The Company [has] adopted the 2018 Share Incentive Plan and the Post-[REDACTED] Share Incentive Plan. See “Statutory and General Information — D. Share Incentive Plans” in Appendix IV to this Document for further details.

GENERAL MANDATE TO ISSUE SHARES

Subject to the [REDACTED] becoming unconditional, our Directors were granted a general mandate to allot, issue and deal with any Class A Ordinary Shares or securities convertible into Class A Ordinary Shares of not more than the sum of:

- 20% of the total number of Shares in issue immediately following completion of the [REDACTED] (excluding (i) the additional Class B Ordinary Shares which may be issued pursuant to the exercise of the [REDACTED], (ii) the Class B Ordinary Shares to be issued pursuant to the Post-[REDACTED] Share Incentive Plan, and (iii) the Class B Ordinary Shares that are issuable upon conversion of the Class A Ordinary Shares); and
- the aggregate nominal value of Shares repurchased by the Company under the authority referred to in the paragraph headed “ — General Mandate to Repurchase Shares” in this section.

SHARE CAPITAL

This general mandate to issue Class B Ordinary Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or
- the expiration of the period within which our Company’s next annual general meeting is required by the Memorandum of Association and Articles of Association or any other applicable laws to be held; or
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

GENERAL MANDATE TO REPURCHASE SHARES

Subject the [REDACTED] becoming unconditional, our Directors have been granted a general unconditional mandate, to exercise all the powers of our Company to repurchase our own securities with nominal value of up to 10% of the total number of Shares in issue immediately following the completion of the [REDACTED] (excluding (i) the additional Class B Ordinary Shares which may be issued pursuant to the exercise of the [REDACTED], (ii) the Class B Ordinary Shares to be issued pursuant to the Post-[REDACTED] Share Incentive Plan, and (iii) the Class B Ordinary Shares that are issuable upon conversion of the Class A Ordinary Shares).

The repurchase mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares are listed (and which are recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in “Statutory and General Information — A. Further Information about our Group — 5. Repurchases of Our Own Securities” in Appendix IV.

This general mandate to repurchase Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or
- the expiration of the period within which our Company’s next annual general meeting is required by the Articles of Association or any other applicable laws to be held; or
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders passed in a general meeting.

See “Statutory and General Information — A. Further Information about Our Group — 4. Resolutions of Our Shareholders” in Appendix IV to this Document for further details of the repurchase mandate.

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our consolidated financial statements and the accompanying notes included in the Accountant’s Report set forth in Appendix I to this Document. Our consolidated financial statements have been prepared in accordance with IFRSs, which may differ in material aspects from generally accepted accounting principles in other jurisdictions. You should read the entire Accountant’s Report and not merely rely on the information contained in this section.

The following discussion and analysis contain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether the actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. In evaluating our business, you should carefully consider all of the information provided in this Document.

For the purpose of this section, unless the context otherwise requires, references to 2021, 2022 and 2023 refer to our financial year ended December 31 of such year. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

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

Smart vehicle transformation is a mega trend that has been reshaping the estimated US\$13.0 trillion global automotive, mobility and road freight industries in 2023. ADAS capabilities are increasingly common in cars nowadays, thanks to the rapid technology advancement and higher consumer demand in recent years. This is demonstrated by the ADAS penetration rates of over 50% in both global and Chinese markets in 2023, according to CIC. Meanwhile, industry participants continue to make ongoing, inexhaustible efforts to march

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towards broader adoption of AD with increasing level of automation. We believe the demand for driving automation solutions will continue to grow significantly in the years to come. According to CIC, the global ADAS and AD solutions market presents a RMB61.9 billion opportunity in 2023 and is expected to grow at a CAGR of 49.2% through 2030 to reach RMB1,017.1 billion.

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

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

We provide the entire technology stack for our solutions, including algorithms that support the ADAS and AD solutions, the underlying processing hardware on which the algorithms operate, as well as the development toolkits to accelerate the development, iteration and deployment of our solutions.

We take a software and hardware co-optimization approach, which we believe is crucial in ensuring optimal processing efficiency at affordable costs, hence the right technological path towards an autonomous driving future. We also believe that an open platform approach empowering ecosystem partners can accelerate mass adoption of autonomous driving solutions.

We have a highly flexible and scalable business model. Our customers can choose any solution or any combination of components in our whole stack offerings from algorithms to software and development tools and to processing hardware. Such flexibility has helped us continuously acquire new customers and expand market share. In addition, our business model is highly scalable. We typically scale deployment of our solutions with mass production of our OEM customers’ nominated vehicles. In addition, OEM customers who have found success with our solutions in one of their vehicle models would typically expand collaboration with us

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to more vehicle models. Furthermore, we have the opportunity to sell more advanced solutions and additional components from our offering to our customers. These help us build a stable pipeline of contracts in the years to come.

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

BASIS OF PREPARATION

The historical financial information of our Group has been prepared in accordance with all applicable International Financial Reporting Standards (“IFRS Accounting Standards”) issued by the International Accounting Standards Board (“IASB”). The historical financial information has been prepared under the historical cost convention, as modified by the revaluation of convertible redeemable preferred shares, other financial liabilities at fair value through profit or loss, and financial assets at fair value through profit or loss (“FVPL”).

The preparation of the historical financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the historical financial information, are disclosed in Note 4 of the Accountant’s Report included in Appendix I to this Document.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

General Factors

Our business and operating results are affected by general factors affecting the smart vehicles and the ADAS and AD solutions market, which include:

General Demand for Automotive Vehicles

Our business performance is affected by vehicles sales and production volumes by OEMs. Economic conditions in China and globally can have a large impact on the demand and production of new vehicles, thereby affecting our revenue. In addition, a number of other factors such as, the growth of the automotive industry generally, the per capita disposable income of consumers, growth in consumer spending, the supply chain dynamics for auto parts and the competitive environment in automotive industry, would all affect the demand for and production of automotive vehicles, which could affect our revenue growth.

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Penetration of Smart Vehicles

Our results of operations largely depend on penetration rate of smart vehicles in China and around the world. According to CIC, the penetration rates of ADAS technologies in China and global passenger vehicle markets were both over 50% in 2023. The driving automation technologies are undergoing a ground-breaking evolution as the industry transitions from driver assistance to high automation and beyond, which requires increasingly advanced solutions. This has driven, and is expected to continue to drive, the demand for our ADAS and AD solutions as a critical enabler of smart vehicles. Out of a total of 60.3 million new passenger vehicles sold globally in 2023, approximately 39.5 million were smart vehicles with ADAS and AD functions installed with a penetration rate of 65.6%. The sales volume of smart vehicles is expected to further increase to 55.9 million and 81.5 million by 2026 and 2030, respectively, representing penetration rates of 80.3% and 96.7%. We believe the increasing penetration of smart vehicles presents enormous market opportunities for our ADAS and AD solutions, which is expected to have a positive impact on our business scale, results of operations and financial condition.

- ***Growing Consumer Demands.*** Consumer demand for more powerful and smart vehicles is growing rapidly. According to CIC, a global survey conducted by a global tier-one supplier in 2022 indicated that 89% of respondents in China, 75% in Japan, 57% in the United States and 50% in Germany see driving automation as a useful development in passenger vehicles. Smart vehicles integrate growing number of software components to enable smart functions, such as ADAS and AD solutions. As a result, consumers’ demand for smart vehicles equipped with ADAS and AD solutions will significantly impact our financial performance.
- ***Increasing Adoption of ADAS and AD Solutions by OEMs.*** OEMs are increasingly willing to integrate more advanced ADAS and AD solutions into their passenger car models so as to achieve a competitive edge in the automotive markets. Their continued commitment to introduce more advanced driving automation technologies to consumers will affect our results of operations and financial condition. Nevertheless, the actual technology advancement, the effective time-to-market and the affordability of the underlying ADAS and AD solutions will all influence the level and pace of adoption of our ADAS and AD solutions by OEMs.

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Company Specific Factors

We believe there are several important factors that have affected and are expected to continue to affect our results of operations:

Ability to Launch Advanced Solutions and Technologies

Our ability to launch advanced solutions is fundamental to our business success. We expect to continue to upgrade our existing solutions and introduce new solutions to stay competitive. Furthermore, we need to focus on upgrading every pillar of our existing technologies, namely our algorithms, BPU, OpenExplorer, TogetheROS and AIDI, and develop new cutting-edge technologies to satisfy evolving needs and preferences of customers. Moreover, with continuous innovations of technologies, we can better help our customers smoothly and efficiently implement, operate and upgrade our solutions into their vehicles. Our ability to bring more value to our customers through continued innovations in solutions and technologies affects our customers’ decisions to choose us, which in turn affects our results of operations and financial condition.

Ability to Win New Customers and Expand Relations with Our Existing Customers

Our ability to attract new customers affects our business scale, results of operations and financial condition. To obtain design-wins with new customers, we invest significant efforts and resources from the time of our initial contact with a customer until the point when such customer chooses our solutions for incorporation into one or more of its specific vehicle models. Our ability to sustain and expand these efforts plays a critical role in growing our customer base, which is expected to have an impact on our business scale, results of operations and financial condition.

Maintaining and deepening our collaboration and trust with existing customers, particularly OEMs, is critical to our business success. By deepening such relationship, we can scale deployment of our solutions with mass production of our OEM customers’ vehicles. OEMs who have found success with our solutions in one of their vehicle models would typically expand collaboration with us to more vehicle models. Further, we can provide more advanced solutions and more components from our offering to our OEM customers. Retaining and expanding these customer relationships directly affect our results of operation and financial condition.

Our Business Mix

Revenue mix from different revenue sources affect our profitability. For instance, due to the varying business nature, our license and services and product solutions have different gross profit margin profiles. Therefore, the change in revenue mix of our product solutions and license and services would affect our results of operations and financial condition.

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In addition, we provided non-automotive solutions to our customers during the Track Record Period, the gross profit margin of which was generally lower than that of our automotive solutions. Any change in revenue mix from our different business segments will also affect our financial performance.

Ability to Optimize Cost Structure and Improve Operational Efficiency

While we value and encourage spending on innovation, our ability to achieve and maintain profitability is dependent in part on our ability to control costs. During the Track Record Period, our cost of sales primarily consisted of cost of inventories sold. Our ability to effectively control such costs as we expand our operations has affected and will continue to affect our financial results. We aim to deepen our collaborations with suppliers to enhance the stability and affordability of supply and optimize our cost structure.

In addition, our operating efficiency is affected by our ability to control operating expenses. Research and development expenses were the largest component of our operating expenses during the Track Record Period. Our ability to ensure research and development efficiency and maintain research and development expenses at a reasonable level comparable to our revenue scale is critical to our results of operations and financial condition. In addition, controlling administrative expenses and selling and marketing expenses is also important to our success. As we further increase our revenue, we expect to benefit from economy of scale and further improve our operational efficiency.

Ability to Identify and Manage Strategic Partnerships

We may evaluate and consider a wide array of potential partnerships to generate more business opportunities and expand our revenue. Such partnerships may require additional funding and may bring profits or incur losses in the future. For instance, investments in joint ventures and associates, such as our investment in CARIZON, has affected and will continue to affect our cash flows from investing activities. Moreover, operating losses of such joint ventures and associates are recorded as share of net losses of investments accounted for using the equity method in our financial statements. The collaboration with and the operating performance of our joint ventures and associates may affect our financial condition and results of operations.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Some of our accounting policies require us to apply estimates as well as complex judgments related to accounting items. The estimates we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and operational results. Our management continuously evaluates such estimates, assumptions and judgments based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. There has not been any material deviation between our management’s estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

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Set forth below are accounting policies that we believe are of critical importance to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. Our significant accounting policies, estimates and judgments, which are important for understanding our financial condition and results of operations, are set forth in further detail in Note 4 to the Accountant's Report included in Appendix I to this Document.

Revenue Recognition

We recognize revenue when (or as) a performance obligation is satisfied (i.e., when control of the goods or services underlying the particular performance obligation is transferred to the customer). Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- provides all of the benefits received and consumed simultaneously by the customers;
- creates and enhances an asset that the customer controls as we perform; or
- does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date.

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

Contracts with customers may include multiple performance obligations. For such arrangements, at the contract inception date, we allocate revenue to each performance obligation based on its relative stand-alone selling price. We determine stand-alone selling prices based on the prices charged to customers if it is directly observable. If the stand-alone selling price is not directly observable, the contractually stated price is believed to best reflect the relative stand-alone selling price of performance obligations in a contract considering our customary business practices. Assumptions and estimations have been made in estimating the relative selling price of each distinct performance obligation, and changes in judgments on these assumptions and estimates may impact the revenue recognition.

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

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

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

Revenue is recorded net of value-added taxes. Revenues presented in the consolidated statements of loss comprises revenues from product solutions sales, license arrangements and provision of design and technical services to customers in automotive business, and provision of non-automotive solutions.

Automotive Solutions — Product Solutions

We sell automotive product solutions, which combine our self-developed processing hardware with proprietary algorithms and software.

Revenue from automotive product solutions sales is recognized upon the acceptance of promised product solutions from customers in an amount that reflects the consideration we expect to receive in exchange for those product solutions. Revenue is recognized net of discounts and any taxes collected from customers.

We generally offer assurance-type warranties to customers and such warranties are not considered a distinct performance obligation to customers. We account for the warranty in accordance with IAS 37, and the estimated warranty cost was not material during the Track Record Period.

Automotive Solutions — License and Services

We license our customers with a right to use its algorithms and software. Licenses are at times sold along with training services and post-contract service (“PCS”). The training services and the PCS each is considered as a distinct performance obligation and they are not material during the Track Record Period. The licenses granted by us are right to use licenses. Therefore, revenue from license arrangements is recognized when the algorithms, or the software, is made available to the customer and the customer is able to use and benefit from the license. Revenue from training services is recognized over the training period. PCS revenue is recognized ratably over the service period. We also provides customers design and technical services to help them integrate our solutions into their vehicles and design specific features based on their needs.

For contracts pursuant to which we have an enforceable right to payment for performance completed to date, or when the customer simultaneously receives and consumes the benefits provided by our performance as we perform, design and technical services revenue is recognized over a period of time based on the progress towards complete satisfaction in the contracts using input method, which is determined as the proportion of the costs incurred for the work performed to date relative to the estimated total costs to complete the contract, to the extent that the amount can be measured reliably and its recovery is considered probable. For other design and technical services contracts, revenue is recognized upon customers’ acceptance of the service outcome.

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Non-automotive Solutions

We also offer non-automotive product solutions that combine our processing hardware and algorithms. Related revenues are recognized upon the acceptance of promised product solutions by customers.

Practical Expedients and Exemptions

The effect of a significant financing component has not been adjusted for in contracts where we expect, at contract inception date, that the period between when we transfer a promised good or service to the customer and when the customer pays for that good or service will be one year or less. We elected to expense the incremental costs of obtaining a contract with a customer as incurred when the expected amortization period is one year or less.

Principles of Consolidation and Equity Accounting

Subsidiary

Subsidiaries are all entities over which we have control. We control an entity where we are exposed to, or have rights to, variable returns from our involvement with the entity and have the ability to affect those returns through our power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to us. They are deconsolidated from the date that control ceases.

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

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet, respectively.

Associates

Associates are all entities over which we have significant influence but not control or joint control. This is generally the case where we hold between 20% and 50% of the voting rights or have board seats. Investments in associates are accounted for using the equity method of accounting, after initially being recognized at cost.

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Joint Ventures

Under IFRS 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. We have assessed the nature of our joint arrangement and determined it to be joint ventures. Interests in joint ventures are accounted for using the equity method, after initially being recognized at cost in the consolidated balance sheet.

Equity Method

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize our share of the post-acquisition profits or losses of the investee in profit or loss, and our share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investment.

Where our share of losses in an equity-accounted investment equals or exceeds our interest in the entity, including any other unsecured long-term receivables, we do not recognize further losses, unless we have incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between us and our associates and joint ventures are eliminated to the extent of our interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by us. The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 13 of the Accountant’s Report included in Appendix I to this Document.

Preferred Shares

Preferred shares issued by us are redeemable upon occurrence of certain future events and at the option of the holders. They can be converted into our ordinary shares at any time at the option of the holders or automatically converted into ordinary shares upon the completion of this [REDACTED].

We do not bifurcate any embedded derivatives from the host instruments and designates the entire preferred shares instruments as financial liabilities at fair value through profit or loss with the changes in the fair value recorded in the consolidated statements of profit and loss and the component of fair value changes relating to our own credit risk is recognized in other comprehensive income. Amounts recorded in other comprehensive income related to credit risk are not subject to recycling in profit or loss but are transferred to retaining earnings when realized. Any directly attributable transaction costs are expensed as incurred.

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Convertible Loan

Our convertible loan shall be automatically and mandatorily converted into the relevant equity interests upon consummation of this [REDACTED] or on the maturity date. The lender has rights to ask us to repay all outstanding and unpaid principal amount when some default event occurs. Therefore, we do not have the unconditional right to avoid delivering cash to settle the loan.

We did not bifurcate any embedded derivatives from the host instruments and designates the entire convertible loan as financial liabilities at fair value through profit or loss with the changes in the fair value recorded in the consolidated statements of profit and loss and the component of fair value changes relating to our own credit risk is recognized in other comprehensive income.

Critical Estimates and Judgment

Fair Value of Financial Assets at FVPL

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Our Group uses its judgment to select a variety of methods and makes assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of the key assumptions used and the impact of changes to these assumptions see Note 3.3 of the Accountant’s Report included in Appendix I to this Document.

Fair Value of Financial Liabilities at FVPL

Preferred shares and other financial liabilities at FVPL are not traded in an active market and the respective fair value is determined by using valuation techniques. The discounted cash flow method was used to determine our total equity value, the option-pricing method, equity allocation model and forward pricing model were adopted to determine the fair value of the financial instruments. Key assumptions such as discount rate, risk-free interest rate, discount rate for lack of marketability, or DLOM, and volatility based on our best estimates are disclosed in Note 28 of the Accountant’s Report included in Appendix I to this Document.

Credit Loss Allowances for Receivables

The expected credit loss of trade and note receivables and other receivables are based on assumptions about risk of default and expected loss rates. We use judgment in making these assumptions and selecting the inputs to calculate the loss allowances, based on our past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 3.1 of the Accountant’s Report included in Appendix I to this Document.

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Share-based Payment Expenses

We granted options and Restricted Share Units (“RSUs”) to employees and directors. The fair value of the options is determined using the binomial option pricing model at the grant date, and is expected to be expensed over the respective vesting periods. Significant assumptions, including, underlying equity value, risk-free interest rate, expected volatility, dividend yield, and terms, are made by the directors and a third-party valuer.

The fair value of RSUs at the grant date was determined by reference to the fair value of the underlying ordinary shares on the dates of grant. The discounted cash flow method was used to determine our total equity value and the equity allocation model was adopted to determine the fair value of the ordinary shares. Key assumptions, such as discount rate, risk-free interest rate, DLOM and volatility are disclosed in Note 28 of the Accountant’s Report included in Appendix I to this Document.

Current and Deferred Income Tax

We recognize deferred tax assets based on estimates that is probable to generate sufficient taxable profits in the foreseeable future against which the deductible losses will be utilized. The recognition of deferred tax assets mainly involved management’s judgments and estimations about the timing and the amount of taxable profits of the companies who had tax losses.

PATH TO PROFITABILITY

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

- *Substantial upfront investment required.* The ADAS and AD solutions market is highly competitive and complex, which requires substantial upfront investment into, among other things, technology advancement, talent acquisition, customer engagement and regulatory compliance. Considerable resources are necessary to fund the extensive research and development efforts aimed at creating cutting-edge algorithms, purpose-built software and state-of-the-art processing hardware in order to obtain customer and consumer acceptance of ADAS and AD solutions. Furthermore, to maintain a leading edge in technology advancement, we need to

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recruit top-tier talents. Competitive benefits packages and incentives are necessary to attract and retain skilled professionals who can drive our technology innovation and evolution. Moreover, customer engagement in the ADAS and AD solutions is inherently challenging. For instance, in order to invest in our relationship with OEM customers, significant efforts are essential from early engagement cycle to final seamless integration of our algorithms, software, and processing hardware into their vehicle models. Last but not least, compliance with the evolving industry regulations and standards is often challenging and costly, which entails resources towards obtaining various regulatory requirements, conducting rigorous safety testing and ensuring ongoing regulatory compliance. As such, all these factors lead to substantial upfront investment, which results in our loss positions during the Track Record Period.

- *Economy of scale is still materializing.* We are currently growing rapidly. Notably, our market share increased significantly from 3.7% in 2022 to 21.3% in 2023 among ADAS solutions providers to Chinese OEMs in terms of installation volume. However, despite the rapid growth, we have yet to produce at a volume high enough to fully leverage our economy of scale. As our business expands, we benefit from economy of scale and our operating expenses as a percentage of total revenue decreased from approximately 358.7% in 2021, to 281.8% in 2022, and further to 202.2% in 2023. Despite such positive movements, technology development and market penetration in the ADAS and AD solutions market can take time. While economy of scale can offer significant cost advantages, realizing such benefit is a gradual process, particularly for us who incur substantial upfront investment and operate in a dynamic and rapidly evolving industry.
- *Share of results of investments accounted for using the equity method.* In 2021, 2022 and 2023, we recorded share of net losses of investments accounted for using the equity method of RMB2.5 million, RMB34.3 million and RMB112.1 million, respectively. The substantial increase in share of net losses of investments accounted for using the equity method in 2023 was primarily resulted from our shared loss in CARIZON.
- *Fair value changes of preferred shares and other financial liabilities.* We recorded RMB764.0 million, RMB6,655.4 million and RMB4,760.4 million in fair value changes of preferred shares and other financial liabilities in the consolidated statements of profit or loss for the year 2021, 2022 and 2023, respectively. Fair value changes on preferred shares and other financial liabilities arise primarily from the changes in the carrying amount of our preferred shares and the convertible loan. These fair value changes are non-cash in nature. Upon the completion of this [REDACTED], all of such preferred shares and the convertible loan will be automatically converted into ordinary shares.

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Expanding Our Revenue Scale

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

- *Leverage positive industry tailwind.* Benefiting from the consumer acceptance and preferences for smart vehicles, enhanced driving safety standards and robust technology development, the smart vehicle market in China and globally is expected to maintain significant growth momentum in the future. Accordingly, the market for ADAS and AD solutions is expected to grow rapidly as well. For details, see “Industry Overview — Overview of the Smart Vehicle Market” and “Industry Overview — Overview of the ADAS and AD Solutions Market.” Benefiting from such positive industry tailwind, we believe we are well positioned to capture the market potential and achieve sustainable significant growth in the future. Moreover, our expertise in ADAS and AD solutions gives us a significant competitive advantage whereby we can capitalize on our technology capacity by continuously developing advanced ADAS and AD solutions that outperform our competitors. Such expertise also translates to our ability to gain additional market share. We were the largest Chinese ADAS solutions provider to Chinese OEMs in domestic market by installation volume in 2023, according to CIC. Notably, our market share increased significantly from 3.7% in 2022 to 21.3% in 2023. Looking ahead, benefiting from our cutting-edge algorithms, purpose-built software and state-of-the-art processing hardware, we are poised to maintain this momentum and continue our revenue growth trajectory.
- *Capitalize on robust backlogs.* We have the largest OEM customer base in China among solution providers. Our integrated solutions have been selected by 24 OEMs (31 OEM brands) for implementation in over 230 passenger car models as of the Latest Practicable Date. As a result of our wide OEM coverage, we have secured robust backlogs of orders for vehicles not yet mass produced. As of December 31, 2023, vehicle models that have yet to achieve mass production represent more than 50% of all vehicle models of which we have obtained design-wins. Future commercialization of such vehicle models that have yet to achieve mass production can further support our future revenue growth in the years to come.
- *Attract new customers.* We plan to further grow the size of our customer base, leveraging our current flexible business model and industry-leading open platform. Customers can choose any solution or any combination of components in our whole stack offerings, providing flexibility to our customers to select the solutions that best suit their needs, which, in turn, can help us continuously acquire new customers and expand market share. In addition, by purposefully designing our platform to allow industry participants to develop tailor-made ADAS and AD features, we can attract a broader range of new customers who are willing to use our open platform to benefit their own businesses. With more OEMs and third-party developers working on our platform, we can broaden our industry penetration, leading to adoption of our ADAS and AD solutions by new customers.

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- *Expand collaboration with existing customers.* Our future growth is dependent on our ability to maintain and deepen relationships with our existing customers. By committing to expand and deepen such relationships, we can scale deployment of our solutions in tandem with our customers’ increasing production volumes of vehicles equipped with our solutions. Moreover, OEMs who have found success with our solutions in one of their vehicle models would typically expand collaboration with us to more vehicle models. Furthermore, we have the opportunity to offer more advanced solutions and more components from our offering to our customers.
- *Expand to new geographies.* We aim to extend our reach beyond markets in China and bring our solutions to enable global partners. Currently, substantially all of our revenues are derived in China. We intend to enhance our international presence through partnering with global OEMs and tier one suppliers to explore global markets, particularly in Japan, South Korea and Europe. As the demand for advanced driving automation grows worldwide, we can capitalize on such opportunities by expanding our presence globally with our customers. We believe our strategic partnership with Chinese OEMs can turn into huge revenue growth potential due to their increasing international presence. In addition, we intend to establish strategic and commercial partnerships with other global industry leaders to enhance market presence on a global scale and pave the way for collaborative innovation. For details, see “Business — Our Growth Strategies — Expand Our Solutions to Enable Global Partners.”
- *Introduce new solutions with higher price meeting the surging demand for smart vehicles.* We plan to introduce new solutions with more advanced technologies. We are expanding our solutions portfolio, including developing more advanced AD solutions based on our next generation of hardware. We also intend to continue to invest in advanced algorithms and AD software applications that are co-designed and co-optimized with our new generation of hardware to further optimize processing efficiency, enhance performance and minimize latency. We believe more advanced driving automation technologies allow us to charge a higher price. Customers and consumers who prioritize innovation are willing to pay a higher price for a more enjoyable mobility experience. We believe such pricing increase for our ADAS and AD solutions can boost our revenue growth.

Maintaining Our Gross Margin Profile

Our future profitability depends on our ability to sustain the current level of margin profile and introduce new solutions with high margin profile. Our gross profit margin amounted to 70.9%, 69.3% and 70.5% in 2021, 2022 and 2023, respectively. We expect to maintain our gross margin profile by implementing the following:

- *Continuous innovation.* Sustaining our profitability necessitates a proactive approach to continuously introducing new solutions with a relatively high margin profile. As such, we will continue to allocate resources to research and development initiatives aimed at fostering innovation and developing cutting-edge technologies. By doing so, we can justify premium pricing, stay ahead of the competition, and maintain our profitability in the long run.

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- *Supply chain management and improvement.* We will optimize supply chain to drive cost reduction. For instance, we will continue to enhance our relationships with supplier by fostering long-term partnerships and diversify our current supplier pool for stable and affordable supplies. Additionally, we will enhance our inventory and supply chain management practices to ensure that we can always maintain a reasonably adequate stock level that is suited for our long-term profitability.
- *Business mix optimization.* We will further adjust our business mix to maintain our gross profit margin. We will continue to focus on automotive solutions, particularly our license and services which incur less cost of inventories sold and have a relatively high gross profit margin. As such, we will further commercialize our license and services by diversifying our software and development toolkits portfolio to keep the revenue mix from license and services at an optimal level, thereby maintaining our overall gross profit margin.

Enhancing Operating Leverage

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

- *Research and development.* During the Track Record Period, we allocated significant resources on research and development, focusing on possessing comprehensive research and development capabilities to support the development of cutting-edge algorithms, purpose-built software and state-of-the-art processing hardware. 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. We believe our current resources allocation strategy for research and development has already brought enormous benefits. For instance, the long planning cycles of automotive industry demands us to make considerable upfront investments in research and development, which may take several years to ramp up. Nonetheless, due to our targeted research and development approach on open platform and flexible business model, such upfront investments can support our future product pipeline and sustain our technological advantage at lower additional costs. As a result of the foregoing, our research and development expenses as a percentage of total revenues decreased from 245.0% in 2021, to 207.6% in 2022 and further to 152.5% in 2023. We expect our research and development expenses to remain a substantial portion of our operating expenses to support our business expansion in the future, but our research and development expenses as a percentage of revenue to keep decreasing.

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- *Administrative expenses.* Our administrative expenses amounted to RMB319.0 million, RMB373.9 million and RMB443.4 million in 2021, 2022 and 2023, respectively. Our administrative expenses as a percentage of total revenues decreased from 68.3% in 2021, to 41.3% in 2022 and further to 28.6% in 2023, primarily due to the revenue increase and economy of scale driven by of our business expansion. We will continue to actively monitor our administrative expenses and promote operational efficiency. We expect our administrative expenses in the absolute amount to increase alongside our business expansion in the future, but our administrative expenses as a percentage of revenue to keep decreasing.
- *Selling and marketing expenses.* Our selling and marketing expenses amounted to RMB211.4 million, RMB298.5 million and RMB327.2 million in 2021, 2022 and 2023, respectively. Our selling and marketing expenses as a percentage of total revenues decreased from 45.3% in 2021, to 33.0% in 2022 and further to 21.1% in 2023, primarily due to the significant revenue increase, economy of scale and strong connections with our customers. We expect our selling and marketing expenses in the absolute amount to increase alongside our business expansion in the future, but our selling and marketing expenses as a percentage of revenue to keep decreasing. Going forward, we will further leverage our strong direct relationships and strong channels of communication with our customers in order to win additional contracts, and target customers more cost-effectively.

Improving Operations of CARIZON

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

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DESCRIPTION OF SELECTED ITEMS OF OUR CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The following table sets forth selected items of our consolidated statements of profit or loss for the years indicated, derived from our consolidated statements of profit or loss set out in the Accountant’s Report included in Appendix I to this Document. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	For the Year Ended December 31,		
	2021	2022	2023
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
		<i>(in thousands)</i>	
Revenue from contracts with customers . . .	466,720	905,676	1,551,607
Cost of sales	<u>(135,734)</u>	<u>(277,963)</u>	<u>(457,297)</u>
Gross profit	330,986	627,713	1,094,310
Research and development expenses	(1,143,642)	(1,879,888)	(2,366,255)
Administrative expenses	(319,003)	(373,909)	(443,366)
Selling and marketing expenses	(211,390)	(298,500)	(327,249)
Net impairment losses on financial assets .	(5,098)	(13,039)	(20,793)
Other income	14,483	43,662	66,222
Other losses, net	<u>(1,669)</u>	<u>(238,055)</u>	<u>(33,391)</u>
Operating loss	(1,335,333)	(2,132,016)	(2,030,522)
Finance income	28,239	104,528	167,473
Finance costs	<u>(16,592)</u>	<u>(7,548)</u>	<u>(8,651)</u>
Finance income, net	11,647	96,980	158,822
Share of results of investments accounted for using the equity method	(2,530)	(34,298)	(112,074)
Fair value changes of preferred shares and other financial liabilities through profit or loss	<u>(763,984)</u>	<u>(6,655,367)</u>	<u>(4,760,354)</u>
Loss before income tax	(2,090,200)	(8,724,701)	(6,744,128)
Income tax benefit	<u>26,650</u>	<u>4,273</u>	<u>5,075</u>
Loss for the year	(2,063,550)	(8,720,428)	(6,739,053)
Loss is attributable to:			
Owners of the Company	(2,061,293)	(8,719,410)	(6,739,021)
Non-controlling interests	(2,257)	(1,018)	(32)
Adjusted operating loss			
(Non-IFRS measure)⁽¹⁾	(1,138,964)	(1,958,318)	(1,686,991)
Adjusted net loss			
(Non-IFRS measure)⁽²⁾	(1,103,197)	(1,891,363)	(1,635,168)

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Notes:

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

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

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NON-IFRS MEASURES

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

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

Notes:

- (1) Share-based payments relate to (i) the share awards we offered to our employees and directors under the 2018 Share Incentive Plan and (ii) the excess of the transaction price over the fair value of the Class A ordinary shares, with reference to a third-party valuation report, which was considered compensatory in nature in exchange for service of the founders, and therefore was recognized as share-based payment expense and credited to share premium. For details, see Note 24 (b), Note 26(a) and Note 26(b) of the Accountant’s Report included in Appendix I to this Document.
- (2) Fair value changes on preferred shares and other financial liabilities arise primarily from the changes in the carrying amount of our preferred shares and convertible loan in connection with our financing activities. These fair value changes are non-cash in nature. Upon the completion of this [REDACTED], all of the preferred shares will be automatically converted into ordinary shares, and all the principal amount and accrued interests of the convertible loan will be automatically and mandatorily converted into ordinary shares, subject to certain beneficial interest cap. All preferred shares and other financial liabilities will be reclassified to equity upon conversion, and no longer measured at fair value going forward.

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

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We define adjusted operating loss (Non-IFRS measure) as operating loss for the years adjusted by adding back (i) share-based payments, which are non-cash in nature, and (ii) [REDACTED], which relate to the [REDACTED]. We define adjusted net loss (Non-IFRS measure) as loss for the years adjusted by adding back (i) share-based payments, which are non-cash in nature, (ii) [REDACTED], which relate to the [REDACTED], and (iii) fair value changes on preferred shares and other financial liabilities, which are non-cash items. Upon the completion of this [REDACTED], all of the preferred shares will be automatically converted into ordinary shares, and all the principal amount and accrued interests of the convertible loan will be automatically and mandatorily converted into ordinary shares, subject to certain beneficial interest cap. All preferred shares and other financial liabilities will be reclassified to equity upon conversion, and no longer measured at fair value going forward. We have made such adjustments consistently during the Track Record Period complying with Chapter 3.11 of the Guide for New Listing Applicants issued by the Stock Exchange. We believe that Non-IFRS measures facilitate the comparisons of operating performance and provide useful information to [REDACTED] and others in understanding and evaluating our operating performance in the same manner as it helps our management. However, our presentation of Non-IFRS measures for the years may not be comparable to similarly titled measures presented by other companies. The use of Non-IFRS measures has limitations as an analytical tool, and [REDACTED] should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRS Accounting Standards.

DESCRIPTION OF SELECTED COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

We generate our revenues through two main business segments, namely (i) automotive solutions which comprise product solutions and license and services, and (ii) non-automotive solutions. Our revenue primarily derives from our automotive solutions, which reflect our strategic focus. We also generate a small portion of our revenue from non-automotive solutions.

The following table sets forth a breakdown of our revenue by revenue source during the years indicated, both in absolute amounts and as percentages of total revenue.

	For the Year Ended December 31,					
	2021		2022		2023	
	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%
	<i>(in thousands, except for percentages)</i>					
Automotive solutions						
Product solutions	208,083	44.6	319,312	35.3	506,386	32.7
License and services . .	<u>202,081</u>	<u>43.3</u>	<u>481,826</u>	<u>53.2</u>	<u>963,978</u>	<u>62.1</u>
Subtotal	<u>410,164</u>	<u>87.9</u>	<u>801,138</u>	<u>88.5</u>	<u>1,470,364</u>	<u>94.8</u>
Non-Automotive solutions	<u>56,556</u>	<u>12.1</u>	<u>104,538</u>	<u>11.5</u>	<u>81,243</u>	<u>5.2</u>
Total Revenue	<u>466,720</u>	<u>100.0</u>	<u>905,676</u>	<u>100.0</u>	<u>1,551,607</u>	<u>100.0</u>

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Automotive Solutions

Our revenue is primarily generated from automotive solutions, comprising product solutions and license and services.

Product Solutions

During the Track Record Period, revenue generated from product solutions amounted to RMB208.1 million, RMB319.3 million and RMB506.4 million in 2021, 2022 and 2023, respectively, accounting for 44.6%, 35.3% and 32.7% of our total revenue for the same years, respectively. We generate revenue from the sale and delivery of our product solutions, which combine our self-developed processing hardware with proprietary algorithms and software, to OEMs and tier-one suppliers. The price of each product solution depends on the type of algorithm and software involved, as well as the type and number of processing hardware integrated.

License and Services

During the Track Record Period, revenue generated from license and services amounted to RMB202.1 million, RMB481.8 million and RMB964.0 million in 2021, 2022 and 2023, respectively, accounting for 43.3%, 53.2% and 62.1% of our total revenue for the same years, respectively. We generate revenue from licensing our algorithms, software and development toolkit to our customers, enabling them to develop their own applications catering to specific needs. The amount of licensing fees typically depends on the complexity and variety of algorithms, software and development toolkits involved. We generate revenue from the provision of design and technical services to our customers, primarily OEMs, to help them integrate our solutions into their vehicles and design specific features based on their needs. We charge service fees based on the type of services and the amount of personnel or resources involved.

Non-automotive Solutions

Our non-automotive solutions enable device manufacturers to design and manufacture devices and appliances, such as lawn mowers, with enhanced levels of intelligence, leading to better user experience. As non-automotive solutions are not our strategic focus, revenue from non-automotive solutions as a percentage of total revenue decreased from 12.1% in 2021, to 11.5% in 2022, and further to 5.2% in 2023.

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Cost of Sales

Our cost of sales consists of the costs directly related to providing our solutions to our customers. The following table sets forth a breakdown of our cost of sales, both in absolute amounts and as percentages of total cost of sales by revenue source during the years indicated.

	For the Year Ended December 31,					
	2021		2022		2023	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in thousands, except for percentages)</i>					
Automotive solutions						
Product solutions	65,494	48.2	121,006	43.5	280,160	61.3
License and services . . .	16,105	11.9	58,713	21.2	106,493	23.3
Subtotal	81,599	60.1	179,719	64.7	386,652	84.6
Non-Automotive solutions	54,135	39.9	98,244	35.3	70,645	15.4
Total cost of sales	135,734	100.0	277,963	100.0	457,297	100.0

Our cost of sales primarily consists of costs related to automotive solutions. In 2021, 2022 and 2023, our cost of sales was RMB135.7 million, RMB278.0 million and RMB457.3 million, respectively. Our cost of sales for product solutions constituted the largest component of our total cost of sales during the Track Record Period, amounting to RMB65.5 million, RMB121.0 million and RMB280.2 million in 2021, 2022 and 2023, respectively. Our cost of sales for non-automotive solutions as a percentage to total cost of sales decreased substantially from 39.9% in 2021 to 15.4% in 2023 in line with our strategic focus to prioritize automotive solutions.

The following table sets forth a breakdown of our cost of sales by nature both in absolute amounts and as percentages of total cost of sales.

	For the Year Ended December 31,					
	2021		2022		2023	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in thousands, except for percentages)</i>					
Cost of inventories sold	122,883	90.5	240,279	86.4	392,101	85.7
Employee benefit expenses	12,851	9.5	37,684	13.6	65,196	14.3
Total cost of sales	135,734	100.0	277,963	100.0	457,297	100.0

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In terms of cost of sales by nature, cost of inventories sold, primarily bill of materials for processing hardware and peripheral devices, was our largest cost component. Our cost of inventories sold as a percentage of total cost of sales decreased from 90.5% in 2021 to 85.7% in 2023 primarily due to a relatively faster increase in employee benefit expenses associated with provision of license and services during the Track Record Period.

Gross Profit and Gross Profit Margin

Gross profit is equal to our revenue less cost of sales. Our gross profit as a percentage of our revenue is our gross profit margin. Our gross profit increased significantly from RMB331.0 million in 2021 to RMB627.7 million in 2022, and further to RMB1,094.3 million in 2023, which is in line with our revenue growth during the Track Record Period. Our gross profit margin remained relatively stable at 70.9%, 69.3% and 70.5% in 2021, 2022 and 2023, respectively. The following table sets forth our gross profit and gross profit margin by revenue source for the years indicated.

	For the Year Ended December 31,					
	2021		2022		2023	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in thousands, except for percentages)</i>					
Automotive solutions						
Product solutions	142,589	68.5	198,306	62.1	226,226	44.7
License and services	185,976	92.0	423,113	87.8	857,486	89.0
Subtotal	328,565	80.1	621,419	77.6	1,083,712	73.7
Non-Automotive solutions	<u>2,421</u>	4.3	<u>6,294</u>	6.0	<u>10,598</u>	13.0
Total	<u>330,986</u>	70.9	<u>627,713</u>	69.3	<u>1,094,310</u>	70.5

Our gross profit and gross profit margin have been and will continue to be affected by a number of factors, including the revenue mix of our product solutions and license and services, our pricing strategies, the mix of automotive and non-automotive solutions, cost of inventories sold and employee benefit expenses, among other factors. Our license and services typically have higher gross profit margin compared to our product solutions because our license and services incur lower cost of inventories sold as compared to our product solutions. Our overall gross profit margin varies from year to year depending on the evolving mix from different revenue sources.

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Our gross profit margin differs for our automotive and non-automotive solutions during the Track Record Period. The higher gross profit margin for our automotive solutions is attributable to our higher pricing power for automotive solutions due to, among other things, differences in solutions application scenarios, different standards required and differences in complexity of the underlying technology.

Research and Development Expenses

Research and development expenses consist of (i) employee benefit expenses, including salaries, benefits, and share-based payments of research and development personnel; (ii) depreciation and amortization of property, plant and equipment, intangible assets and right-of-use assets utilized in research and development activities; (iii) technical service fees relating to research and development activities; (iv) outsourcing fees, primarily related to fees incurred for outsourced personnel on research and development activities; and (v) other expenses, including, among others, traveling expenses, utilities and property management fees. The following table sets forth a breakdown of our research and development expenses during the years indicated, both in absolute amounts and as percentages of total research and development expenses.

	For the Year Ended December 31,					
	2021		2022		2023	
	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%
	<i>(in thousands, except for percentages)</i>					
Research and development expenses						
Employee benefit expenses	751,150	65.7	1,175,565	62.5	1,435,620	60.7
Depreciation and amortization	138,525	12.1	275,500	14.7	337,581	14.2
Technical service fees . . .	101,475	8.9	176,315	9.4	253,225	10.7
Outsourcing fees	44,985	3.9	164,293	8.7	150,821	6.4
Other expenses	107,507	9.4	88,215	4.7	189,008	8.0
Total research and development expenses	1,143,642	100.0	1,879,888	100.0	2,366,255	100.0

FINANCIAL INFORMATION

In 2021, 2022 and 2023, we incurred research and development expenses of RMB1,143.6 million, RMB1,879.9 million and RMB2,366.3 million, respectively. Employee benefit expenses remained the single largest component of our research and development expenses during the Track Record Period, accounting for 65.7%, 62.5% and 60.7% of total research and development expenses in 2021, 2022 and 2023, respectively.

We believe that continuous investment in research and development is vital to our future growth. We will continue to invest in research and development, including recruiting additional technology talents, acquiring necessary licenses, facilities and equipment, and developing new processing hardware with stronger processing capacity and higher power efficiency to support the development of our automotive solutions. As such, we expect our research and development expenses to increase in absolute amount in the foreseeable future.

Administrative Expenses

Our administrative expenses consist of (i) employee benefit expenses, including salaries, benefits, and share-based payments of administrative personnel; (ii) professional service and other consulting fees in relation to legal, finance and tax and other related matters; (iii) traveling expenses in relation to our administrative personnel; (iv) tax related surcharge; and (v) others, including, among others, depreciation and amortization, utilities, and property management fees. The following table sets forth a breakdown of our administrative expenses, both in absolute amounts and as percentages of total administrative expenses for the years indicated.

	For the Year Ended December 31,					
	2021		2022		2023	
	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%
	<i>(in thousands, except for percentages)</i>					
Administrative expenses						
Employee benefit expenses	187,756	58.9	205,582	55.0	302,245	68.2
Professional service and other consulting fees . . .	83,560	26.1	99,393	26.5	65,526	14.8
Traveling expenses	23,449	7.4	18,957	5.1	19,669	4.4
Tax related surcharges . . .	2,936	0.9	9,243	2.5	19,714	4.4
Other expenses	<u>21,302</u>	<u>6.7</u>	<u>40,734</u>	<u>10.9</u>	<u>36,212</u>	<u>8.2</u>
Total administrative expense	<u>319,003</u>	<u>100.0</u>	<u>373,909</u>	<u>100.0</u>	<u>443,366</u>	<u>100.0</u>

FINANCIAL INFORMATION

In 2021, 2022 and 2023, we incurred administrative expenses of RMB319.0 million, RMB373.9 million and RMB443.4 million, respectively. Employee benefit expenses remained the single largest component of our administrative expenses during the Track Record Period, accounting for 58.9%, 55.0% and 68.2% of total administrative expenses in 2021, 2022 and 2023, respectively.

We expect our administrative expenses to increase in the foreseeable future as we expand our operations. However, we expect that our administrative expenses as a percentage of total revenue to decrease as we improve our operational efficiency and benefit from economy of scale.

Selling and Marketing Expenses

Our selling and marketing expenses consist of (i) employee benefit expenses, including salaries, benefits, and share-based payments of sales personnel; (ii) marketing business development, conferences and traveling expenses incurred by sales personnel; (iii) outsourcing fees in relation to outsourced personnel and professional service fees in connection with sales and marketing activities; and (iv) others, including, among others, depreciation and amortization, utilities and property management. The following table sets forth a breakdown of our selling and marketing expenses for the years indicated, both in absolute amounts and as percentages of total selling and marketing expenses.

	For the Year Ended December 31,					
	2021		2022		2023	
	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%
	<i>(in thousands, except for percentages)</i>					
Selling and marketing expenses						
Employee benefit expenses	115,786	54.8	183,809	61.6	210,996	64.5
Marketing conferences and traveling expenses	54,778	25.9	53,162	17.8	59,014	18.0
Outsourcing fees	20,468	9.7	47,516	15.9	35,967	11.0
Other expenses	<u>20,358</u>	<u>9.6</u>	<u>14,013</u>	<u>4.7</u>	<u>21,272</u>	<u>6.5</u>
Total selling and marketing expenses . . .	<u>211,390</u>	<u>100.0</u>	<u>298,500</u>	<u>100.0</u>	<u>327,249</u>	<u>100.0</u>

FINANCIAL INFORMATION

In 2021, 2022 and 2023, we incurred selling and marketing expenses of RMB211.4 million, RMB298.5 million and RMB327.2 million, respectively. Employee benefit expenses remained the single largest component of our selling and marketing expenses during the Track Record Period, accounting for 54.8%, 61.6% and 64.5% of total selling and marketing expenses in 2021, 2022 and 2023, respectively.

We plan to continue to spend on sales and marketing to promote our brand, deepen our relationships with our existing customers and attract new customers. As a result, we expect our selling and marketing expenses to increase in absolute amount in the foreseeable future. Meanwhile, we expect our selling and marketing expenses to decrease as a percentage of our total revenue as we benefit from our enhanced brand awareness, established customer base and economy of scale.

Net Impairment Losses on Financial Assets

Our impairment losses on financial assets consist of impairment losses recognized from (i) trade and note receivables; and (ii) other receivables. During the Track Record Period, we recognized net impairment losses on financial assets of RMB5.1 million, RMB13.0 million and RMB20.8 million in 2021, 2022 and 2023, respectively. For details, see Note 3.1(b) of the Accountant’s Report included in Appendix I to this Document.

Other Income

Our other income primarily represents (i) financial subsidies; and (ii) tax refund in connection with VAT refunds pursuant to government policies to support businesses. The following table sets forth a breakdown of our other income for the years indicated.

	For the Year Ended December 31,					
	2021		2022		2023	
	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%
	<i>(in thousands, except for percentages)</i>					
Other income						
Financial subsidies	10,810	74.6	30,503	69.9	50,238	75.9
Tax refund	3,673	25.4	13,159	30.1	15,984	24.1
Total other income	<u>14,483</u>	<u>100.0</u>	<u>43,662</u>	<u>100.0</u>	<u>66,222</u>	<u>100.0</u>

FINANCIAL INFORMATION

Other (Losses)/Gain, Net

Our other (losses)/gains, net consist of (i) fair value changes of financial assets at fair value through profit or loss, reflecting the valuation of unlisted companies that we invested in which we hold minor interest and the valuation of wealth management products we purchased; (ii) net foreign exchange differences resulted from changes in foreign exchange rates; (iii) donations; (iv) (losses)/gains on disposal of subsidiaries; and (v) others. The following table sets forth a breakdown of our other (losses)/gains, net for the years indicated.

	For the Year Ended December 31,					
	2021		2022		2023	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in thousands, except for percentages)</i>					
Fair value changes of financial assets at fair value through profit or loss	(5,286)	316.7	29,715	(12.5)	8,852	(26.5)
Net foreign exchange differences	11,080	(663.9)	(264,660)	111.2	(40,334)	120.8
Donations	(4,415)	264.5	—	—	(672)	2.0
(Losses)/gains on disposal of subsidiaries	(3,142)	188.3	—	—	623	(1.9)
Others	<u>94</u>	<u>(5.6)</u>	<u>(3,110)</u>	<u>1.3</u>	<u>(1,860)</u>	<u>5.6</u>
Total other (losses)/gains, net	<u>(1,669)</u>	<u>100.0</u>	<u>(238,055)</u>	<u>100.0</u>	<u>(33,391)</u>	<u>100.0</u>

Finance Income

Our finance income consists primarily of interest income from financial assets held for cash management purposes, such as interests on demand deposits and term deposits. In 2021, 2022 and 2023, we had finance income of RMB28.2 million, RMB104.5 million, and RMB167.5 million, respectively.

FINANCIAL INFORMATION

Finance Costs

Our finance costs consist of (i) interest for lease liabilities; and (ii) finance charges paid for issuance of preferred shares to investors in relation to our financing activities. See Note 10 of the Accountant’s Report included in Appendix I to this Document. The following table sets forth a breakdown of our finance costs for the years indicated.

	For the Year Ended December 31,					
	2021		2022		2023	
	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%
	<i>(in thousands, except for percentages)</i>					
Finance costs						
Interest for lease liabilities	(4,711)	28.4	(7,548)	100.0	(8,651)	100.0
Finance charges paid for issuance of preferred shares.	<u>(11,881)</u>	<u>71.6</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total finance costs	<u>(16,592)</u>	<u>100.0</u>	<u>(7,548)</u>	<u>100.0</u>	<u>(8,651)</u>	<u>100.0</u>

Share of Results of Investments Accounted for Using the Equity Method

We recorded share of net losses of investments accounted for using the equity method in the amount of RMB2.5 million, RMB34.3 million and RMB112.1 million in 2021, 2022 and 2023, respectively, primarily reflecting losses of our joint ventures and associates. See Note 13 of the Accountant’s Report included in Appendix I to this Document.

Fair Value Changes of Preferred Shares and Other Financial Liabilities

We recorded RMB764.0 million, RMB6,655.4 million and RMB4,760.4 million in fair value changes of preferred shares and other financial liabilities in the consolidated statements of profit or loss in 2021, 2022 and 2023, respectively, primarily representing changes in fair value of preferred shares and convertible loan. See Note 28 of the Accountant’s Report included in Appendix I to this Document.

Income Tax Benefits

We recorded RMB26.7 million, RMB4.3 million and RMB5.1 million in income tax benefits in 2021, 2022 and 2023, respectively, representing tax losses carried forward expected to be realized in the future.

FINANCIAL INFORMATION

Loss for the Year

As a result of foregoing, we recorded RMB2,063.6 million, RMB8,720.4 million and RMB6,739.1 million in loss for the year in 2021, 2022 and 2023, respectively.

TAXATION

Cayman Islands

We are incorporated in the Cayman Islands. Under the current laws of the Cayman Islands, we are not subject to tax on income or capital gain. Additionally, upon payments of dividends by us in the Cayman Islands to our shareholders, no Cayman Islands withholding tax will be imposed.

Hong Kong

Our subsidiaries in Hong Kong, including Horizon Hong Kong, our wholly owned subsidiary, are subject to Hong Kong profits tax on their activities conducted in Hong Kong at rate of 8.25% on assessable profits up to HK\$2 million, and 16.5% on any part of assessable profits over HK\$2 million. The payments of dividends by our Hong Kong subsidiaries to their shareholders are not subject to any Hong Kong withholding tax.

PRC

Our subsidiaries in China are companies incorporated under PRC law and, as such, are subject to PRC enterprise income tax on their taxable income in accordance with the relevant PRC income tax laws. Pursuant to the PRC Enterprise Income Tax Law, or PRC EIT Law, which became effective on January 1, 2008, a uniform 25% enterprise income tax rate is generally applicable to both foreign-invested enterprises and domestic enterprises, except where a special preferential rate applies.

Five of our major subsidiaries were entitled to a preferential corporate income tax rate of 15%. During the Track Record Period, these subsidiaries have obtained their High and New Technology Enterprises (“HNTE”) status, and hence they are entitled to a preferential tax rate of 15% for a three-year period. This status is subject to a requirement that they reapply for HNTE status every three years. We will apply for the renewal of the HNTE status for all of these subsidiaries, and we believe it is more likely than not that each of these subsidiaries will continue to qualify as a HNTE after the three-year period. Therefore, deferred tax of these entities were calculated at a rate of 15% starting from the year when they were accredited as HNTEs.

We are subject to VAT on the solutions provided. We are also subject to surcharges on VAT payments in accordance with PRC law.

FINANCIAL INFORMATION

If our holding company in the Cayman Islands or any of our subsidiaries outside China were deemed to be a “resident enterprise” under the PRC EIT Law, it would be subject to enterprise income tax on its worldwide income at a rate of 25%. See “Risk Factors — Risks Related to Doing Business in China — 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.”

DISCUSSION OF RESULTS OF OPERATIONS

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

Revenue

Our revenue increased significantly by 71.3% from RMB905.7 million in 2022 to RMB1,551.6 million in 2023, primarily due to the expansion of our customer base as well as increased spendings from our existing customers.

- ***Product solutions.*** Our revenue from sales of product solutions increased by 58.6% from RMB319.3 million in 2022 to RMB506.4 million in 2023, primarily due to a well-established customer base of tier-one suppliers and OEMs that allows us to boost the sales of product solutions. In particular, leveraging such strong customer base, we are able to (i) scale deployment of our solutions with mass production of our OEM customers’ vehicles, (ii) integrate our product solutions with more vehicle models from our OEM customers, and (iii) sell more advanced solutions and more components from our offering to our OEM customers. Furthermore, we also attracted new customers to adopt our product solutions, which further drives revenue growth.
- ***License and services.*** Our revenue generated from license and services increased by 100.1% from RMB481.8 million in 2022 to RMB964.0 million in 2023, primarily driven by an increase in the number and value of contracts with customers. In 2023, we attracted a number of new customers who contributed license and services revenue.

Due to our strategic focus on automotive solutions, our revenue from non-automotive solutions decreased from RMB104.5 million in 2022 to RMB81.2 million in 2023.

Cost of Sales

Our total cost of sales increased by 64.5% from RMB278.0 million in 2022 to RMB457.3 million in 2023, primarily due to (i) an increase of cost of sales for product solutions by 131.5% from RMB121.0 million in 2022 to RMB280.2 million in 2023 and (ii) an increase of cost of sales for license and services by 81.4% from RMB58.7 million in 2022 to RMB106.5 million in 2023, partially offset by a decrease in cost of sales from non-automotive solutions from RMB98.2 million in 2022 to RMB70.6 million in 2023.

FINANCIAL INFORMATION

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased from RMB627.7 million in 2022 to RMB1,094.3 million in 2023.

Our gross profit margin remained relatively stable at 69.3% in 2022 and 70.5% in 2023, resulting from the changes in mix of our revenue sources and their respective gross profit margins.

- **Product solutions.** Our gross profit margin from product solutions decreased from 62.1% in 2022 to 44.7% in 2023, primarily because we adopted a more competitive pricing strategy on our early generation of product solutions to gain market share.
- **License and services.** Our gross profit margin from license and services remained relative stable at 87.8% and 89.0% in 2022 and 2023, respectively.

Our gross profit margin for non-automotive solutions increased from 6.0% in 2022 to 13.0% in 2023 because we raised our pricing for non-automotive solutions.

Research and Development Expenses

Our research and development expenses increased by 25.9% from RMB1,879.9 million in 2022 to RMB2,366.3 million in 2023, which was primarily due to an increase in employee benefit expenses paid to our research and development personnel. As our revenue continues to grow and we increasingly focus on research and development efficiency, our research and development expenses as a percentage of revenue decreased from 207.6% in 2022 to 152.5% in 2023.

Administrative Expenses

Our administrative expenses increased by 18.6% from RMB373.9 million in 2022 to RMB443.4 million in 2023, primarily due to an increase in employee benefit expenses paid to employees performing administrative functions. As our revenue continues to grow and we increasingly focus on administrative efficiency, our administrative expenses as a percentage of total revenues decreased from 41.3% in 2022 to 28.6% in 2023.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 9.6% from RMB298.5 million in 2022 to RMB327.2 million in 2023, which was primarily due to an increase in personnel hired to promote our new and existing automotive solutions. As our revenue continues to grow and we increasingly focus on sales and marketing efficiency, our selling and marketing expenses as a percentage of total revenues decreased from 33.0% in 2022 to 21.1% in 2023.

FINANCIAL INFORMATION

Net Impairment Losses on Financial Assets

Our net impairment losses on financial assets increased by 59.5% from RMB13.0 million in 2022 to RMB20.8 million in 2023, primarily due to our business expansion that leads a corresponding increase in loss allowance for our trade receivables.

Other Income

Our other income increased by 51.7% from RMB43.7 million in 2022 to RMB66.2 million in 2023, primarily due to an increase of financial subsidies from RMB30.5 million in 2022 to RMB50.2 million in 2023 as well as an increase in tax refund resulting from VAT refund based on government policies to support businesses.

Other Losses, Net

Our other losses, net decreased from RMB238.1 million in 2022 to RMB33.4 million in 2023, primarily because our net foreign exchange losses decreased from RMB264.7 million in 2022 to RMB40.3 million in 2023, reflecting the changes in foreign exchange rate as well as our management and control of foreign exchange risks.

Operating Loss

As a result of the foregoing, we recorded operating losses of RMB2,132.0 million and RMB2,030.5 million in 2022 and 2023.

Net Finance Income

Our net finance income increased by 63.8% from RMB97.0 million in 2022 to RMB158.8 million in 2023, driven by an increase in interest income from financial assets held for cash management purposes.

Share of Results of Investments Accounted for Using the Equity Method

Our share of net losses of investments accounted for using the equity method increased by 226.8% from RMB34.3 million in 2022 to RMB112.1 million in 2023, mainly due to net loss of CARIZON, our joint venture initiative with Volkswagen Group.

Fair Value Changes of Preferred Shares and Other Financial Liabilities

Our fair value changes of preferred shares and other financial liabilities decreased by 28.5% from RMB6,655.4 million in 2022 to RMB4,760.4 million in 2023, due to changes in the valuation of our Company.

FINANCIAL INFORMATION

Income Tax Benefits

Our income tax benefits increased by 18.8% from RMB4.3 million in 2022 to RMB5.1 million in 2023 as we accumulated tax losses carried forward to be realized.

Loss for the Year

As a result of the foregoing, we recorded loss for the year of RMB8,720.4 million and RMB6,739.1 million in 2022 and 2023.

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

Revenue

Our revenue increased by 94.1% from RMB466.7 million in 2021 to RMB905.7 million in 2022, primarily due to the expansion of our customer base as well as increased spendings from our existing customers.

- ***Product solutions.*** Our revenue from the sales of product solutions increased by 53.5% from RMB208.1 million in 2021 to RMB319.3 million in 2022, primarily due to a well-established customer base of tier-one suppliers and OEMs that allows us to boost the sales of product solutions. In particular, leveraging such strong customer base, we are able to (i) scale deployment of our solutions with mass production of our OEM customers’ vehicles, (ii) integrate our product solutions with more vehicle models from our OEM customers, and (iii) sell more advanced solutions and more components from our offering to our OEM customers. Furthermore, we also attract new customers to adopt our product solutions, which further drives revenue growth.
- ***License and services.*** Our license and services revenue increased significantly by 138.4% from RMB202.1 million in 2021 to RMB481.8 million in 2022, primarily driven by an increase in the number of contracts with customers. We attracted a number of new customers who contributed license and services revenue. We also generated additional license and services revenue from existing customers.

Our revenue from non-automotive solutions amounted to RMB56.6 million and RMB104.5 million in 2021 and 2022, respectively.

Cost of Sales

Our cost of sales increased by 104.8% from RMB135.7 million in 2021 to RMB278.0 million in 2022, primarily due to (i) an increase of cost of sales for product solutions by 84.8% from RMB65.5 million in 2021 to RMB121.0 million in 2022, (ii) an increase of cost of sales for license and services by 264.6% from RMB16.1 million in 2021 to RMB58.7 million in 2022 and (iii) an increase in cost of sales from non-automotive solutions by 81.5% from RMB54.1 million in 2021 to RMB98.2 million in 2022.

FINANCIAL INFORMATION

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased significantly from RMB331.0 million in 2021 to RMB627.7 million in 2022.

Our gross profit margin remained relatively stable at 70.9% in 2021 and 69.3% in 2022, resulting from the changes in mix of our revenue sources and their respective gross profit margins.

- **Product solutions.** Our gross profit margin from product solutions decreased from 68.5% in 2021 to 62.1% in 2022, primarily because we adopted a more competitive pricing strategy on our early generation of product solutions to gain market share.
- **License and services.** Our gross profit margin from license and services decreased from 92.0% in 2021 to 87.8% in 2022 as a result of relatively higher costs incurred to provide customized services for our customers in 2022.

Our gross profit margin for non-automotive solutions increased from 4.3% in 2021 to 6.0% in 2022 because we raised our pricing for non-automotive solutions.

Research and Development Expenses

Our research and development expenses increased by 64.4% from RMB1,143.6 million in 2021 to RMB1,879.9 million in 2022, primarily due to an increase in employee benefit expenses paid to our research and development personnel. As our revenue continues to grow and we increasingly focus on research and development efficiency, our research and development expenses as a percentage of revenue decreased from 245.0% in 2021 to 207.6% in 2022.

Administrative Expenses

Our administrative expenses increased by 17.2% from RMB319.0 million in 2021 to RMB373.9 million in 2022, which was primarily due to an increase in employee benefit expenses paid to employees performing administrative functions to support our business. As our revenue continues to grow and we increasingly focus on administrative efficiency, our administrative expenses as a percentage of revenue decreased from 68.3% in 2021 to 41.3% in 2022.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 41.2% from RMB211.4 million in 2021 to RMB298.5 million in 2022, which was primarily due to an increase in personnel hired to promote our new and existing solutions to customers. As our revenue continues to grow and we increasingly focus on sales and marketing efficiency, our selling and marketing expenses as a percentage of revenue decreased from 45.3% in 2021 to 33.0% in 2022.

FINANCIAL INFORMATION

Net Impairment Losses on Financial Assets

Our net impairment losses on financial assets increased by 155.8% from RMB5.1 million in 2021 to RMB13.0 million in 2022, primarily due to our business expansion that leads a corresponding increase in loss allowance for our trade receivables.

Other Income

Our other income increased significantly from RMB14.5 million in 2021 to RMB43.7 million in 2022, primarily due to an increase in financial subsidies from RMB10.8 million in 2021 to RMB30.5 million in 2022 as well as an increase in tax refund attributable to VAT refund based on government policies to support businesses.

Other Losses, Net

We incurred other losses, net, of RMB1.7 million in 2021 and RMB238.1 million in 2022, primarily because we recorded net foreign exchange losses of RMB264.7 million in 2022 resulting from foreign exchange rate fluctuations.

Operating Loss

As a result of the foregoing, we recorded operating loss of RMB1,335.3 million and RMB2,132.0 million in 2021 and 2022, respectively.

Net Finance Income

In 2021 and 2022, we had net finance income of RMB11.6 million and RMB97.0 million, respectively, driven by an increase in interest income from financial assets held for cash management purposes.

Share of Results of Investments Accounted for Using the Equity Method

Our share of net losses of investments accounted for using the equity method increased by 1,255.7% from RMB2.5 million in 2021 to RMB34.3 million in 2022, driven by the loss of associates and joint ventures that we invested in.

Fair Value Changes of Preferred Shares and Other Financial Liabilities

Our fair value changes of preferred shares and other financial liabilities increased by 771.1% from RMB764.0 million in 2021 to RMB6,655.4 million in 2022 due to changes in the valuation of our Company.

Income Tax Benefits

Our income tax benefits decreased from RMB26.7 million in 2021 to RMB4.3 million in 2022 as we utilized part of our accumulative tax losses carried forward in 2022.

FINANCIAL INFORMATION

Loss for the Year

As a result of the foregoing, we recorded loss for the year of RMB2,063.6 million and RMB8,720.4 million in 2021 and 2022.

DISCUSSION OF SELECTED ITEMS FROM OUR CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	As of December 31,		
	2021	2022	2023
	<i>(RMB in thousands)</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	123,866	220,945	433,261
Right-of-use assets	170,984	258,357	217,369
Deferred tax assets	79,944	88,916	99,967
Intangible assets	197,440	319,075	302,906
Investments accounted for using the equity method	27,082	64,034	1,107,659
Financial assets at fair value through profit or loss	46,338	68,838	80,825
Restricted cash	5,512	8,564	8,098
Prepayments and other non-current assets	32,279	62,819	85,713
Total non-current assets	683,445	1,091,548	2,335,798
Current assets			
Inventories	113,912	363,532	790,898
Prepayments and other current assets.	282,992	206,452	136,729
Trade and note receivables	169,355	420,672	541,091
Term deposits	1,284,293	1,204,365	—
Restricted cash	12,856	2	709,716
Cash and cash equivalents	8,050,034	6,608,657	11,359,641
Total current assets	9,913,442	8,803,680	13,538,075
Total assets	10,596,887	9,895,228	15,873,873
LIABILITIES			
Non-current liabilities			
Lease liabilities	77,266	154,176	112,346
Borrowings	—	12,515	112,844
Other non-current liabilities.	7,570	15,652	61,954
Total non-current liabilities.	84,836	182,343	287,144

FINANCIAL INFORMATION

	As of December 31,		
	2021	2022	2023
	<i>(RMB in thousands)</i>		
Current liabilities			
Trade payables	8,040	3,822	11,164
Contract liabilities	5,546	63,079	24,875
Lease liabilities	38,248	50,615	52,010
Employee benefit obligations	242,418	304,333	384,042
Accruals and other payables	270,525	278,245	540,444
Preferred shares and other financial liabilities at fair value through profit or loss	18,341,195	26,451,328	39,239,578
Total current liabilities	18,905,972	27,151,422	40,252,113
Total liabilities	18,990,808	27,333,765	40,539,257

Assets

Property, Plant and Equipment

Our property, plant and equipment primarily consist of computer and electronic equipment, leasehold improvements, vehicles and vehicle devices, office furniture and equipment, and construction in progress. The following table sets forth the breakdown of our property, plant and equipment as of the dates indicated.

	As of December 31,		
	2021	2022	2023
	<i>(RMB in thousands)</i>		
Property, plant and equipment			
Computers and electronic equipment	81,365	119,852	178,673
Leasehold improvements	18,472	30,010	19,132
Vehicles and vehicle devices	16,664	24,966	34,385
Office furniture and equipment	2,488	4,418	3,773
Construction in progress	4,877	41,699	197,298
Total	123,866	220,945	433,261

Our property, plant and equipment increased from RMB123.9 million as of December 31, 2021 to RMB220.9 million as of December 31, 2022 and further to RMB433.3 million as of December 31, 2023, primarily due to procurement of computers and electronic equipment as we expand our operations and addition of construction in progress attributable to the construction of a new office building.

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Right-of-use Assets

Our right-of-use assets mainly represent our lease of office premises and land use right. Our right-of-use assets increased from RMB171.0 million as of December 31, 2021 to RMB258.4 million as of December 31, 2022, primarily attributable to an increase in our lease of office premises. Our right-of-use assets further decreased to RMB217.4 million as of December 31, 2023, primarily attributable to depreciation of existing leases without significant lease addition.

Deferred Tax Assets

We recognize deferred tax assets based on estimates that is probable to generate sufficient taxable profits in the foreseeable future against which the deductible losses will be utilized. Our deferred tax assets are offset when there is a legally enforceable right to offset current income tax recoverable against current income tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. Our deferred tax assets increased from RMB79.9 million as of December 31, 2021 to RMB88.9 million as of December 31, 2022, and further to RMB100.0 million as of December 31, 2023, primarily attributable to accumulative tax losses to be utilized.

Intangible Assets

Our intangible assets consist primarily of licensed technology and computer software. Our intangible assets were RMB197.4 million, RMB319.1 million and RMB302.9 million as of December 31, 2021, 2022 and 2023, respectively. We typically procure intangible assets at the beginning stage of the development cycle for each generation of our automotive solutions. Throughout the Track Record Period, the change in the carrying value of our intangible assets was affected by the procurement and amortization of our licensed technologies.

Investments Accounted for Using the Equity Method

Our investments accounted for using the equity method represent investments related to our associates and joint ventures. Our investments accounted for using the equity method were RMB27.1 million, RMB64.0 million and RMB1,107.7 million, respectively, as of December 31, 2021, 2022 and 2023. The substantial change in 2023 was primarily driven by the formation of a joint venture, CARIZON, with Volkswagen Group. See Note 13 of the Accountant’s Report in Appendix I to the Document.

Financial Assets at Fair Value through Profit or Loss

Our financial assets at fair value through profit or loss consist of our investments in equity securities of unlisted companies in which we hold minority interest. Our financial assets at fair value through profit or loss increased from RMB46.3 million as of December 31, 2021 to RMB68.8 million as of December 31, 2022, and further to RMB80.8 million as of December 31, 2023. The changes were primarily due to changes in valuation of unlisted companies that we invested in. See Note 3.3 of the Accountant’s Report in Appendix I to the Document.

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We have been in the past, and expect to continue, prudently evaluating and considering a wide array of potential investments in emerging businesses that are complementary to our business to implement our long-term growth strategy and develop our solutions. We select our investment targets based on the underlying industry, the target’s technology capabilities, the target’s business and financial performance and the synergy between the target and us. The maximum exposure at the end of the reporting period is the carrying amount of these investments. We have managers in charge of purchasing, monitoring and adjusting our investments, evaluating the risk associated and our liquidity, preparing analysis and reporting to the management team periodically.

Prepayments and Other Assets

The following table sets forth the breakdown of our prepayments, other current assets and other assets as of the dates indicated.

	As of December 31,		
	2021	2022	2023
	<i>(RMB in thousands)</i>		
Prepayments and other assets			
Non-current:			
Rental deposits	13,359	17,067	16,856
Prepayments for property, plant and equipment	16,151	6,266	12,826
Prepayments for intangible assets	142	4,027	2,824
Other receivables	2,627	2,058	1,544
Prepayments for construction in progress	—	33,401	61
Prepaid bonuses	—	—	51,602
Prepayments and other non-current assets	<u>32,279</u>	<u>62,819</u>	<u>85,713</u>
Current:			
Prepayments for suppliers	221,118	154,152	65,284
Prepaid bonuses	—	—	26,370
Input VAT to be deducted	61,449	32,169	23,345
Amounts due from a related party	—	—	18,383
Other receivables	348	6,843	2,356
Rental and other refundable deposits	80	399	1,332
Commitment derivative	—	13,017	—
Less: loss allowance	(3)	(128)	(341)
Prepayments and other current assets	<u>282,992</u>	<u>206,452</u>	<u>136,729</u>
Total prepayments and other assets	<u>315,271</u>	<u>269,271</u>	<u>222,442</u>

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Our non-current portion of prepayments and other assets include (i) rental deposits, (ii) prepayments for property, plant and equipment, (iii) prepayments for intangible assets, (iv) other receivables, (v) prepayments for construction in progress and (vi) prepaid bonuses. Our non-current portion of prepayments and other assets increased from RMB32.3 million as of December 31, 2021 to RMB62.8 million as of December 31, 2022 primarily driven by our prepayments for construction in progress for our office building in Shanghai. It subsequently increased to RMB85.7 million as of December 31, 2023 primarily driven by prepaid bonuses.

Our current portion of prepayments and other assets include (i) prepayments for suppliers, (ii) prepaid bonuses, (iii) input VAT to be deducted, (iv) amounts due from a related party, (v) other receivables, (vi) rental and other deposits and (vii) commitment derivative. Our current portion of prepayments and other assets amounted to RMB283.0 million, RMB206.5 million and RMB136.7 million as of December 31, 2021, 2022 and 2023, respectively. The decrease in the current portion of our prepayments and other assets during the Track Record Period was primarily due to (i) a decrease in prepayment for suppliers as we made relatively large amounts of prepayments in 2021 and 2022 for supply chain management purposes, (ii) a decrease in input VAT to be deducted reflecting temporary government refunds on input VAT tax in the midst of COVID-19 pandemic eligible for certain businesses, partially offset by an increase in amounts due from a related party reflecting our support for CARIZON during its establishment phase, the amount of which is expected to be settled prior to the [REDACTED]. In addition, our commitment derivative decreased from RMB13.0 million as of December 31, 2022 to nil as of December 31, 2023 due to the derecognition of commitment derivative upon the issuance of convertible loan in 2023.

Inventories

Our inventories primarily consist of (i) finished goods, which primarily consist of processing hardware that is in final testing stage, (ii) working in progress, which primarily consists of processing hardware that is in the early stage of manufacturing, and (iii) raw materials, which primarily consist of electronic components and materials.

The following table sets forth the breakdown of our inventories as of the dates indicated.

	As of December 31,		
	2021	2022	2023
	<i>(RMB in thousands)</i>		
Inventories			
Finished goods	61,842	100,675	359,755
Working in progress	57,208	267,271	431,649
Raw materials	11,845	11,309	22,763
Contract fulfillment costs	159	1,687	1,455
Inventories, gross	131,054	380,942	815,622
Less: allowance for impairment	<u>(17,142)</u>	<u>(17,410)</u>	<u>(24,724)</u>
Total inventories	<u>113,912</u>	<u>363,532</u>	<u>790,898</u>

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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 primarily driven by (i) our strategic decision to increase our inventory level to meet the growing downstream demands for processing hardware from customers and (ii) our strategy to further accumulate and store a secure supply of inventory to counteract the cyclical nature of the automotive industry, especially the global auto-part supply shortage in 2021 and 2022.

As of December 31, 2021, 2022 and 2023, we recorded allowance for impairment of inventories of RMB17.1 million, RMB17.4 million and RMB24.7 million, respectively. Inventories are stated at the lower of cost and net realizable value. Inventory cost mainly comprises bill of materials for processing hardware and peripheral devices. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. We assess impairment to inventories from time to time during the Track Record Period and may make provision to write down our inventories to the net realizable value if the inventories become expired or damaged, or their prices went down, and their realizable value substantially decreases.

The following table sets forth our inventory turnover days for the Track Record Period:

	For the Year Ended December 31,		
	2021	2022	2023
Inventory turnover days ⁽¹⁾	192	313	461

Note:

- (1) Calculated using the average of opening balance and closing balance of the inventories for such year divided by cost of sales for the relevant year and multiplied by the number of days during such year.

In line with our strategy to secure supply of inventory to counteract the cyclical nature of the automotive industry, our inventory turnover days increased from 192 days in 2021 to 313 days in 2022 and further to 461 days in 2023.

As of January 31, 2024, RMB36.0 million, accounting for 4.6% of the RMB790.9 million inventories as of December 31, 2023, had been subsequently utilized.

Trade and Note Receivables

Our trade and note receivables primarily represent (i) trade receivables in relation to our ordinary course of business and (ii) note receivables in relation to payments from our customers in the form of bank acceptance notes. The following table sets forth a breakdown of our trade and note receivables by nature as of the dates indicated.

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	As of December 31,		
	2021	2022	2023
	<i>(RMB in thousands)</i>		
Trade receivables			
Independent third parties	169,332	336,385	504,820
Related parties	8,390	38,440	76,190
Note receivables	2,350	68,666	3,434
Total trade and note receivables, gross .	180,072	443,491	584,444
Less: Loss allowance	<u>(10,717)</u>	<u>(22,819)</u>	<u>(43,353)</u>
Total trade and note receivables, net .	<u>169,355</u>	<u>420,672</u>	<u>541,091</u>

Our trade and note receivables increased from RMB169.4 million as of December 31, 2021 to RMB420.7 million as of December 31, 2022, and further to RMB541.1 million as of December 31, 2023. The increase throughout the Track Record Period was primarily due to the expansion of our business operations that leads to higher trade receivables. We recorded RMB68.7 million note receivables as of December 31, 2022 because we accepted bank acceptance notes from some customers in 2022 and all such notes have been cashed in 2023.

As of December 31, 2021, 2022 and 2023, we recorded loss allowance for trade and note receivables of RMB10.7 million, RMB22.8 million and RMB43.4 million, respectively. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the failure of a debtor to engage in a repayment plan with us and indicators of severe financial difficulty. We have performed impairment analysis on trade and note receivables to measure the expected credit losses, and we believe that we have made sufficient impairment allowance on trade receivables during the Track Record Period. For details on impairment provisions for trade and note receivables, see Note 3.1(b)(ii) to the Accountant’s Report set out in Appendix I to this Document.

The following table sets forth the aging analysis of our trade and note receivables as of the dates indicated.

	As of December 31,		
	2021	2022	2023
	<i>(RMB in thousands)</i>		
Up to six months	131,741	381,618	451,029
Six months to one year	19,416	25,306	71,117
Over one year	<u>28,915</u>	<u>36,567</u>	<u>62,298</u>
Total	<u>180,072</u>	<u>443,491</u>	<u>584,444</u>

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The following table sets forth the turnover days of our trade and note receivables for the years indicated.

	As of December 31,		
	2021	2022	2023
Total trade and note receivables turnover days	122	119	113

Note:

- (1) Trade and note receivables turnover days for a year equal the average of the opening and closing trade and note receivables balance (net of allowance) divided by revenue for the relevant year and multiplied by the number of days during such year.

Our trade and note receivables turnover days decreased from 122 days in 2021 to 119 days in 2022, and further to 113 days, as a result of our management of trade receivables and enhanced collection efforts.

As of January 31, 2024, RMB112.8 million, or 20.9% of our trade and note receivables as of December 31, 2023 had been subsequently settled.

Term Deposits

Our term deposits were RMB1,284.3 million, RMB1,204.4 million and nil, respectively, as of December 31, 2021, 2022 and 2023. Our term deposits are denominated in USD and were cleared to nil as of December 31, 2023, primarily due to maturity of term deposits at year end in accordance with our cash management plan.

Restricted Cash

Our restricted cash was RMB18.4 million, RMB8.6 million and RMB717.8 million, respectively, as of December 31, 2021, 2022 and 2023. The substantial increase in restricted cash as of December 31, 2023 resulted primarily from restricted cash held pursuant to certain financial restrictive clause in relation to the convertible loan from CARIAD.

Cash and Cash Equivalents

Our cash and cash equivalents were RMB8,050.0 million, RMB6,608.7 million and RMB11,359.6 million, respectively, as of December 31, 2021, 2022 and 2023. The fluctuation of our cash and cash equivalents positions at each year end was primarily due to the use of cash to support operating activities and cash outflows from investing activities. For details, see “— Liquidity and Capital Resources — Cash Flow.”

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Liabilities

Lease Liabilities

Lease liabilities represent the present value of outstanding lease payments under our lease agreements. We recorded non-current lease liabilities of RMB77.3 million, RMB154.2 million and RMB112.3 million, respectively, as of December 31, 2021, 2022 and 2023. We recorded current lease liabilities of RMB38.2 million, RMB50.6 million and RMB52.0 million, respectively, as of December 31, 2021, 2022 and 2023.

Borrowings

Our borrowings represent loans from a commercial bank in China. Our borrowings increased from nil as of December 31, 2021 to RMB12.5 million as of December 31, 2022 and further to RMB112.8 million as of December 31, 2023, mainly due to additional bank loans obtained for office building construction purposes.

Other non-current liabilities

Our other non-current liabilities increased from RMB7.6 million as of December 31, 2021 to RMB15.7 million as of December 31, 2022 and further to RMB62.0 million as of December 31, 2023, mainly due to an increase in financial subsidies granted that would be subsequently recognized as other income.

Trade Payables

Our trade payables primarily include payables for certain third-party service fees incurred during the ordinary course of our business. Our trade payables are relatively small as compared to our overall business scale primarily because we typically prepay or pay upon order for suppliers who provide essential inventories or services. Our trade payables amounted to RMB8.0 million, RMB3.8 million and RMB11.2 million as of December 31, 2021, 2022 and 2023, respectively.

The following table sets forth the aging analysis of our trade payables as of the dates indicated.

	As of December 31,		
	2021	2022	2023
	<i>(RMB in thousands)</i>		
Up to six months	7,752	3,435	10,647
Six months to one year	18	33	262
Over one year	270	354	255
Total trade payables	8,040	3,822	11,164

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The following table sets forth our trade payables turnover days for the years indicated.

	As of December 31,		
	2021	2022	2023
Total payables turnover days	22	8	6

Note:

- (1) Trade payables turnover days is calculated using the average of the opening and closing trade payables balance divided by cost of sales for the relevant year and multiplied by the number of days during such year.

Our Directors confirm that we did not have any material defaults on payments of trade payables during the Track Record Period and up to the Latest Practicable Date.

As of January 31, 2024, RMB8.8 million, or 78.9% of our trade payables as of December 31, 2023 had been subsequently settled.

Contract Liabilities

Our contract liabilities primarily comprise payments received in advance of revenue recognition from automotive solutions. Our contract liabilities amounted to RMB5.5 million as of December 31, 2021, RMB63.1 million as of December 31, 2022, and RMB24.9 million as of December 31, 2023.

As of January 31, 2024, RMB18.6 million, or 74.8% of our contract liabilities as of December 31, 2023 had been subsequently settled.

Employee Benefit Obligations

Our employee benefit obligations represent wages and salaries, housing funds, medical insurances and other social insurance, employee leave entitlement, bonus plans and termination benefits. Our employee benefit obligations increased from RMB242.4 million as of December 31, 2021 to RMB304.3 million as of December 31, 2022, and further to RMB384.0 million as of December 31, 2023 in line with our business expansion.

Accruals and Other Payables

Accruals and other payables consist of (i) tax liabilities, and (ii) other payables, including payables for purchase of intangible assets and third-party services in relation to our research and development activities, payables to certain former investors for preferred shares repurchase before Track Record Period, and others. The following table sets forth our accruals and other payables as of the dates indicated.

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	As of December 31,		
	2021	2022	2023
	<i>(RMB in thousands)</i>		
Accruals and other payables			
Tax liabilities	13,794	32,444	142,618
Other payables			
Payables for purchase of intangible assets	165,068	142,413	171,559
Payables for third-party service fees and deposit	49,753	74,539	173,775
Payables for construction in progress	12	3,812	30,803
Accrued warranty liabilities	2,500	2,490	3,768
Payables to certain former investors for preferred shares repurchase before Track Record Period	9,433	10,304	583
Others	29,965	12,243	17,338
Total accruals and other payables	<u>270,525</u>	<u>278,245</u>	<u>540,444</u>

Our accruals and other payables remained relatively stable at RMB270.5 million as of December 31, 2021 and RMB278.2 million as of December 31, 2022. Our accruals and other payables increased from RMB278.2 million as of December 31, 2022 to RMB540.4 million as of December 31, 2023, primarily due to (i) an increase in tax liabilities from RMB32.4 million as of December 31, 2022 to RMB142.6 million as of the same date in 2023 and (ii) an increase in payables for third-party service fees and deposit from RMB74.5 million as of December 31, 2022 to RMB173.8 million as of the same date in 2023, primarily driven by manufacturing of certain discretionary prototype processing hardware supplied by Supplier A to support our research and development. For details on the background and transaction amount of Supplier A, see “Business — Our Suppliers.”

Preferred Shares and Other Financial Liabilities at Fair Value through Profit or Loss

Our preferred shares and other financial liabilities at fair value through profit or loss primarily consist of preferred shares and convertible loan. See Note 28 of the Accountant’s Report included in Appendix I to this Document. As of December 31, 2021, 2022 and 2023, we recorded preferred shares and other financial liabilities at fair value through profit or loss of RMB18,341.2 million, RMB26,451.3 million and RMB39,239.6 million, respectively. Preferred shares and other financial liabilities at fair value through profit or loss will increase as our valuation increases. Upon the [REDACTED], such preferred shares will be reclassified from financial liabilities to equity as a result of the automatic conversion into ordinary shares.

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Current Assets and Liabilities

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

	As of December 31,			As of
	2021	2022	2023	January 31, 2024
	<i>(RMB in thousands)</i>			<i>(Unaudited)</i>
Current assets				
Inventories	113,912	363,532	790,898	765,179
Prepayments and other current assets	282,992	206,452	136,729	184,331
Trade and note receivables . .	169,355	420,672	541,091	647,139
Term deposits	1,284,293	1,204,365	—	966,568
Restricted cash	12,856	2	709,716	713,986
Cash and cash equivalents . . .	8,050,034	6,608,657	11,359,641	10,306,729
Total current assets	<u>9,913,442</u>	<u>8,803,680</u>	<u>13,538,075</u>	<u>13,583,932</u>
Current liabilities				
Trade payables	8,040	3,822	11,164	7,226
Contract liabilities	5,546	63,079	24,875	5,427
Lease liabilities	38,248	50,615	52,010	54,085
Employee benefit obligations.	242,418	304,333	384,042	410,529
Accruals and other payables .	270,525	278,245	540,444	304,100
Preferred shares and other financial liabilities at fair value through profit or loss	18,341,195	26,451,328	39,239,578	39,357,030
Total current liabilities	<u>18,905,972</u>	<u>27,151,422</u>	<u>40,252,113</u>	<u>40,138,397</u>
Net current liabilities	<u>(8,992,530)</u>	<u>(18,347,742)</u>	<u>(26,714,038)</u>	<u>(26,554,465)</u>

Our net current liabilities increased from RMB8,992.5 million as of December 31, 2021 to RMB18,347.7 million as of December 31, 2022, primarily due to the increase in current liabilities as well as the decrease in current assets. The increase in current liabilities was primarily attributable to an increase in preferred shares and other financial liabilities at fair value through profit or loss from RMB18,341.2 million as of December 31, 2021 to RMB26,451.3 million as of December 31, 2022, as a result of fair value of our business. The decrease in total current assets was primarily attributable to a decrease in our cash and cash equivalents from RMB8,050.0 million as of December 31, 2021 to RMB6,608.7 million as of December 31, 2022, as a result of use of cash to support our overall operations.

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Our net current liabilities increased from RMB18,347.7 million as of December 31, 2022 to RMB26,714.0 million as of December 31, 2023, primarily because the increase in our current liabilities outpaced the increase in our current assets. The increase in our current liabilities was primarily attributable to an increase in preferred shares and other financial liabilities at fair value through profit or loss from RMB26,451.3 million as of December 31, 2022 to RMB39,239.6 million as of December 31, 2023 as a result of fair value of our business. Such an increase was partially offset by an increase in cash and cash equivalents from RMB6,608.7 million as of December 31, 2022 to RMB11,359.6 million as of December 31, 2023.

Our net current liabilities decreased from RMB26,714.0 million as of December 31, 2023 to RMB26,554.5 million as of January 31, 2024, primarily due to decrease of accruals and other payables, partially offset by increase of preferred share and other financial liabilities at FVPL.

KEY FINANCIAL RATIO

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

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

See “— Description of Selected Items of Our Consolidated Statements of Profit or Loss.”

LIQUIDITY AND CAPITAL RESOURCES

Overview

During the Track Record Period, we relied on capital contributions by our shareholders as the major sources of liquidity. We also generated cash from our sales of automotive solutions. After the [REDACTED], we intend to finance our future capital requirements through equity financing activities and debt financing activities in a balanced manner. We do not anticipate any changes to the availability of financing to fund our operation in the future. As our business develops and expands, we expect to improve our operating cash flows through increasing sales revenue of existing commercialized solutions, launching new solutions, optimizing cost structure and improving operating efficiency.

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Cash Flows

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

	For the Year Ended December 31,		
	2021	2022	2023
	<i>(RMB in thousands)</i>		
Net cash used in operating activities	(1,111,016)	(1,557,285)	(1,744,508)
Net cash used in investing activities	(1,384,168)	(214,506)	(667,286)
Net cash generated from financing activities	6,299,413	212,412	7,218,868
Net increase/(decrease) in cash and cash equivalents	3,804,229	(1,559,379)	4,807,074
Cash and cash equivalents at the beginning of the year	4,296,055	8,050,034	6,608,657
Effects of exchange rate changes on cash and cash equivalents	(50,250)	118,002	(56,090)
Cash and cash equivalents at the end of the year	8,050,034	6,608,657	11,359,641

Operating Activities

In 2023, our net cash used in operating activities was RMB1,744.5 million, which was primarily attributable to our loss before income tax of RMB6,744.1 million, as adjusted by non-cash and non-operating items, which primarily comprised (i) fair value changes of preferred shares and other financial liabilities of RMB4,760.4 million, (ii) share based payments of RMB341.8 million, (iii) elimination of unrealized profits and losses from downstream transactions of RMB297.3 million and (iv) amortization of intangible assets of RMB228.3 million. The amount was further adjusted by changes in working capital, primarily including increase in restricted cash of RMB709.2 million and increase in inventories of RMB434.7 million, partially offset by increase in other payables of RMB260.7 million.

In 2022, our net cash used in operating activities was RMB1,557.3 million, which was primarily attributable to our loss before income tax of RMB8,724.7 million, as adjusted by non-cash and non-operating items, which primarily comprised (i) fair value changes of preferred shares and other financial liabilities of RMB6,655.4 million, (ii) net foreign exchange differences of RMB264.7 million and (iii) share based payments of RMB173.7 million. The amount was further adjusted by changes in working capital, primarily including increase in inventories of RMB249.9 million and increase in trade and note receivables of RMB264.2 million, partially offset by increase in other operating liabilities of RMB64.4 million.

In 2021, our net cash used in operating activities was RMB1,111.0 million, which was primarily attributable to our loss before income tax of RMB2,090.2 million, as adjusted by non-cash and non-operating items, which primarily comprised (i) fair value changes of preferred shares and other financial liabilities of RMB764.0 million and (ii) share-based payments of RMB196.4 million. The amount was further adjusted by changes in working capital, primarily including increase in operating assets of RMB233.1 million and increase in inventories of RMB88.9 million, partially offset by increase in other operating liabilities of RMB141.3 million.

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Investing Activities

Net cash used in investing activities was RMB667.3 million in 2023, which was primarily due to (i) payments for financial assets at fair value through profit or loss of RMB4,399.8 million, (ii) purchase of investments accounted for using the equity method of RMB1,453.0 million, and (iii) placement of term deposits of RMB367.6 million, partially offset by (i) proceeds from sale of financial assets at fair value through profit or loss of RMB4,410.1 million, and (ii) term deposits matured of RMB1,596.9 million.

Net cash used in investing activities was RMB214.5 million in 2022, which was primarily due to (i) payments for financial assets at fair value through profit or loss of RMB4,948.7 million, (ii) placement of term deposits of RMB3,791.4 million, and (iii) payment of intangible assets of RMB352.8 million, partially offset by (i) proceeds from sale of financial assets at fair value through profit or loss of RMB4,944.1 million, and (ii) term deposits matured of RMB4,201.3 million.

Net cash used in investing activities was RMB1,384.2 million in 2021, which was primarily due to (i) payments for financial assets at fair value through profit or loss of RMB1,305.4 million and (ii) placement of term deposits of RMB1,291.8 million, partially offset by (i) proceeds from sale of financial assets at fair value through profit or loss of RMB1,295.6 million, and (ii) term deposits matured of RMB155.4 million.

Financing Activities

Net cash generated from financing activities was RMB7,218.9 million in 2023, which was due to proceeds from issues of preferred shares liabilities of RMB7,188.6 million.

Net cash generated from financing activities was RMB212.4 million in 2022, which was primarily due to proceeds from issues of preferred shares liabilities of RMB254.8 million, and partially offset by principal elements of lease payments of RMB41.3 million.

Net cash generated from financing activities was RMB6,299.4 million in 2021, which was primarily due to proceeds from issues of preferred shares liabilities of RMB6,348.2 million, and partially offset by principal elements of lease payments of RMB32.2 million.

Working Capital Sufficiency

Our Directors are of the opinion that, taking into account the following financial resources available to us described below, we have sufficient working capital for our present requirement and for at least the next 12 months from the date of this Document:

- cash and cash equivalents;
- available equity financing and bank facilities; and
- the estimated net [REDACTED] from the [REDACTED].

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

FINANCIAL INFORMATION

CAPITAL EXPENDITURES

Our capital expenditures primarily include our property, plant and equipment, land use right and intangible assets. The following table sets forth our capital expenditures for the years indicated.

	For the Year Ended December 31,		
	2021	2022	2023
	<i>(RMB in thousands)</i>		
Payments for land-use right, property, plant and equipment	174,213	196,450	259,446
Payments for intangible assets	49,817	352,765	194,526
Total	<u>224,030</u>	<u>549,215</u>	<u>453,972</u>

We expect to finance our capital expenditures through our cash and cash equivalents, our existing bank borrowings and the net [REDACTED] from the [REDACTED]. Our current capital expenditure plans for any future period are subject to change, and we may adjust our capital expenditures according to our future cash flows, our results of operations and financial condition, our business plans, market conditions and various other factors. See also “Future Plans and Use of [REDACTED] — Use of [REDACTED].”

INDEBTEDNESS

The following table sets forth the breakdown of financial indebtedness as of the dates indicated.

	As of December 31,			As of January 31,
	2021	2022	2023	2024
	<i>(RMB in thousands)</i>			<i>(unaudited)</i>
Current				
Lease liabilities	38,248	50,615	52,010	54,085
Preferred shares and other financial liabilities at FVPL	18,341,195	26,451,328	39,239,578	39,357,030
Non-current				
Lease liabilities	77,266	154,176	112,346	106,508
Borrowings	—	12,515	112,844	143,498
Total	<u>18,456,709</u>	<u>26,668,634</u>	<u>39,516,778</u>	<u>39,661,121</u>

FINANCIAL INFORMATION

Lease Liabilities

Lease liabilities represent the present value of outstanding lease payments under our lease agreements. See also “— Discussion of Selected Items from our Consolidated Statements of Financial Position — Liabilities — Lease liabilities.”

Borrowings

Our borrowings represent bank loans from a commercial bank in China. See also “— Discussion of Selected Items from our Consolidated Statements of Financial Position — Liabilities — Borrowings.”

As of January 31, 2024, we had bank facilities of RMB701.0 million which remained unutilized.

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

Preferred Shares and Other Financial Liabilities at Fair Value through Profit or Loss

Our preferred shares and other financial liabilities at fair value through profit or loss primarily consist of preferred shares and convertible loan. See also “Discussion of Selected Items from our Consolidated Statements of Financial Position — Liabilities — Preferred Shares and Other Financial Liabilities at Fair Value through Profit or Loss.”

If we were to be required to redeem all such preferred shares, the aggregate redemption price shall be (i) 100% of each series stated issue price with a compounded rate of ten percent (10%) per annum return, plus (ii) any accrued but unpaid dividends on each applicable preferred shares. As of December 31, 2023, we had a total of 7,798,405,226 preferred shares issued and outstanding and the aggregate consideration at which our preferred shares issued equaled US\$2,360.8 million. If we were required to redeem our convertible loan, the aggregate redemption price shall be the outstanding principal amount of the convertible loan, together with all accrued and unpaid interest. For details, see Note 28 to the Accountant’s Report set out in Appendix I to this Document. The redemption of the preferred shares and convertible loan, if triggered, could have a negative impact on our cash and liquidity position and financial condition. See “Risk Factors — Risks Related to our Financial Prospects — Fair value changes of preferred shares and other financial liabilities and related valuation uncertainty may materially affect our results of operations and financial condition.”

FINANCIAL INFORMATION

Except as discussed above, we had no outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantees or other contingent liabilities or any covenant in connection therewith as of January 31, 2024, being our indebtedness statement date. After due and careful consideration, our Directors confirm that there had been no material change in our indebtedness since January 31, 2024, and up to the Latest Practicable Date.

CONTRACTUAL OBLIGATIONS

Capital Expenditure Related Commitments

Our capital commitments are related to capital expenditure on property, plant and equipment as well as intangible assets to be incurred but not yet recorded as liabilities. Our capital expenditure contracted for but not yet incurred as of December 31, 2021, 2022 and 2023 was RMB22.7 million, RMB87.7 million and RMB72.1 million, respectively. We expect to satisfy our capital commitments using cash from operations, net [REDACTED] to be received from the [REDACTED] and bank borrowings available to us.

Operating Commitments

Our operating commitments are related to our inventory investment. Our operating expenditure contracted for but not yet incurred as of December 31, 2021, 2022 and 2023 was RMB158.3 million, RMB362.5 million and RMB188.7 million, respectively. We expect to satisfy our operating commitments using our cash and cash equivalents, net [REDACTED] to be received from the [REDACTED] and bank borrowings available to us.

Commitments In Respect Of Associates and Joint Ventures

Our commitments in respect of associates and joint ventures are capital contribution commitments undertaken by us in accordance with related investment agreements or joint venture agreements. Such commitments as of December 31, 2021, 2022 and 2023 was RMB14.8 million, RMB15.3 million and RMB1,730.9 million, respectively. We expect to satisfy our commitments in respect of associates and joint ventures using our cash and cash equivalents, net [REDACTED] to be received from the [REDACTED] and bank borrowings available to us.

CONTINGENT LIABILITIES

As of December 31, 2021, 2022 and 2023, we did not have any material contingent liabilities. As of the Latest Practicable Date, there had been no material changes or arrangements to our contingent liabilities.

FINANCIAL INFORMATION

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. Our Directors confirm that all material related party transactions during the Track Record Period were conducted on an arm’s-length basis, and would not distort our results of operations over the Track Record Period or make our historical results over the Track Record Period not reflective of our expectations for our future performance. Except for the RMB18.4 million amounts due from CARIZON primarily reflecting financial supports provided to CARIZON during its early establishment phase, all our related party transactions are trade in nature. See “Discussion of Selected Items from Our Consolidated Statements of Financial Positions — Assets — Prepayments and Other Assets.” We expect to settle the non-trade related party balance with CARIZON prior to the [REDACTED]. See Note 34 of the Accountant’s Report included in Appendix I to this Document.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISKS

We are exposed to a variety of market and other financial risks, including market risk, credit risk and liquidity risk. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market Risk

Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the respective functional currency of our subsidiaries. Our functional currency outside mainland China are USD whereas the functional currency of the subsidiaries operating in mainland China is RMB. We manage our foreign exchange risk by performing regular reviews of our Group’s net foreign exchange exposures and trying to minimize these exposures through natural hedges, wherever possible.

Interest rate risk

Except for cash and cash equivalents, restricted cash, term deposits and long-term borrowings, the Group has no significant interest-bearing assets and borrowings.

The directors of our Company do not anticipate significant impact to interest-bearing assets and borrowings resulted from the changes in interest rate because the interest rates of the above-mentioned interest-bearing assets and borrowings are not expected to change significantly.

FINANCIAL INFORMATION

Price risk

Our exposure to equity securities price risk arises from investments in unlisted companies held by our Group and classified in the balance sheet as at fair value through profit or loss (FVPL).

To manage its price risk arising from investments in equity securities, we diversify our portfolio. Each investment is managed by our senior management individually. The sensitivity analysis is performed by our management, see Note 3.3 of Appendix I for details.

We also mainly invest in low-risk wealth management products and the proposed investment must not interfere with our daily operation and business prospects. We make investment decisions related to wealth management products on a case-by-case basis after thoroughly considering a number of factors, including but not limited to macroeconomic environment, general market conditions and the expected profit or potential loss of the instrument.

Credit Risk

Credit risk arises from cash and cash equivalents, restricted cash, term deposits, as well as trade and note receivables and other receivables. The carrying amount of each class of the above financial assets represents our Group’s maximum exposure to credit risk in relation to the corresponding class of financial assets.

To manage risk from trade and note receivables, we have policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and management performs ongoing credit evaluations of the counterparties. Trade and notes receivables have been grouped based on shared credit risk characteristics and aging to measure the expected credit losses. Trade and note receivables are written off when there is no reasonable expectation of recovery. Impairment losses on trade and notes receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item. For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experiences.

Cash and cash equivalents, restricted cash, term deposits are mainly placed with reputable Chinese and international financial institutions. There has been no recent history of default in relation to these financial institutions. The expected credit loss is not material.

Liquidity Risk

We intend to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying business, our policy is to regularly monitor our liquidity risk and to maintain adequate liquid assets such as cash and cash equivalents and term deposits or to retain adequate financing arrangements to meet our liquidity requirements.

FINANCIAL INFORMATION

DIVIDENDS

We have never declared or paid regular cash dividends on our Shares. Any declaration and payment as well as the amount of dividends will be subject to our Articles and the Cayman Companies Act. Our board of directors has the discretion to pay interim dividends and to recommend to Shareholders to pay final dividends, and will depend on a number of factors, including our earnings, capital requirements, overall financial condition and contractual restrictions. As advised by our Cayman Islands legal counsel, under the Cayman Companies Act, a Cayman Islands company may pay a dividend out of either profits and/or a share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. In light of our accumulated losses as disclosed in this Document, it is unlikely that we will be eligible to pay a dividend out of our profits in the foreseeable future. We may, however, pay a dividend out of our share premium account unless the payment of such a dividend would result in our Company being unable to pay our debts as they fall due in the ordinary course of business. There is no assurance that dividends of any amount will be declared to be distributed in any year.

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

DISTRIBUTABLE RESERVES

As of December 31, 2023, our Company had no retained earnings that were available for distribution to our equity shareholders.

[REDACTED]

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

FINANCIAL INFORMATION

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

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

[REDACTED]

FINANCIAL INFORMATION

[REDACTED]

NO MATERIAL ADVERSE CHANGE

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

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, except for the convertible loan entered into with Volkswagen Group wherein the termination of Dr. Yu’s employment or controlling interest may trigger CARIAD’s redemption right, there was no other circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules. For details of the convertible loan, please see “History, Reorganization and Corporate Structure — Convertible Loan.”

FUTURE PLANS AND USE OF [REDACTED]

FUTURE PLANS

Please see “Business — Our Growth Strategies” for a detailed description of our future plans.

USE OF [REDACTED]

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

In line with our strategies, we intend to use the net [REDACTED] for the following purposes, subject to changes in light of our evolving business needs and changing market conditions:

- Approximately [REDACTED]%, or approximately HK\$[REDACTED], of the net [REDACTED] will be allocated over the next five years for research and development purposes, including ADAS and AD solution and technology pillars:
 - Approximately [REDACTED]%, or approximately HK\$[REDACTED], of the net [REDACTED] will be allocated for the development and commercialization of new generation of AD solution. We plan to continuously develop our AD solution to better meet the demands in all scenarios, including urban, highway, parking, human-vehicle interaction and co-driving scenarios and more. Our goal is to provide our customers with a safer, more efficient, and more comfortable driving experience;
 - Approximately [REDACTED]%, or approximately HK\$[REDACTED], of the net [REDACTED] will be allocated to continuously utilizing the latest technology to improve our existing ADAS and AD solutions. We intend to (i) adapt to a wider range of peripheral hardware than available in the market to enhance the performance of our solutions, (ii) achieve continuous optimization of the cost structure of our ADAS and AD solution offerings, and (iii) meet additional safety regulatory requirements;
 - Approximately [REDACTED]%, or approximately HK\$[REDACTED], of the net [REDACTED] will be allocated for the development of our next generation processing hardware. We aim to (i) achieve superior performance and efficiency on the next-generation processing hardware, (ii) continuously build a platform-based processing hardware portfolio that supports various solutions ranging from ADAS to AD, thereby reducing customer development costs, and (iii) meet comprehensive safety requirement;

FUTURE PLANS AND USE OF [REDACTED]

- Approximately [REDACTED]%, or approximately HK\$[REDACTED], of the net [REDACTED] will be allocated for the development and upgrades of our technology pillars, including algorithms, BPU, OpenExplorer, TogetheRoS, and AIDI. We plan to apply net [REDACTED] to (i) retain, expand and strengthen our R&D team, (ii) promote further commercialization of these technological pillars, and (iii) acquire necessary intellectual properties and other intangible assets;
- Approximately [REDACTED]%, or approximately HK\$[REDACTED], of the net [REDACTED] will be allocated for sales and marketing related expenses. We plan to use the [REDACTED] to (i) support the expansion of our overseas clients, (ii) strengthen our marketing activities, including advertising, market promotion, and brand building, and (iii) improve our sales and customer service processes to enhance customer satisfaction and loyalty;
- Approximately [REDACTED]%, or approximately HK\$[REDACTED], of the net [REDACTED] will be allocated for future strategic investment into our joint ventures, thus broadening and strengthening our technology capabilities; and
- Approximately [REDACTED]%, or approximately HK\$[REDACTED], will be allocated for general corporate purposes and working capital needs.

If the [REDACTED] is set at HK\$[REDACTED] per [REDACTED], being the high end of the indicative [REDACTED] range, the net [REDACTED] from the [REDACTED] will increase by approximately HK\$[REDACTED]. If the [REDACTED] is set at HK\$[REDACTED] per [REDACTED], being the low end of the indicative [REDACTED] range, the net [REDACTED] from the [REDACTED] will decrease by approximately HK\$[REDACTED]. [REDACTED] may be fixed at a higher or lower level compared to the midpoint of the indicative [REDACTED] range stated in this Document.

If the [REDACTED] is exercised in full, the net [REDACTED] that we will receive will be approximately HK\$[REDACTED], assuming the Conversion at Mid-point and an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the midpoint of the indicative [REDACTED] range). In the event that the [REDACTED] is exercised in full, we intend to apply the additional net [REDACTED] to the aforementioned purposes in the proportions stated above.

To the extent that our net [REDACTED] are not sufficient to fund the purposes set out above, we intend to fund the balance through a variety of means, including cash available on hands, bank loans and other borrowings.

If the net [REDACTED] of the [REDACTED] are not immediately used for the purposes described above, to the extent permitted by the relevant laws and regulations, we will only deposit the net [REDACTED] into licensed commercial banks or other authorized financial institutions as defined under the Securities and Futures Ordinance in Hong Kong and other relevant laws and regulations in China and overseas, as long as it is deemed to be in the best interests of the Company. We will comply with all disclosure requirements under the Listing Rules if there is any change to the above proposed use of [REDACTED].

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

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STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

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[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

APPENDIX I

ACCOUNTANT’S REPORT

The following is the text of a report set out on pages [I-1] to [I-2], received from the Company’s reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of HKSIR 200 Accountants’ Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

[DRAFT]

[Letterhead of PricewaterhouseCoopers]

ACCOUNTANT’S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF HORIZON ROBOTICS AND GOLDMAN SACHS (ASIA) L.L.C., MORGAN STANLEY ASIA LIMITED AND CHINA SECURITIES (INTERNATIONAL) CORPORATE FINANCE COMPANY LIMITED

Introduction

We report on the historical financial information of Horizon Robotics (the “Company”) and its subsidiaries (together, the “Group”) set out on pages [I-3] to [I-74], which comprises the consolidated statements of financial position as at December 31, 2021, 2022 and 2023, the company statements of financial position as at December 31, 2021, 2022 and 2023, and the consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2021, 2022 and 2023 (the “Track Record Period”) and material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages [I-3] to [I-74] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [*document date*] (the “Document”) in connection with the initial [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant’s responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants’ Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

APPENDIX I

ACCOUNTANT’S REPORT

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant’s judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity’s preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant’s report, a true and fair view of the financial position of the Company as at December 31, 2021, 2022 and 2023 and the consolidated financial position of the Group as at December 31, 2021, 2022 and 2023 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page [I-3] have been made.

Dividends

We refer to Note [31] to the Historical Financial Information which states that no dividends have been paid by Horizon Robotics in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

[PricewaterhouseCoopers]
Certified Public Accountants
Hong Kong
[Date]

APPENDIX I

ACCOUNTANT’S REPORT

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant’s report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the “Underlying Financial Statements”).

The Historical Financial Information is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

APPENDIX I

ACCOUNTANT’S REPORT

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Notes	Year ended December 31,		
		2021	2022	2023
		RMB’000	RMB’000	RMB’000
Revenue from contracts				
with customers	6	466,720	905,676	1,551,607
Cost of sales	9	(135,734)	(277,963)	(457,297)
Gross profit		330,986	627,713	1,094,310
Research and development expenses . .	9	(1,143,642)	(1,879,888)	(2,366,255)
Administrative expenses	9	(319,003)	(373,909)	(443,366)
Selling and marketing expenses	9	(211,390)	(298,500)	(327,249)
Net impairment losses on				
financial assets	3.1(b)	(5,098)	(13,039)	(20,793)
Other income	7	14,483	43,662	66,222
Other losses – net	8	(1,669)	(238,055)	(33,391)
Operating loss		(1,335,333)	(2,132,016)	(2,030,522)
Finance income	10	28,239	104,528	167,473
Finance costs	10	(16,592)	(7,548)	(8,651)
Finance income – net		11,647	96,980	158,822
Share of results of investments				
accounted for using the				
equity method	13	(2,530)	(34,298)	(112,074)
Fair value changes of preferred shares				
and other financial liabilities	28	(763,984)	(6,655,367)	(4,760,354)
Loss before income tax		(2,090,200)	(8,724,701)	(6,744,128)
Income tax (expense)/benefit	14	26,650	4,273	5,075
Loss for the year		(2,063,550)	(8,720,428)	(6,739,053)
Loss is attributable to:				
Owners of Horizon Robotics		(2,061,293)	(8,719,410)	(6,739,021)
Non-controlling interests		(2,257)	(1,018)	(32)
Loss per share for loss attributable				
to the ordinary equity holders of				
the Company (expressed in RMB				
per share):				
Basic and diluted loss per share	15	(0.81)	(3.35)	(2.50)

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended December 31,		
		2021	2022	2023
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Loss for the year		(2,063,550)	(8,720,428)	(6,739,053)
Other comprehensive income/(loss)				
<i>Items that will not be reclassified to profit or loss</i>				
Currency translation differences		270,243	(898,171)	(371,859)
Effects of changes in credit risk for financial liabilities designated as at fair value through profit or loss	28	<u>257,022</u>	<u>406,335</u>	<u>(457,686)</u>
Other comprehensive income/(loss) for the year, net of nil tax		<u>527,265</u>	<u>(491,836)</u>	<u>(829,545)</u>
Total comprehensive loss for the year		<u>(1,536,285)</u>	<u>(9,212,264)</u>	<u>(7,568,598)</u>
Total comprehensive loss for the year is attributable to:				
Owners of Horizon Robotics		(1,534,028)	(9,211,246)	(7,568,566)
Non-controlling interests		(2,257)	(1,018)	(32)

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at December 31,		
		2021	2022	2023
		RMB’000	RMB’000	RMB’000
ASSETS				
Non-current assets				
Property, plant and equipment	16	123,866	220,945	433,261
Right-of-use assets	17	170,984	258,357	217,369
Deferred tax assets	30	79,944	88,916	99,967
Intangible assets	18	197,440	319,075	302,906
Investments accounted for using the equity method	13	27,082	64,034	1,107,659
Financial assets at fair value through profit or loss	3.3	46,338	68,838	80,825
Restricted cash	19, 23	5,512	8,564	8,098
Prepayments and other non-current assets	21	32,279	62,819	85,713
Total non-current assets		683,445	1,091,548	2,335,798
Current assets				
Inventories	22	113,912	363,532	790,898
Prepayments and other current assets	21	282,992	206,452	136,729
Trade and note receivables	20	169,355	420,672	541,091
Term deposits	23	1,284,293	1,204,365	–
Restricted cash	19, 23	12,856	2	709,716
Cash and cash equivalents	23	8,050,034	6,608,657	11,359,641
Total current assets		9,913,442	8,803,680	13,538,075
Total assets		10,596,887	9,895,228	15,873,873
LIABILITIES				
Non-current liabilities				
Lease liabilities	17	77,266	154,176	112,346
Borrowings	29	–	12,515	112,844
Other non-current liabilities	27	7,570	15,652	61,954
Total non-current liabilities		84,836	182,343	287,144
Current liabilities				
Trade payables	27	8,040	3,822	11,164
Contract liabilities	6	5,546	63,079	24,875
Lease liabilities	17	38,248	50,615	52,010
Employee benefit obligations		242,418	304,333	384,042
Accruals and other payables	27	270,525	278,245	540,444
Preferred shares and other financial liabilities at FVPL	28	18,341,195	26,451,328	39,239,578
Total current liabilities		18,905,972	27,151,422	40,252,113
Total liabilities		18,990,808	27,333,765	40,539,257
Net liabilities		(8,393,921)	(17,438,537)	(24,665,384)

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		As at December 31,		
		2021	2022	2023
<i>Notes</i>		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
EQUITY				
Deficits attributable to owners				
of Horizon Robotics				
		39	39	39
	24	124,120	146,257	146,257
	25	1,594,424	1,247,509	759,842
		<u>(10,112,754)</u>	<u>(18,832,267)</u>	<u>(25,571,415)</u>
		(8,394,171)	(17,438,462)	(24,665,277)
		250	(75)	(107)
		<u>(8,393,921)</u>	<u>(17,438,537)</u>	<u>(24,665,384)</u>

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COMPANY STATEMENTS OF FINANCIAL POSITION

		As at December 31,		
		2021	2022	2023
<i>Notes</i>		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
ASSETS				
Non-current assets				
Investment in subsidiaries	12(b)	10,669,860	14,620,167	19,820,050
Financial assets at fair value through profit or loss		14,452	27,251	33,183
Total non-current assets		<u>10,684,312</u>	<u>14,647,418</u>	<u>19,853,233</u>
Current assets				
Commitment derivative		–	13,017	–
Cash and cash equivalents	23	3,157,367	731,660	3,235,568
Total current assets		<u>3,157,367</u>	<u>744,677</u>	<u>3,235,568</u>
Total assets		<u>13,841,679</u>	<u>15,392,095</u>	<u>23,088,801</u>
LIABILITIES				
Current liabilities				
Preferred shares and other financial liabilities at FVPL	28	18,341,195	26,451,328	39,239,578
Accruals and other payables		16,560	16,099	2,722
Total current liabilities		<u>18,357,755</u>	<u>26,467,427</u>	<u>39,242,300</u>
Total liabilities		<u>18,357,755</u>	<u>26,467,427</u>	<u>39,242,300</u>
Net liabilities		<u>(4,516,076)</u>	<u>(11,075,332)</u>	<u>(16,153,499)</u>
EQUITY				
Deficits attributable to owners				
of Horizon Robotics				
Share capital	24	39	39	39
Share premium	24	124,120	146,257	146,257
Other reserves	25	1,369,604	1,563,148	1,284,408
Accumulated losses		(6,009,839)	(12,784,776)	(17,584,203)
Total deficits		<u>(4,516,076)</u>	<u>(11,075,332)</u>	<u>(16,153,499)</u>

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Notes	Deficits attributable to owners of Horizon Robotics					Non-controlling interests	Total deficits
		Share capital	Share premium	Other reserves	Accumulated losses	Total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
Balance at January 1, 2021 (Unaudited)		<u>39</u>	<u>99,593</u>	<u>895,281</u>	<u>(8,051,425)</u>	<u>(7,056,512)</u>	<u>10,539</u>	<u>(7,045,973)</u>
Loss for the year		-	-	-	(2,061,293)	(2,061,293)	(2,257)	(2,063,550)
Effects of changes in credit risk for financial liabilities designated as at fair value through profit or loss	28	-	-	257,022	-	257,022	-	257,022
Currency translation differences		-	-	270,243	-	270,243	-	270,243
Total comprehensive loss for the year		<u>-</u>	<u>-</u>	<u>527,265</u>	<u>(2,061,293)</u>	<u>(1,534,028)</u>	<u>(2,257)</u>	<u>(1,536,285)</u>
Transactions with owners in their capacity as owners:								
Share-based payments	24, 26	-	24,527	171,842	-	196,369	-	196,369
Appropriations to PRC statutory reserves		-	-	36	(36)	-	-	-
Disposal of a subsidiary		-	-	-	-	-	(8,032)	(8,032)
Balance at December 31, 2021		<u>39</u>	<u>124,120</u>	<u>1,594,424</u>	<u>(10,112,754)</u>	<u>(8,394,171)</u>	<u>250</u>	<u>(8,393,921)</u>
Balance at January 1, 2022		<u>39</u>	<u>124,120</u>	<u>1,594,424</u>	<u>(10,112,754)</u>	<u>(8,394,171)</u>	<u>250</u>	<u>(8,393,921)</u>
Loss for the year		-	-	-	(8,719,410)	(8,719,410)	(1,018)	(8,720,428)
Effects of changes in credit risk for financial liabilities designated as at fair value through profit or loss	28	-	-	406,335	-	406,335	-	406,335
Currency translation differences		-	-	(898,171)	-	(898,171)	-	(898,171)
Total comprehensive loss for the year		<u>-</u>	<u>-</u>	<u>(491,836)</u>	<u>(8,719,410)</u>	<u>(9,211,246)</u>	<u>(1,018)</u>	<u>(9,212,264)</u>
Transactions with owners in their capacity as owners:								
Share-based payments	24, 26	-	22,137	151,561	-	173,698	-	173,698
Appropriations to PRC statutory reserves		-	-	103	(103)	-	-	-
Purchase of non-controlling interests		-	-	(6,743)	-	(6,743)	693	(6,050)
Balance at December 31, 2022		<u>39</u>	<u>146,257</u>	<u>1,247,509</u>	<u>(18,832,267)</u>	<u>(17,438,462)</u>	<u>(75)</u>	<u>(17,438,537)</u>

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		Deficits attributable to owners of Horizon Robotics						
	Notes	Share capital	Share premium	Other reserves	Accumulated losses	Total	Non-controlling interests	Total deficits
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2023		<u>39</u>	<u>146,257</u>	<u>1,247,509</u>	<u>(18,832,267)</u>	<u>(17,438,462)</u>	<u>(75)</u>	<u>(17,438,537)</u>
Loss for the year		-	-	-	(6,739,021)	(6,739,021)	(32)	(6,739,053)
Effects of changes in credit risk for financial liabilities designated as at fair value through profit or loss	28	-	-	(457,686)	-	(457,686)	-	(457,686)
Currency translation differences		-	-	(371,859)	-	(371,859)	-	(371,859)
Total comprehensive loss for the year		<u>-</u>	<u>-</u>	<u>(829,545)</u>	<u>(6,739,021)</u>	<u>(7,568,566)</u>	<u>(32)</u>	<u>(7,568,598)</u>
Transactions with owners in their capacity as owners:								
Share-based payments	24, 26	-	-	341,751	-	341,751	-	341,751
Appropriations to PRC statutory reserves		-	-	127	(127)	-	-	-
Balance at December 31, 2023		<u>39</u>	<u>146,257</u>	<u>759,842</u>	<u>(25,571,415)</u>	<u>(24,665,277)</u>	<u>(107)</u>	<u>(24,665,384)</u>

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	<i>Notes</i>	Year ended December 31,		
		2021	2022	2023
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Cash flows from operating activities				
Cash used in operating activities		(1,133,855)	(1,651,838)	(1,904,994)
Interest received		22,860	98,074	167,473
Income taxes paid		(21)	(3,521)	(6,987)
Net cash outflow from operating activities		<u>(1,111,016)</u>	<u>(1,557,285)</u>	<u>(1,744,508)</u>
Cash flows from investing activities				
Payments for land-use right, property, plant and equipment		(174,213)	(196,450)	(259,446)
Payments for intangible assets		(49,817)	(352,765)	(194,526)
Purchase of investments accounted for using the equity method	<i>13</i>	(15,691)	(71,250)	(1,453,000)
Payments for financial assets at fair value through profit or loss	<i>3.3</i>	(1,305,420)	(4,948,737)	(4,399,778)
Placement of term deposits		(1,291,776)	(3,791,355)	(367,604)
Proceeds from disposal of a subsidiary, net of cash disposed		1,345	–	–
Proceeds from sale of property, plant and equipment		364	686	92
Proceeds from sale of financial assets at fair value through profit or loss	<i>3.3</i>	1,295,620	4,944,096	4,410,095
Term deposits matured		155,420	4,201,269	1,596,881
Net cash outflow from investing activities		<u>(1,384,168)</u>	<u>(214,506)</u>	<u>(667,286)</u>

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	<i>Notes</i>	Year ended December 31,		
		2021	2022	2023
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Cash flows from financing activities				
Proceeds from issuance of preferred shares and other financial liabilities	28	6,348,190	254,796	7,188,574
Payments for share purchase from a non-controlling interests shareholder		–	(6,050)	–
Payments to certain former investors for preferred shares repurchase before January 1, 2021	27	–	–	(9,895)
Payments for transaction cost for issuance of preferred shares	10	(11,881)	–	–
Principal elements of lease payments	17	(32,185)	(41,301)	(51,489)
Interest elements of lease payments	17	(4,711)	(7,548)	(8,651)
Proceeds from borrowings	29	–	12,515	100,329
Net cash inflow from financing activities		<u>6,299,413</u>	<u>212,412</u>	<u>7,218,868</u>
Net increase/(decrease) in cash and cash equivalents		<u>3,804,229</u>	<u>(1,559,379)</u>	<u>4,807,074</u>
Cash and cash equivalents at the beginning of the year		4,296,055	8,050,034	6,608,657
Effects of exchange rate changes on cash and cash equivalents		<u>(50,250)</u>	<u>118,002</u>	<u>(56,090)</u>
Cash and cash equivalents at the end of the year		<u>8,050,034</u>	<u>6,608,657</u>	<u>11,359,641</u>

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II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION

Horizon Robotics (the “Company”) was incorporated in the Cayman Islands on July 21, 2015, as an exempted company with limited liability under the Companies Act (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is Suite #4-210, Governors Square, 23 Lime Tree Bay Avenue, PO Box 32311, Grand Cayman KY1-1209, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in providing automotive solutions for passenger vehicles with proprietary software and hardware. The Group also provides non-automotive solutions to enable device manufacturers to design and manufacture devices and appliances with enhanced levels of intelligence.

The Company’s principal subsidiaries during the Track Record Period and as at the date of this report are set out in Note 12.

2 BASIS OF PREPARATION

The Historical Financial Information of the Group has been prepared in accordance with all applicable IFRS Accounting Standards issued by the International Accounting Standards Board (“IFRS Accounting Standards”). The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of convertible redeemable preferred shares, other financial liabilities at fair value through profit or loss, and financial assets at fair value through profit or loss (“FVPL”).

The preparation of Historical Financial Information in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4 below.

2.1 Going concern

During the year ended December 31, 2023, the Group reported a net loss of approximately RMB6,739,053,000 and a net operating cash outflow of approximately RMB1,744,508,000. As at December 31, 2023, the Group sustained a net liability position of approximately RMB24,665,384,000, primarily attributable to the preferred shares and other financial liabilities at FVPL of approximately RMB39,239,578,000. Upon the completion of a qualified [REDACTED] (Note 28), all of the preferred shares will be automatically converted into ordinary shares, and all the principal amount and accrued interest of the convertible loan will be automatically and mandatorily converted into ordinary shares, subject to certain beneficial interest cap.

The Group’s source of finance and working capital mainly derived from issuance of preferred shares and convertible loan. Management of the Group has prepared a cash flow projection covering a period of not less than 12 months from December 31, 2023. Based on the projection prepared by management, the directors of the Company believe that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due in the 12 months from December 31, 2023. Consequently, the Historical Financial Information has been prepared on a going concern basis.

2.2 New Standards and amendments to standards not yet adopted

Standards and amendments to standards that have been issued but not yet effective and not been early adopted by the Group during the Track Record Period are as follows:

<u>Standards and amendments</u>	<u>Effective for accounting periods beginning on or after</u>
Amendments to IFRS 10 and IAS 28 ‘Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to IFRS 16 ‘Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 7 and IFRS 7 ‘Supplier Finance Arrangements	1 January 2024
Amendments to IAS 21 ‘Lack of Exchange ability	1 January 2025

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The Group has already commenced an assessment of the impact of these new or revised standards and amendments and no significant impact on the financial performance and positions of the Group is expected when they become effective.

Amendments to IAS 12 “International Tax Reform — Pillar Two Model Rules” were issued on 23 May 2023 which are effective upon issuance and require retrospective application. The amendments provide a temporary exception from deferred tax accounting for the income tax arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (“OECD”). The amendments also introduce new disclosure requirements about such tax, including the estimated tax exposure to Pillar Two income taxes. The Group has adopted the amendments and continually evaluate the impact of the amendments mentioned above on the consolidated statement of financial position. No significant impact on the financial performance and positions of the Group is expected.

The Group elected to early adopt the “Amendments to IAS 1 — Classification of Liabilities as Current or Non-current” and “Amendments to IAS 1 — Non-current Liabilities with Covenants”. With the early adoption, the preferred shares have been presented as current liabilities as the preferred shares may be converted into ordinary shares at the option of the preferred shareholders at any time, and the conversion option doesn’t meet the definition of equity instrument.

3 FINANCIAL RISK MANAGEMENT

The Group’s activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group’s financial performance. Risk management is carried out by the senior management of the Group.

3.1 Financial risk factors

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the respective functional currency of the Group’s subsidiaries. The functional currency of the Company and its subsidiaries outside Mainland China are US\$ whereas functional currency of the subsidiaries operate in Mainland China is RMB. The Group manages its foreign exchange risk by performing regular reviews of the Group’s net foreign exchange exposures and tries to minimize these exposures through natural hedges, wherever possible.

The foreign currency assets and liabilities of the Group entities are certain cash and cash equivalents, term deposits and receivables and payables denominated in foreign currencies of respective group entities that are exposed to foreign currency risk. The foreign exchange risk the Group is facing mainly comes from movements in the USD/RMB. During the Track Record Period, the Group did not have any derivative financial instrument for which hedging accounting was applied.

If USD had strengthened by 5% against RMB with all other variables held constant, loss before income tax for the year would have been approximately RMB29,659,000 and RMB47,859,000 and RMB1,277,000 higher for the year ended December 31, 2021, 2022 and 2023 respectively.

(ii) Interest rate risk

Except for cash and cash equivalents, restricted cash, term deposits and long-term borrowings, the Group has no significant interest-bearing assets and borrowings.

The directors of the Company do not anticipate significant impact to interest-bearing assets and borrowings resulted from the changes in interest rate because the interest rates of the above-mentioned interest-bearing assets and borrowings are not expected to change significantly.

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(iii) Price risk

The Group’s exposure to equity securities price risk arises from investments in unlisted companies held by the Group and classified in the statement of financial position as financial assets at fair value through profit or loss.

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Each investment is managed by senior management of the Group individually. The sensitivity analysis is performed by management, see Note 3.3 for details.

The Group also mainly invests in low-risk wealth management products and the proposed investment must not interfere with the Group’s daily operation and business prospects. The Group makes investment decisions related to wealth management products on a case-by-case basis after thoroughly considering a number of factors, including but not limited to macroeconomic environment, general market conditions and the expected profit or potential loss of the investment.

(b) Credit risk

Credit risk arises from cash and cash equivalents, restricted cash, term deposits, as well as trade and note receivables and other receivables. The carrying amount of each class of the above financial assets represents the Group’s maximum exposure to credit risk in relation to the corresponding class of financial assets.

(i) Risk management

To manage this risk, cash and cash equivalents, restricted cash and term deposits are mainly placed with state-owned or reputable financial institutions which are all high-credit-quality financial institutions.

To manage risk from trade receivables, the Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and management performs ongoing credit evaluations of the counterparties. Trade receivables have been grouped based on shared credit risk characteristics and aging to measure the expected credit losses. Trade receivables are written off when there is no reasonable expectation of recovery. Impairment losses on trade and note receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

For note receivables and other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of note receivables and other receivables based on historical settlement records and past experiences.

(ii) Impairment of financial assets

The Group has three types of financial assets that are subject to the expected credit loss model:

- Cash and cash equivalents, restricted cash, term deposits;
- Trade and note receivables; and
- Other receivables.

Cash and cash equivalents, restricted cash, term deposits are mainly placed with reputable Chinese and international financial institutions. There has been no recent history of default in relation to these financial institutions. The expected credit loss was not material.

While the bank acceptance note receivables are also subject to the impairment requirements of IFRS 9, the expected credit loss was immaterial.

Credit risk of trade receivables

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

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To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days outstanding of the trade receivables.

The expected loss rates are based on the historical payment profiles of sales over a period of 27 months, 39 months and 51 months before January 1, 2021, 2022 and 2023 respectively and the corresponding historical credit losses experienced within these periods. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Gross Domestic Products (“GDP”) of the People’s Republic of China (“PRC”) to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and indicators of severe financial difficulty.

On that basis, the loss allowance as at December 31, 2021, 2022 and 2023 were determined as follows for trade receivables:

As at December 31, 2021, the loss allowance of individually impaired trade receivables and grouped trade receivables are determined as follows:

Individual	Trade receivables	Expected credit loss rate		Loss allowance	Reason	
	<i>RMB'000</i>			<i>RMB'000</i>		
Trade receivables . . .	606		100.00%	(606)	The likelihood of recovery	
As at December 31, 2021	Up to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	Over 12 months	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Expected loss rate . . .	1.43%	3.73%	9.34%	12.04%	21.89%	-
Gross carrying amount – trade receivables	98,589	30,802	19,009	407	28,915	177,722
Loss allowance . . .	1,413	1,149	1,776	49	6,330	10,717

As at December 31, 2022, the loss allowance of individually impaired trade receivables and grouped trade receivables are determined as follows:

Individual	Trade receivables	Expected credit loss rate		Loss allowance	Reason	
	<i>RMB'000</i>			<i>RMB'000</i>		
Trade receivables . . .	811		100.00%	(811)	The likelihood of recovery	
As at December 31, 2022	Up to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	Over 12 months	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Expected loss rate . . .	2.24%	4.77%	10.52%	15.66%	31.12%	-
Gross carrying amount – trade receivables	245,507	67,445	23,863	1,443	36,567	374,825
Loss allowance . . .	5,490	3,214	2,510	226	11,380	22,820

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As at December 31, 2023, the loss allowance of individually impaired trade receivables and grouped trade receivables are determined as follows:

Individual	Trade receivables	Expected credit loss rate	Loss allowance	Reason
	<i>RMB'000</i>		<i>RMB'000</i>	
Trade receivables	47	100.00%	(47)	The likelihood of recovery

As at December 31, 2023	Up to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	Over 12 months	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Expected loss rate	2.37%	4.55%	11.11%	13.33%	36.39%	-
Gross carrying amount – trade receivables	358,432	89,163	61,020	10,097	62,298	581,010
Loss allowance	8,495	4,060	6,779	1,346	22,673	43,353

The loss allowances for trade receivables for years ended December 31, 2021, 2022 and 2023 reconcile to the opening loss allowances as follows:

	Year ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Opening loss allowance	(6,195)	(10,717)	(22,820)
Increase in the loss allowance recognised in profit or loss during the year	(5,128)	(12,914)	(20,580)
Receivables written off during the year as uncollectible	606	811	47
Closing loss allowance	(10,717)	(22,820)	(43,353)

Credit risk of other receivables

Other receivables at the end of each of the periods are mainly comprised of rental and other deposits, amounts due from related party and others. The Group considers the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis throughout each of the periods. To assess whether there is a significant increase in credit risk, the Group compares risk of a default occurring on the assets as of the reporting date with the risk of default as of the date of initial recognition. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor’s ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor; and
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

If the credit risk of the asset is in line with original expectations, the Group categorizes the asset as performing and recognizes 12 month expected credit losses (Stage 1). If a significant credit risk of the asset has occurred compared to original expectations or the credit is impaired, the asset is categorized as underperforming or non-performing and lifetime expected credit losses are recognised (Stages 2 and 3):

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On that basis, the loss allowances of other receivables as at December 31, 2021, 2022 and 2023 were determined as follows:

	Internal credit rating	Expected credit loss rate	Gross carrying amount	Loss allowance
			<i>RMB'000</i>	<i>RMB'000</i>
December 31, 2021	Performing	0.02%	16,414	3
December 31, 2022	Performing	0.49%	26,367	128
December 31, 2023	Performing	0.84%	40,471	341

The loss allowances for other receivables for years ended December 31, 2021, 2022 and 2023 reconcile to the opening loss allowances as follows:

	Year ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Opening loss allowance	(33)	(3)	(128)
Reverse/(Increase) in the allowance recognised in profit or loss during the period	30	(125)	(213)
Closing loss allowance	(3)	(128)	(341)

(c) Liquidity risk

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

The tables below analyse the Group’s non-derivative financial liabilities that will be settled into relevant maturity groupings based on the remaining period at each balance sheet date to their contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At December 31, 2021				
Trade payables	8,040	–	–	8,040
Accruals and other payables (excluding non-financial liabilities)	254,231	–	–	254,231
Lease liabilities	41,307	36,290	47,610	125,207
Preferred shares (i)	–	18,994,305	–	18,994,305
Total	303,578	19,030,595	47,610	19,381,783

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At December 31, 2022				
Trade payables	3,822	–	–	3,822
Accruals and other payables (excluding non-financial liabilities)	243,311	–	–	243,311
Lease liabilities	57,889	54,396	111,456	223,741
Borrowings	325	325	13,003	13,653

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	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Preferred shares (i)	21,079,493	–	–	21,079,493
Total	21,384,840	54,721	124,459	21,564,020

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At December 31, 2023					
Trade payables	11,164	–	–	–	11,164
Accruals and other payables (excluding non-financial liabilities)	394,058	–	–	–	394,058
Lease liabilities	58,891	55,084	62,723	–	176,698
Borrowings	2,934	2,934	66,852	53,930	126,650
Preferred shares (i)	–	–	30,576,904	–	30,576,904
Convertible loan (ii)	–	–	7,140,017	–	7,140,017
Total	467,047	58,018	37,846,496	53,930	38,425,491

- (i) The liquidity risk of preferred shares is the original issue price of preferred shares plus the respective predetermined interest (the “redemption amount”), assuming that no consummation of a [REDACTED] of the Company’s shares before December 25, 2023, and the holders of the preferred shares request the Company to redeem all of the preferred shares (the “redemption event”). On December 7, 2023, with the effects of the amendments of Memorandum and Articles, the assumption of occurrence of redemption event has been changed to on December 31, 2026.
- (ii) The liquidity risk of convertible loan is the principal amount of the convertible loan plus the respective predetermined interest, assuming that no consummation of a [REDACTED] of the Company’s shares before December 31, 2026 and triggered the redemption event on December 31, 2026.

3.2 Capital management

(a) Risk management

The Group’s objectives when managing capital are to:

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital (including share capital, other reserves, preferred shares and other financial liabilities on an as-if-converted basis) by regularly reviewing the capital structure. The Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or repurchase the Company’s shares. In the opinion of the directors of the Company, the Group’s capital risk is low.

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3.3 Fair value estimation

(a) Financial instruments carried at fair value

(i) Fair value hierarchy

This section explains the judgments and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The following table presents the Group’s assets and liabilities that were measured at fair value as at December 31, 2021 and 2022 and 2023:

At December 31, 2021	Level 1	Level 2	Level 3	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Financial assets				
Financial assets at FVPL				
Investments in unlisted companies	–	–	46,338	46,338
Total financial assets	<u>–</u>	<u>–</u>	<u>46,338</u>	<u>46,338</u>
Financial liabilities				
Preferred shares and other financial liabilities at FVPL				
Preferred shares	–	–	18,341,195	18,341,195
Total financial liabilities	<u>–</u>	<u>–</u>	<u>18,341,195</u>	<u>18,341,195</u>
At December 31, 2022	Level 1	Level 2	Level 3	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Financial assets				
Financial assets at FVPL				
Investments in unlisted companies	–	–	68,838	68,838
Commitment derivative	–	–	13,017	13,017
Total financial assets	<u>–</u>	<u>–</u>	<u>81,855</u>	<u>81,855</u>
Financial liabilities				
Preferred shares and other financial liabilities at FVPL				
Preferred shares	–	–	26,451,328	26,451,328
Total financial liabilities	<u>–</u>	<u>–</u>	<u>26,451,328</u>	<u>26,451,328</u>

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At December 31, 2023	Level 1	Level 2	Level 3	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Financial assets				
Financial assets at FVPL				
Investments in unlisted companies	–	–	80,825	80,825
Total financial assets	–	–	80,825	80,825
Financial liabilities.				
Preferred shares and other financial liabilities at FVPL				
Preferred shares	–	–	33,509,674	33,509,674
Convertible loan	–	–	5,729,904	5,729,904
Total financial liabilities	–	–	39,239,578	39,239,578

The Group’s policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the period presented.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

The level 3 instruments mainly include investment in unlisted companies and commitment derivative, as well as the financial liabilities at fair value through profit or loss, including the preferred shares and convertible loan. As these instruments are not trade in an active market, their fair values have been determined using various applicable methodologies.

(ii) *Valuation techniques used to determine fair values and process*

Specific valuation techniques used to value financial instruments include:

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

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The Group has a team that manages the valuation exercise of level 3 instruments for financial reporting purposes. The team manages the valuation exercise of the financial instruments on a case-by-case basis. At least once every year, the team would use valuation techniques to determine the fair value of the Group’s level 3 instruments. External valuation experts will be involved when necessary.

(iii) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 financial assets at FVPL for the years ended December 31, 2021, 2022 and 2023:

	Investments in unlisted companies	Wealth management products	Commitment derivative
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance as at January 1, 2021	41,889	–	–
Acquisitions	13,420	1,292,000	–
Disposal	–	(1,295,620)	–
Changes in fair value	(8,906)	3,620	–
Foreign currency translation recorded in other comprehensive loss	(65)	–	–
Balance as at December 31, 2021	46,338	–	–
Includes unrealised losses recognised in profit or loss attributable to balances held at the end of the reporting period . .	(8,906)	–	–
Balance as at January 1, 2022	46,338	–	–
Acquisitions	21,877	4,926,860	–
Disposal	–	(4,944,096)	–
Changes in fair value	(837)	17,236	13,316
Foreign currency translation recorded in other comprehensive loss	1,460	–	(299)
Balance as at December 31, 2022	68,838	–	13,017
Includes unrealised losses recognised in profit or loss attributable to balances held at the end of the reporting period . .	(837)	–	13,316
Balance as at January 1, 2023	68,838	–	13,017
Acquisitions	8,000	4,391,778	–
Disposal	–	(4,410,095)	–
Changes in fair value	3,511	18,317	(12,976)
Foreign currency translation recorded in other comprehensive loss	476	–	(41)
Balance as at December 31, 2023	80,825	–	–
Includes unrealised gains recognised in profit or loss attributable to balances held at the end of the reporting period . .	3,511	–	–

The changes of preferred shares and other financial liabilities at FVPL and the valuation techniques and significant unobservable inputs for the years ended December 31, 2021, 2022 and 2023 have been disclosed in Note 28.

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(iv) *Valuation inputs and relationships to fair value of financial assets*

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value:

Description	Fair Value			Significant unobservable inputs	Range of inputs			Relationship of unobservable inputs to fair values
	As at December 31,				As at December 31,			
	2021	2022	2023		2021	2022	2023	
	RMB'000	RMB'000	RMB'000					
Investments in unlisted companies . .	46,338	68,838	80,825	DLOM	4.6%- 12.0%	6.0%- 23.5%	5.1%- 22.2%	The higher the DLOM, the lower the fair value
				Volatility	36.6%- 61.2%	42.2%- 75.7%	38.8%- 65.0%	The higher the volatility, the higher the fair value
Commitment derivative . .	-	13,017	-	Risk-free rate	N/A	4.73%	4.79%	The higher the risk-free interest rate, the lower the fair value

If the fair values of the investments in unlisted companies held by the Group had been 10% higher/lower, loss for the years ended December 31, 2021, 2022 and 2023 would have been approximately RMB466,000 lower/higher, RMB2,081,000 lower/higher and RMB1,151,000 lower/higher, respectively.

The Company performed sensitivity test to changes in unobservable inputs in determining the fair value of commitment derivatives. The changes in unobservable input including risk free rate will result in a significantly higher or lower fair value measurement. If the risk free rate had been 10% higher, loss for the years ended December 31, 2022 and 2023 would have been approximately RMB24,466,000 higher and RMB24,574,000 lower, respectively. If the risk free rate had been 10% lower, loss for the years ended December 31, 2022 and 2023 would have been approximately RMB24,694,000 lower and RMB24,803,000 higher, respectively.

(b) *Financial instruments carried at other than fair value*

The carrying amounts of the Group’s financial assets carried at other than fair value, including cash and cash equivalents, restricted cash, term deposits, trade and note receivables, and other receivables, and the Group’s financial liabilities carried at other than fair value, including trade payables, other payables and accruals, borrowings and lease liabilities, approximate to their fair values as of December 31, 2021, 2022 and 2023.

4 CRITICAL ESTIMATES AND JUDGMENT

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

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) **Fair value of financial assets at FVPL**

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of the key assumptions used and the impact of changes to these assumptions see Note 3.3.

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(b) Fair value of financial liabilities at FVPL

Preferred shares and other financial liabilities at FVPL are not traded in an active market and the respective fair value are determined by using valuation techniques. The discounted cash flow method was used to determine the total equity value of the Company, the option-pricing method, equity allocation model and forward pricing model were adopted to determine the fair value of the financial instruments. Key assumptions such as discount rate, risk-free interest rate, DLOM and expected volatility based on the Group’s best estimates are disclosed in Note 28.

(c) Credit loss allowances for receivables

The expected credit loss of trade and note receivables, and other receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to calculate the loss allowances, based on the Group’s past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 3.1.

(d) Share-based payment expenses

The Group granted options and restricted share units (“RSU”) to employees. The fair value of the options is determined using the binomial option pricing model at the grant date, and is expected to be expensed over the respective vesting periods. Significant assumptions, including, underlying equity value, risk-free interest rate, expected volatility, dividend yield, and terms, are made by the directors with reference to valuation reports prepared by a third-party valuer (Note 26).

The fair value of RSUs at the grant date was determined by reference to the fair value of the underlying ordinary shares on the dates of grant. The discounted cash flow method was used to determine the total equity value of the Company and the equity allocation model was adopted to determine the fair value of the ordinary shares. Key assumptions, such as discount rate, risk-free interest rate, volatility and DLOM are disclosed in Note 26.

(e) Current and deferred income tax

The Group recognises deferred tax assets based on estimates that is probable to generate sufficient taxable profits in the foreseeable future against which the deductible losses will be utilised. The recognition of deferred tax assets mainly involved management’s judgements and estimations about the timing and the amount of taxable profits of the companies who had tax losses.

5 SEGMENT INFORMATION

The Group’s business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the chief operating decision maker (“CODM”). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer of the Group that makes strategic decisions.

The CODM reviews the Group’s internal reporting in order to assess performance, allocate resources, and determine the operating segments based on these reports. The Group has the following reportable segments for the Track Record Period:

- Automotive solutions; and
- Non-Automotive solutions

The CODM assesses the performance of the operating segments mainly based on segment revenue and gross profit of each operating segment. The research and development expenses, administrative expenses and selling and marketing expenses are common costs incurred for these operating segments as a whole and therefore, they are not included in the measure of the segments’ performance which is used by the CODM as a basis for the purpose of resource allocation and assessment of segment performance. Net impairment losses on financial assets, other income, other losses, net, finance income, finance cost, share of results of investments accounted for using the equity method, fair value losses of preferred shares and other financial liabilities and income tax expense are not allocated to individual operating segment, either.

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There were no material inter-segment sales during the years ended December 31, 2021, 2022 and 2023. The revenues from external customers reported to the CODM are measured in a manner consistent with that applied in the consolidated statement of profit or loss.

Other information, together with the segment information, provided to the CODM, is measured in a manner consistent with that applied in these consolidated statements of financial position. There was no segment assets or segment liabilities information provided to the CODM.

The segment information provided to the CODM for the reportable segments for the Track Record Period is as follows:

	Year ended December 31, 2021		
	Automotive solutions	Non-Automotive solutions	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment revenue	410,164	56,556	466,720
Cost of sales	<u>(81,599)</u>	<u>(54,135)</u>	<u>(135,734)</u>
Gross profit	<u>328,565</u>	<u>2,421</u>	<u>330,986</u>
	Year ended December 31, 2022		
	Automotive solutions	Non-Automotive solutions	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment revenue	801,138	104,538	905,676
Cost of sales	<u>(179,719)</u>	<u>(98,244)</u>	<u>(277,963)</u>
Gross profit	<u>621,419</u>	<u>6,294</u>	<u>627,713</u>
	Year ended December 31, 2023		
	Automotive solutions	Non-Automotive solutions	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment revenue	1,470,364	81,243	1,551,607
Cost of sales	<u>(386,652)</u>	<u>(70,645)</u>	<u>(457,297)</u>
Gross profit	<u>1,083,712</u>	<u>10,598</u>	<u>1,094,310</u>

As at December 31, 2021, 2022 and 2023, substantially all of the non-current assets of the Group were located in the mainland China. Therefore, no geographical segments are presented.

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6 REVENUE FROM CONTRACTS WITH CUSTOMERS

(a) Disaggregation of revenue from contracts with customers

In the following table, revenue of the Group from contracts with customers is disaggregated by revenue source and by timing of revenue recognition. The table also includes a reconciliation to the segment information (Note 5).

	Year ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Automotive solutions	410,164	801,138	1,470,364
Product solutions	208,083	319,312	506,386
License and services	202,081	481,826	963,978
Non-Automotive solutions	56,556	104,538	81,243
Total Revenue	466,720	905,676	1,551,607

	Year ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Automotive solutions	410,164	801,138	1,470,364
At a point in time	360,929	678,654	1,271,858
Over time	49,235	122,484	198,506
Non-Automotive solutions	56,556	104,538	81,243
At a point in time	56,556	104,538	81,243
Total Revenue	466,720	905,676	1,551,607

No geographical segment information is presented as the majority of the revenue and operating losses of the Group are derived within mainland China and the majority of the operating assets of the Group are located in the mainland China, which is considered as one geographic location with similar risks and returns.

The major customers which contributed more than 10% of total revenue of the Group for the years ended December 31, 2021, 2022 and 2023 are listed as below:

	Year ended December 31,		
	2021	2022	2023
Percentage of revenue from the major customers to the total revenue of the Group			
Customer A	–	–	40.43%
Customer B	24.68%	16.04%	12.49%
Customer C	5.78%	11.24%	5.31%
Customer D	11.15%	1.01%	0.78%

(b) Contract liabilities

During the Track Record Period, the additions to the contract liabilities were primarily due to cash collections in advance of fulfilling performance obligations, while the reductions to the contract liabilities were primarily due to the recognition of revenues upon fulfilment of performance obligations.

	As at January 1,	As at December 31,		
	2021	2021	2022	2023
	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contract liabilities	8,554	5,546	63,079	24,875

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The following table shows how much of the revenue, which was included in the contract liabilities at the beginning of the period, recognized during the Track Record Period relates to carried-forward contract liabilities:

	Year ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue recognized that was included in the contract liability balance at the beginning of the year	<u>2,095</u>	<u>916</u>	<u>58,547</u>

(c) Transaction price allocated to the unsatisfied performance obligations

	As at December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Aggregate amount of transaction price allocated to contracts that are partially or fully unsatisfied	<u>64,846</u>	<u>355,807</u>	<u>592,940</u>

Management expects that the unsatisfied obligations of RMB55,027,000, RMB291,645,000, and RMB565,105,000 as of 31 December 2021, 2022 and 2023, respectively will be recognised as revenue during the next reporting period. The remaining unsatisfied obligations will be recognized in one to three year(s).

(d) Accounting policies and significant judgments

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e., when control of the goods or services underlying the particular performance obligation is transferred to the customer.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

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

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

Contracts with customers may include multiple performance obligations. For such arrangements, at the contract inception date, the Company allocates revenue to each performance obligation based on its relative standalone selling price. The Company determines standalone selling prices based on the prices charged to customers if it is directly observable. If the standalone selling price is not directly observable, the contractually stated price is believed to best reflect the relative standalone selling price of performance obligations in a contract considering the Company’s customary business practices. Assumptions and estimations have been made in estimating the relative selling price of each distinct performance obligation, and changes in judgments on these assumptions and estimates may impact the revenue recognition.

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

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

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

Revenue is recorded net of value-added taxes. During the Track Record Period, the Group generated revenues from sales of automotive (including advanced driver assistance system (ADAS), autonomous driving (AD) and in-carbin) product solutions, license arrangements and provision of design and technical services to customers in automotive business and provision of non-automotive solutions.

(i) Automotive solutions — product solutions

The Group sells automotive product solutions, which combines its self-developed processing hardware with proprietary algorithms and software.

Revenue from sales of automotive product solutions is recognized upon the acceptance of promised product solutions by customers in an amount that reflects the consideration the Group expects to receive in exchange for those product solutions. Revenue is recognized net of discounts and any taxes collected from customers.

The Group generally offers assurance-type warranties to customers and such warranties are not considered a distinct performance obligation to customers. The Group accounts for the warranty in accordance with IAS 37 and the estimated warranty cost was not material for the Track Record Period. (Note 27)

(ii) Automotive solutions — license and services

The Group licenses its customers with a right to use its algorithms and software. Licenses are at times sold along with training services and post-contract service (“PCS”). The training services and the PCS each is considered as a distinct performance obligation and they are not material during the Track Record Period.

The licenses granted by the Group are right to use licenses. Therefore revenue from license arrangements is recognized when the algorithms, or the software is made available to the customer and the customer is able to use and benefit from the license. Revenue from training services is recognized over the training period. PCS revenue is recognized ratably over the service period.

The Group provides customers design and technical services to help them integrate the Group’s solutions into their vehicles and design specific features.

For contracts pursuant to which the Group has an enforceable right to payment for performance completed to date, or when the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs, design and technical services revenue is recognized over a period of time based on the progress towards complete satisfaction in the contracts using input method, which is determined as the proportion of the costs incurred for the work performed to date relative to the estimated total costs to complete the contract, to the extent that the amount can be measured reliably and its recovery is considered probable. For other design and technical services contracts, revenue is recognized upon customers’ acceptance of the service outcome.

(iii) Non-automotive solutions

The Group also offers non-automotive product solutions that combine the Group’s processing hardware and algorithms. Related revenues are recognized upon the acceptance of promised product solutions by customers.

(iv) Practical expedients and exemptions

The effect of a significant financing component has not been adjusted for in contracts where the Group expects, at contract inception date, that the period between when the Group transfers a promised good or service to the customer and when the customer pays for that good or service will be one year or less.

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The Group elected to expense the incremental costs of obtaining a contract with a customer as incurred when the expected amortization period is one year or less.

7 OTHER INCOME

	Year ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial subsidies	10,810	30,503	50,238
Tax refund	3,673	13,159	15,984
	<u>14,483</u>	<u>43,662</u>	<u>66,222</u>

8 OTHER LOSSES, NET

	Year ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Fair value changes of financial assets at FVPL	(5,286)	29,715	8,852
Net foreign exchange differences.	11,080	(264,660)	(40,334)
Donations	(4,415)	–	(672)
(Losses)/gains on disposal of subsidiaries	(3,142)	–	623
Others	94	(3,110)	(1,860)
	<u>(1,669)</u>	<u>(238,055)</u>	<u>(33,391)</u>

9 EXPENSES BY NATURE

The expenses charged to cost of sales, selling and marketing expenses, administrative expenses and research and development expenses are analyzed below

	<i>Notes</i>	Year ended December 31,		
		2021	2022	2023
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Employee benefit expenses	11	1,067,542	1,602,640	2,014,058
Depreciation and amortization	16, 18	151,199	291,316	356,373
Cost of inventories sold	22	122,883	240,279	392,101
Technical service fee		115,202	183,414	265,717
Professional service and other consulting fee		100,533	120,135	77,835
Marketing, conference and traveling expenses		89,790	83,957	95,365
Outsourcing fee		66,987	224,522	197,749
Tape-out fee and consumables used		62,525	37,549	136,516
Utilities, property management and administrative expenses		20,781	29,001	28,603
[REDACTED]		[REDACTED]	[REDACTED]	[REDACTED]
Other expenses.		12,327	17,447	28,070
Total		<u>1,809,769</u>	<u>2,830,260</u>	<u>3,594,167</u>

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10 FINANCE INCOME, NET

	Notes	Year ended December 31,		
		2021	2022	2023
		RMB'000	RMB'000	RMB'000
<i>Finance income</i>				
Interest income from financial assets held for cash management purposes		28,239	104,528	167,473
Finance income		28,239	104,528	167,473
<i>Finance costs</i>				
Interest for lease liabilities	17	(4,711)	(7,548)	(8,651)
Finance charges paid for issuance of preferred shares	28	(11,881)	–	–
Finance cost		(16,592)	(7,548)	(8,651)
Net finance income		11,647	96,980	158,822

Interest income on financial assets at amortised cost held for cash management purposes is calculated using the effective interest method.

11 EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS’ REMUNERATIONS)

	Year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Wages, salaries and bonuses	728,727	1,169,812	1,372,307
Share-based payments	196,369	173,698	341,751
Pension costs – defined contribution plans	49,624	96,365	116,649
Housing fund, medical insurance and other social insurance	72,520	128,790	165,079
Other employee benefits	20,302	33,975	18,272
Total employee benefit expenses	1,067,542	1,602,640	2,014,058

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended December 31, 2021, 2022 and 2023 include 3, 2 and 1 directors respectively, whose emoluments are disclosed in the Note 35. The emoluments payable to the remaining 2, 3, and 4 individuals during the respective period are as follows:

	Year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Wages, salaries and bonuses	4,977	22,642	45,515
Share-based payments (i)	8,308	7,325	127,244
Pension costs – defined contribution plans	171	238	267
Housing fund, medical insurance and other social insurance	158	246	377
Other employee benefits	209	226	680
Total employee benefit expense	13,823	30,677	174,083

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The emoluments fell within the following bands:

	Number of individuals for the year ended December 31,		
	2021	2022	2023
Emolument bands (in HK\$)			
HK\$6,000,000 – HK\$6,500,000	1	–	–
HK\$8,000,001 – HK\$8,500,000	–	–	1
HK\$8,500,001 – HK\$9,000,000	–	–	1
HK\$9,500,001 – HK\$10,000,000	–	1	–
HK\$10,500,001 – HK\$11,000,000	1	–	–
HK\$11,500,001 – HK\$12,000,000	–	1	–
HK\$12,500,001 – HK\$13,000,000	–	1	–
HK\$54,500,001 – HK\$55,000,000	–	–	1
HK\$120,000,001 – HK\$120,500,000	–	–	1
	2	3	4
	=	=	=

(i) Represents the amount recognized as an expense during the Track Record Period in accordance with IFRS 2 Share-based Payment.

12 SUBSIDIARIES

(a) Subsidiaries of the Group

The Company’s principal subsidiaries during the Track Record Period are set out below. Unless otherwise stated, they have share capital solely held by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country/region of incorporation or registration is also their principal place of business.

Name of entity	Effective interest held			As at the date of this report	Date and place of incorporation/ establishment and kind of legal entity	Issued/registered share capital	Principal activities	Place of Operation	Note
	2021	2022	2023						
Directly held by the Company:									
Horizon Robotics Holdings Limited	100	100	100	100	August 6, 2015/ Hong Kong, PRC/limited liability company	HK\$1	Holding company	Hong Kong, PRC	(i)
Horizon Together Holding Ltd.	–	100	100	100	August 29, 2022/ Cayman Islands/limited liability company	US\$1	Holding company	Cayman Islands	(viii)
Indirectly held by the Company:									
Beijing Horizon Information Technology Co., Ltd. (北京地平線信息技術有限公司)	100	100	100	100	December 28, 2015/PRC/limited liability company	US\$1,500,000,000	Development of software products and provision of related services	Beijing, PRC	(ii)
Shanghai Anting Horizon Zhineng Transportation Technology Co., Ltd. (上海安亭地平線智能交通技術有限公司)	100	100	100	100	March 24, 2017/ PRC/limited liability company	US\$220,000,000	Development of software products and provision of related services	Shanghai, PRC	(iii)

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Name of entity	Effective interest held			As at the date of this report	Date and place of incorporation/ establishment and kind of legal entity	Issued/registered share capital	Principal activities	Place of Operation	Note
	As at December 31,								
	2021	2022	2023						
Nanjing Horizon Information Technology Co., Ltd. (南京地平線信息技術有限公司)	100	100	100	100	March 30, 2017/ PRC/limited liability company	US\$220,000,000	Development of software products and provision of related services	Nanjing, PRC	(iv)
Beijing Horizon Robotics Technology Research and Development Co., Ltd. (北京地平線機器人技術研發有限公司)*	100	100	100	100	July 14, 2015/ PRC/limited liability company	RMB8,000,000,000	Sales of software products and provision of related services	Beijing, PRC	(v)
Shenzhen Horizon Robotics Technology Co., Ltd. (深圳地平線機器人科技有限公司)	100	100	100	100	July 2, 2015/ PRC/limited liability company	RMB1,500,000,000	Sales of software products and provision of related services	Shenzhen, PRC	(vi)
Horizon Journey (Shanghai) Technology Co., Ltd. (地平線征程(上海)科技有限公司)*	100	100	100	100	March 26, 2018/ PRC/limited liability company	RMB4,000,000,000	Research and development of technology	Shanghai, PRC	(vii)

* Previously these subsidiaries were controlled by the Company through a series of contractual arrangements (collectively, the “Contractual Arrangements”). During the year ended December 31, 2021 and 2022, they became wholly-owned subsidiaries of the Company through equity transfers and termination of the Contractual Arrangements

The English names of certain subsidiaries referred herein represent the directors’ best effort at translating the Chinese names of these companies as no English names have been registered.

The statutory auditors of these companies for the Track Record Period were as follows:

- (i) The financial statements were audited by Sinno International CPA for the years ended December 31, 2021 and 2022.
- (ii) The financial statements were audited by Beijing Yongqin Accountant Firm Co., Ltd. for the years ended December 31, 2021 and 2022.
- (iii) The financial statements were audited by Beijing Jinruiyongda Accountants LLP. for the years ended December 31, 2021 and 2022.
- (iv) The financial statements were audited by Jiangsu Tianning Accountant Firm Co., Ltd for the years ended December 31, 2021 and 2022.
- (v) The financial statements were audited by Beijing Yongqin Accountant Firm Co., Ltd. for the years ended December 31, 2021 and 2022.
- (vi) The financial statements were audited by Shenzhen Yongming Accountant Firm Co., Ltd. for the years ended December 31, 2021 and 2022.
- (vii) The financial statements were audited by Beijing Jinruiyongda Accountants LLP. for the years ended December 31, 2021 and 2022.

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(viii) No audited financial statements were issued for the company as it is not required to issue audited financial statements under the statutory requirements of its place of incorporation.

All companies comprising the Group have adopted December 31 as their financial year end date.

(b) Investments in subsidiaries — the Company

	As at December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Investments in subsidiaries (i)	10,196,669	13,973,278	18,831,410
– Equity investments	184,489	278,140	346,600
– Amounts due from subsidiaries	10,012,180	13,695,138	18,484,810
Deemed investments relating to share-based payments (ii)	473,191	646,889	988,640
	<u>10,669,860</u>	<u>14,620,167</u>	<u>19,820,050</u>

(i) The Company invested US\$28,936,000 (RMB184,489,000), US\$39,936,000 (RMB278,140,000) and US\$48,936,000 (RMB346,600,000) share capital to its directly-owned subsidiaries as at December 31, 2021, 2022 and 2023, respectively. The remaining are receivables due from its subsidiaries that the Company has determined not requiring repayment from these subsidiaries. These balances are in substance part of the Company’s net investment in these subsidiaries.

(ii) The Company granted share options and RSUs directly to the employees of its subsidiaries and did not charge the relevant costs to the subsidiaries. In the consolidated financial statements, this transaction is treated as an equity-settled share-based payment expenses. In the separate financial statements of the Company, such amounts are recorded as part of the investments in the subsidiaries.

13 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The amounts of investments accounted for using the equity method recognized in the consolidated statements of financial position are as follows:

	As at December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Associates	11,697	47,716	19,780
Joint ventures	15,385	16,318	1,087,879
	<u>27,082</u>	<u>64,034</u>	<u>1,107,659</u>

The movements of investments in associates and joint ventures during the Track Record Period are as below:

	Years ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the year	13,921	27,082	64,034
Additions	15,691	71,250	1,453,000
Share of results of associates and joint ventures	(2,530)	(34,298)	(112,074)
Elimination of unrealized profits and losses from downstream transactions	–	–	(297,301)
At the end of the year	<u>27,082</u>	<u>64,034</u>	<u>1,107,659</u>

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The associates and joint ventures of the Group have been accounted by using the equity method based on the financial information of the associates and joint ventures prepared under the accounting policies consistent with the Group.

(i) Commitments in respect of associates and joint ventures:

	As at December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Commitments – joint ventures</i>			
Commitment to provide funding for joint ventures’ capital commitments	13,719	13,719	1,729,334
<i>Commitments – associates</i>			
Commitment to provide funding for associates’ capital commitments	1,100	1,600	1,600
	<u>14,819</u>	<u>15,319</u>	<u>1,730,934</u>

Besides the above-mentioned commitments, there are no commitments and contingent liabilities relating to the Group’s interests in associates and joint ventures.

(ii) Summarised financial information of material joint venture:

In November 2023, Carizon (Beijing) Technology Co., Ltd (“CARIZON”) was established pursuant to a joint venture agreement (the “Joint Venture Agreement”) entered into between CARIAD Estonia AS (“CARIAD”), an affiliate of Volkswagen Group (“Volkswagen”) and Horizon Together Holding Ltd. (“Horizon Together”), a subsidiary of the Company, dated November 17, 2022. Pursuant to the Joint Venture Agreement, Horizon Together and CARIAD holds 40% and 60% of the equity interest in CARIZON, respectively. The total registered capital of CARIZON is RMB6,757,000,000, of which Horizon Together shall contribute RMB2,703,000,000. As at December 31, 2023, Horizon Together has contributed share capital of RMB1,351,000,000. And it shall pay the second instalment of RMB811,000,000 in the year 2024, and the third instalment of RMB541,000,000 in the year 2025. Neither CARIAD or Horizon Together may transfer equity interests in CARIZON without the other party’s prior written consent, subject to customary right of first offer, right of first refusal and transfer among affiliates conditions. At any time after January 1, 2027, CARIAD has the right but not the obligation, at its discretion, to make an offer to Horizon Together to purchase all but not less than all of the equity interest held by Horizon Together as of the date of the offer at fair market value.

CARIZON engages in the business of research and development, manufacture of autonomous driving application software and self-driving systems, and it also provides aftersales services, training, consulting, testing and technical services relating to its products.

As decisions about activities significantly affecting CARIZON’s returns require the unanimous consent of Horizon Together and CARIAD, CARIZON is jointly controlled by both parties and therefore the Group applied equity method to account for its investment in CARIZON.

In December 2023, the Group entered into agreements with CARIZON to provide various IP licenses and technical services. For the year ended December 31, 2023, the Group recorded RMB750,000,000 and RMB174,000,000 revenues from the licenses and services delivered to CARIZON, respectively. The licenses were recognized as intangible assets at cost by CARIZON and are being amortized on straight-line basis over its estimated useful life of three years, while the technical services are recorded as research and development expenses in its statement of profit or loss by CARIZON. For the year ended December 31, 2023, RMB296,704,000 unrealised gains from the abovementioned transactions with CARIZON, being 40% of the relevant intangible assets’ net carrying amount on the statement of financial position of CARIZON as at December 31, 2023, are eliminated to the extent of the Group’s interest in CARIZON.

In addition to the registered capital of CARIZON, Horizon Together and CARIAD each undertakes to make further contributions (the “Further Contributions”) to CARIZON by instalment in accordance with the Joint Venture Agreement. The amount of the Further Contributions that Horizon Together undertakes to pay is calculated based on the actual receipts by the Group for specified IPs licensed to CARIZON multiplied by specific ratios. And CARIAD shall further contribute such amounts proportionately to keep relative shareholding percentage between the two parties unchanged. As of December 31, 2023, the Group’s commitment of the Further Contributions is RMB350,865,000.

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The tables below provide summarised financial information of CARIZON. The information disclosed reflects the amounts presented in the financial statements of CARIZON. They have been amended to reflect adjustments made by the Company when using the equity method before inter-company eliminations.

	Year ended December 31, 2023
	<i>RMB'000</i>
Gross amounts of the material joint venture	
Current assets	
Cash and cash equivalents	2,320,766
Prepayments	78,111
Total current assets	2,398,877
Non-current assets	848,006
Current liabilities	(90,371)
Net assets	3,156,512
Interest income	131
Depreciation and amortization	(21,848)
Loss for the year	(221,488)
Total comprehensive loss	(221,488)
Reconciliation to carrying amount:	
Opening net assets at 1 January	–
Capital injection	3,378,000
Loss for the year	(221,488)
Closing net assets	3,156,512
Group’s share in %	40%
Group’s share in RMB	1,262,605
Elimination of unrealized profits or losses from downstream transactions	(296,704)
Carrying amount	965,901

(iii) Individually immaterial associates and joint ventures

In addition to the interests in joint ventures disclosed above, the group also has interests in a number of individually immaterial associates and joint ventures that are accounted for using the equity method.

	As at December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Aggregate carrying amount of individually immaterial associates and joint ventures	27,082	64,034	141,758
Aggregate amounts of the Group’s share of Loss for the year	(2,530)	(34,298)	(23,479)

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14 INCOME TAX (EXPENSE)/BENEFIT

The income tax benefit of the Group during the Track Record Period is analysed as follows:

	Year ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax	(11)	(4,699)	(5,976)
Deferred income tax (<i>Note 30</i>)	26,661	8,972	11,051
Income tax benefit	<u>26,650</u>	<u>4,273</u>	<u>5,075</u>

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

(i) Cayman Islands

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gain. Additionally, upon payments of dividends by the Company in the Cayman Islands to its shareholders, no Cayman Islands withholding tax will be imposed.

(ii) Hong Kong

Under the current Hong Kong Inland Revenue Ordinance, from the year of assessment 2018/2019 onwards, the subsidiaries in Hong Kong are subject to profits tax at the rate of 8.25% on assessable profits up to HK\$2 million, and 16.5% on any part of assessable profits over HK\$2 million. The payments of dividends by these companies to their shareholders are not subject to any Hong Kong withholding tax.

(iii) PRC corporate income tax

Under the PRC Enterprise Income Tax Law (“EIT Law”), the standard enterprise income tax rate is 25%. Preferential tax treatments are granted to entities qualify as “Software Enterprises”, “Key Software Enterprises” and/or “High and New Technology Enterprises” (“HNTEs”).

The aforementioned preferential tax rates are subject to annual review by the relevant tax authorities in mainland China. Five major subsidiaries of the Company were entitled to a preferential corporate income tax rate of 15%. During the Track Record Period they have obtained their High and New Technology Enterprises (“HNTE”) status, and hence they are entitled to a preferential tax rate of 15% for a three-year period. This status is subject to a requirement that they reapply for HNTE status every three years. The Company will apply for the renewal of the HNTE status for all of these subsidiaries, and the Company believes it is more likely than not that each of these subsidiaries will continue to qualify as a HNTE after the three-year period. Therefore, deferred tax of these entities were calculated at a rate of 15% starting from the year when they were accredited as HNTEs.

All other major mainland China incorporated entities of the Company were subject to a 25% income tax rate for all the years presented.

According to the relevant laws and regulations promulgated by the State Taxation Administration of the PRC, enterprises engaging in research and development activities are entitled to claim 175% from 2018 onwards (subsequently raised to 200% from 2022 onwards) of their research and development expenses incurred as tax deductible expenses when determining their assessable profits for that year (the “Super Deduction”).

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The income tax on the Group’s loss before income tax differs from the theoretical amount that would arise using the enacted tax rate applicable to losses of the subsidiaries as follows:

	Year ended December 31,		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Loss before income tax	(2,090,200)	(8,724,701)	(6,744,128)
Income tax calculated at PRC statutory income tax rate (25%)	(522,550)	(2,181,175)	(1,686,032)
Tax effect of:			
- Effect of different tax rates in other jurisdictions	205,160	1,711,835	1,227,408
- Preferential income tax rates applicable to subsidiaries	127,956	200,571	173,430
- Expense not deductible for tax purposes	21,047	22,737	53,424
- Tax losses and other temporary difference not recognized as deferred tax assets (a)	222,767	414,130	475,953
- Super deduction for research and development	(81,030)	(172,371)	(249,258)
Income tax expense/(benefit)	(26,650)	(4,273)	(5,075)

(a) The Group only recognizes deferred income tax assets for cumulative tax losses if it is probable that future taxable amounts will be available to utilize those tax losses. The Company anticipated that it was more likely than not that RMB9,351,855,000 net operating losses from PRC entities would not be utilized based on its estimate of the operating performance of these PRC entities. RMB8,249,982,000 net operating losses of entities not qualified as HNTes are expected to expire during periods between the year ended December 31, 2023 and the year ending December 31, 2029. And RMB1,101,873,000 net operating losses of those of entities qualified as HNTes are expected to expire during periods between the year ended December 31, 2023 and the year ending December 31, 2034.

15 LOSS PER SHARE

The basic loss per share is calculated by dividing the loss attributable to ordinary shareholders of the Company by the weighted average number of outstanding ordinary shares issued during the years ended December 31, 2021, 2022 and 2023.

	Year ended December 31,		
	2021	2022	2023
Loss attributable to ordinary shareholders of the Company (RMB’000)	(2,061,293)	(8,719,410)	(6,739,021)
Weighted average number of ordinary shares in issue-basic and diluted (in “000”)	2,537,306	2,606,337	2,700,123
Loss per share (expressed in RMB per share)- basic and diluted	<u>(0.81)</u>	<u>(3.35)</u>	<u>(2.50)</u>

Basic and diluted loss per ordinary share is computed using the weighted average number of ordinary shares outstanding during the year. Both Class A, Class B ordinary shares and vested RSUs are included in the calculation of the weighted average number of ordinary shares outstanding.

The Company has four categories of dilutive potential ordinary shares: preferred shares, convertible loan, unvested RSU, and share options. As the Group incurred losses for the years ended December 31, 2021, 2022 and 2023, the dilutive potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the years ended December 31, 2021, 2022 and 2023 are the same as basic loss per share of the respective years.

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16 PROPERTY, PLANT AND EQUIPMENT

	Computers and electronic equipment	Leasehold improvements	Vehicles and vehicle devices	Office furniture and equipment	Construction in Progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1, 2021						
(Unaudited)						
Cost	135,844	26,118	13,353	5,825	–	181,140
Accumulated depreciation	(74,305)	(7,169)	(4,917)	(2,312)	–	(88,703)
Net book amount	<u>61,539</u>	<u>18,949</u>	<u>8,436</u>	<u>3,513</u>	<u>–</u>	<u>92,437</u>
Year ended						
December 31, 2021						
Opening net book amount	61,539	18,949	8,436	3,513	–	92,437
Additions	56,784	5,481	11,627	317	4,877	79,086
Disposals	(376)	(26)	(22)	(284)	–	(708)
Depreciation charge . .	(36,638)	(5,932)	(3,369)	(1,049)	–	(46,988)
Currency translation differences	56	–	(8)	(9)	–	39
Closing net book amount	<u>81,365</u>	<u>18,472</u>	<u>16,664</u>	<u>2,488</u>	<u>4,877</u>	<u>123,866</u>
At December 31, 2021						
Cost	190,914	31,208	24,924	5,703	4,877	257,626
Accumulated depreciation	(109,549)	(12,736)	(8,260)	(3,215)	–	(133,760)
Net book amount	<u>81,365</u>	<u>18,472</u>	<u>16,664</u>	<u>2,488</u>	<u>4,877</u>	<u>123,866</u>
Year ended						
December 31, 2022						
Opening net book amount	81,365	18,472	16,664	2,488	4,877	123,866
Additions	82,526	22,516	15,213	3,561	36,812	160,628
Increase in capitalized interest	–	–	–	–	10	10
Disposals	(102)	–	(433)	(258)	–	(793)
Depreciation charge . .	(44,010)	(10,978)	(6,563)	(1,386)	–	(62,937)
Currency translation differences	73	–	85	13	–	171
Closing net book amount	<u>119,852</u>	<u>30,010</u>	<u>24,966</u>	<u>4,418</u>	<u>41,699</u>	<u>220,945</u>
At December 31, 2022						
Cost	272,290	53,724	37,754	8,452	41,699	413,919
Accumulated depreciation	(152,438)	(23,714)	(12,788)	(4,034)	–	(192,974)
Net book amount	<u>119,852</u>	<u>30,010</u>	<u>24,966</u>	<u>4,418</u>	<u>41,699</u>	<u>220,945</u>
Year ended						
December 31, 2023						
Opening net book amount	119,852	30,010	24,966	4,418	41,699	220,945
Additions	116,603	1,143	20,942	797	154,295	293,780
Increase in capitalized interest	–	–	–	–	1,304	1,304

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	Computers and electronic equipment	Leasehold improvements	Vehicles and vehicle devices	Office furniture and equipment	Construction in Progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Disposals	(1,710)	–	(4,829)	(5)	–	(6,544)
Depreciation charge . .	(56,096)	(12,021)	(6,705)	(1,440)	–	(76,262)
Currency translation differences	24	–	11	3	–	38
Closing net book amount	<u>178,673</u>	<u>19,132</u>	<u>34,385</u>	<u>3,773</u>	<u>197,298</u>	<u>433,261</u>
At December 31, 2023						
Cost	378,116	54,867	48,499	9,185	197,298	687,965
Accumulated depreciation	(199,443)	(35,735)	(14,114)	(5,412)	–	(254,704)
Net book amount . . .	<u>178,673</u>	<u>19,132</u>	<u>34,385</u>	<u>3,773</u>	<u>197,298</u>	<u>433,261</u>

Property, plant, and equipment are stated at historical cost less depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

- Computer and electronic equipment 3-5 years
- Leasehold improvements Shorter of the lease terms or 5 years
- Vehicles and vehicle devices 5 years
- Office furniture and equipment 5 years

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in consolidated statement of profit or loss.

17 LEASES

This note provides information for leases where the Group is a lessee.

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(i) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	As at December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Right-of-use assets			
Land-use right	69,707	68,311	66,915
Office buildings	100,519	188,379	135,934
Others	758	1,667	14,520
	<u>170,984</u>	<u>258,357</u>	<u>217,369</u>
Lease liabilities			
Current	38,248	50,615	52,010
Non-current	77,266	154,176	112,346
	<u>115,514</u>	<u>204,791</u>	<u>164,356</u>

During the year ended December 31, 2021, the Group obtained a land-use-right at the cost of RMB69,823,000. The land-use right was mortgaged as collaterals for the Group’s borrowings (Note 29).

Additions to office buildings leases during the years ended December 31, 2021, 2022 and 2023 were RMB52,155,000, RMB75,493,000 and RMB1,486,000, respectively. Additions to others during the years ended December 31, 2021, 2022 and 2023 were RMB779,000, RMB1,480,000 and RMB14,264,000, respectively.

Modifications to office buildings leases during the year ended December 31, 2022 were RMB54,792,000. There’s no significant modification for the year ended December 31, 2023 and 2021.

(ii) Amounts recognized in the consolidated statements of profit or loss

The consolidated statements of profit or loss and the consolidated statements of cash flows contain the following amounts relating to leases:

	Year ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation charge of right-of-use assets			
Land-use right	116	1,396	1,396
Office buildings	29,924	41,940	49,346
Others	22	571	1,411
	<u>30,062</u>	<u>43,907</u>	<u>52,153</u>

	Year ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest expense (included in finance cost)	4,711	7,548	8,651
Expense relating to short-term leases not included in lease liabilities	3,904	4,647	3,910

The total cash outflows for lease payments during the years ended 31 December 2021, 2022 and 2023 were RMB110,859,000, RMB53,657,000 and RMB64,285,000, respectively.

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(iii) The Group's leasing activities and how these are accounted for

The Group leases properties, offices and land-use right as lessee. Lease contracts are typically made for fixed periods from 1 to 50 years. They are stated at cost less accumulated depreciation and accumulated impairment losses.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

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

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option, and
- lease payments to be made under reasonably certain extension options are also included in the measurement of lease liabilities.

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

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

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

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

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

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

The Group's lease payments are deductible upon payment for tax purposes. In accounting for the deferred tax relating to the lease, the Group separately accounts for the deferred taxation on the taxable temporary difference and the deductible temporary difference, which upon initial recognition are equal and offset to zero. Deferred tax is recognised on subsequent changes to the taxable and temporary differences.

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18 INTANGIBLE ASSETS

	Licensed technology	Computer software	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1, 2021 (Unaudited)			
Cost	179,864	59,804	239,668
Accumulated amortization	(101,059)	(29,464)	(130,523)
Net book amount	78,805	30,340	109,145
Year ended December 31, 2021			
Opening net book amount	78,805	30,340	109,145
Additions	130,962	33,983	164,945
Amortization charge	(57,046)	(19,604)	(76,650)
Closing net book amount	152,721	44,719	197,440
At December 31, 2021			
Cost	310,826	93,787	404,613
Accumulated amortization	(158,105)	(49,068)	(207,173)
Net book amount	152,721	44,719	197,440
Year ended December 31, 2022			
Opening net book amount	152,721	44,719	197,440
Additions	219,559	88,197	307,756
Amortization charge	(129,838)	(56,283)	(186,121)
Closing net book amount	242,442	76,633	319,075
At December 31, 2022			
Cost	530,386	181,984	712,370
Accumulated amortization	(287,944)	(105,351)	(393,295)
Net book amount	242,442	76,633	319,075
Year ended December 31, 2023			
Opening net book amount	242,442	76,633	319,075
Additions	143,767	68,380	212,147
Amortization charge	(160,459)	(67,857)	(228,316)
Closing net book amount	225,750	77,156	302,906
At December 31, 2023			
Cost	674,153	250,364	924,517
Accumulated amortization	(448,403)	(173,208)	(621,611)
Net book amount	225,750	77,156	302,906

Amortization expenses have been charged to the consolidated statements of profit or loss as follows:

	Year ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Research and development expenses	76,030	181,106	222,599
Administrative expenses	620	5,015	5,712
Selling and marketing expense	—	—	5
Total amortization expenses charged to profit or loss	76,650	186,121	228,316

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(i) Licensed technology

Separately acquired licensed technologies are shown at historical cost. They have limited useful lives and are subsequently carried at cost less accumulated amortisation and impairment losses.

(ii) Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire the specific software.

(iii) Research and development

Research expenditure is recognized as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new and improved products) are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

(iv) Amortisation methods and periods

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

- Licensed technology 3-5 years
- Computer software 3-5 years

19 FINANCIAL INSTRUMENTS BY CATEGORY

The detail information of financial instruments by category during Track Record Period is as below:

	As at December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets			
Financial assets measured at FVPL:			
Investments in unlisted companies	46,338	68,838	80,825
Commitment derivative	–	13,017	–
Financial assets measured at amortized cost:			
Trade and note receivables	169,355	420,672	541,091

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	As at December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Other receivables and other current and non-current assets (excluding deductible input VAT)	16,414	26,367	40,471
Term deposits	1,284,293	1,204,365	–
Restricted cash	18,368	8,566	717,814
Cash and cash equivalents	8,050,034	6,608,657	11,359,641
	9,584,802	8,350,482	12,739,842

	As at December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Financial liabilities			
Financial liabilities at amortised cost:			
Trade payables and accruals and other payables (excluding non-financial liabilities)	262,271	247,133	405,222
Lease liabilities	115,514	204,791	164,356
Borrowings.	–	12,515	112,844
Financial liabilities at fair value through profit or loss:			
Preferred shares	18,341,195	26,451,328	33,509,674
Convertible loan	–	–	5,729,904
	18,718,980	26,915,767	39,922,000

20 TRADE AND NOTE RECEIVABLES

	As at December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Note receivables	2,350	68,666	3,434
Trade receivables			
Third party debtors.	169,332	336,385	504,820
Related parties	8,390	38,440	76,190
Total trade and note receivables, gross	180,072	443,491	584,444
Less: Credit loss allowance	(10,717)	(22,819)	(43,353)
Total trade and note receivables, net	169,355	420,672	541,091

The aging analysis of trade and note receivables based on revenue recognition date is as follows:

	As at December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Up to 3 months	100,939	314,173	361,866
3 to 6 months	30,802	67,445	89,163
6 to 9 months	19,009	23,863	61,020
9 to 12 months.	407	1,443	10,097
Over 12 months	28,915	36,567	62,298
Total	180,072	443,491	584,444

The Group’s credit risk management is disclosed in Note 3.1 to the consolidated statement of financial position.

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21 PREPAYMENTS, OTHER CURRENT ASSETS AND OTHER NON-CURRENT ASSETS

	As at December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Non-current:			
Rental deposits	13,359	17,067	16,856
Other receivables	2,627	2,058	1,544
Prepayments for property, plant and equipment	16,151	6,266	12,826
Prepayments for intangible assets	142	4,027	2,824
Prepayments for construction in progress	–	33,401	61
Prepaid bonuses	–	–	51,602
Total prepayments and other non-current assets	<u>32,279</u>	<u>62,819</u>	<u>85,713</u>
Current:			
Input VAT to be deducted	61,449	32,169	23,345
Prepayments to suppliers	221,118	154,152	65,284
Prepaid bonuses	–	–	26,370
Rental and other deposits	80	399	1,332
Other receivables	348	6,843	2,356
Amounts due from a related party	–	–	18,383
Commitment derivative (i)	–	13,017	–
Less: Credit loss allowance	(3)	(128)	(341)
Total prepayments and other current assets	<u>282,992</u>	<u>206,452</u>	<u>136,729</u>
Total prepayments, other current assets and other non-current assets	<u>315,271</u>	<u>269,271</u>	<u>222,442</u>

Total prepayments, other current assets and other assets are mainly denominated in RMB.

- (i) The Company’s commitment derivative represents its commitment to issue convertible loan to CARIAD at a predetermined loan amount commencing from sign-off of corresponding agreements till the Company received the loan amount. The commitment is accounted for as a derivative and recorded as a financial asset at FVPL.

22 INVENTORIES

	As at December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Finished goods	61,842	100,675	359,755
Working in progress	57,208	267,271	431,649
Raw materials	11,845	11,309	22,763
Contract fulfilment costs	159	1,687	1,455
Inventories, gross	<u>131,054</u>	<u>380,942</u>	<u>815,622</u>
Less: provision for impairment	<u>(17,142)</u>	<u>(17,410)</u>	<u>(24,724)</u>
	<u>113,912</u>	<u>363,532</u>	<u>790,898</u>

The provision for impairment of inventories recorded as cost of sales during the years ended December 31, 2021, 2022, and 2023 were RMB4,896,000, RMB369,000, RMB7,314,000, respectively.

The reversal of provision for impairment of inventories recorded as cost of sales during the years ended December 31, 2021, 2022, and 2023 were RMB1,088,000, RMB101,000 and nil, respectively.

During the years ended December 31, 2021, 2022 and 2023, the cost of inventories sold included in “cost of sales” amounted to RMB119,075,000, RMB240,011,000, RMB384,787,000 respectively.

Inventories are stated at the lower of cost and net realisable value. Cost mainly comprises bill of materials for processing hardware. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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23 CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND TERM DEPOSITS

The Group

	As at December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash at banks	9,352,695	7,821,588	12,077,455
Less: restricted cash	(18,368)	(8,566)	(717,814)
Less: term deposits with initial term of over three months	(1,284,293)	(1,204,365)	–
Cash and cash equivalents	<u>8,050,034</u>	<u>6,608,657</u>	<u>11,359,641</u>
Balances per consolidated statement of cash flows	<u>8,050,034</u>	<u>6,608,657</u>	<u>11,359,641</u>

The Group

Cash and cash equivalents are denominated in:

	As at December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
RMB	2,064,881	4,851,799	4,231,031
US\$	5,985,064	1,756,766	7,128,517
HK\$	89	92	93
	<u>8,050,034</u>	<u>6,608,657</u>	<u>11,359,641</u>

Restricted cash is denominated in:

	As at December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
RMB	14,055	5,425	5,423
US\$	4,313	3,141	712,391
	<u>18,368</u>	<u>8,566</u>	<u>717,814</u>

The restricted cash balance as at December 31, 2023 mainly included a US\$100,000,000 deposit in an escrow account set up according to the Joint Venture Agreement with CARIAD in order to secure and compensate CARIAD if the Group commits any material breach of the Joint Venture Agreement until the completion of a [REDACTED].

Term deposits is denominated in:

	As at December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
US\$	<u>1,284,293</u>	<u>1,204,365</u>	–
	<u>1,284,293</u>	<u>1,204,365</u>	–

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The Company

Cash and cash equivalents are denominated in:

	As at December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
RMB	170,413	7,260	43,153
US\$	2,986,910	724,355	3,192,369
HK\$	44	45	46
	<u>3,157,367</u>	<u>731,660</u>	<u>3,235,568</u>

24 SHARE CAPITAL AND SHARE PREMIUM

Share capital

	Class A ordinary shares		Class B ordinary shares	
	Number	Nominal value	Number	Nominal value
		<i>USD</i>		<i>USD</i>
Authorised, US\$0.0000025 each				
<i>(a):</i>				
At January 1, 2021, December 31, 2021, 2022 and 2023	<u>2,350,582,688</u>	<u>5,876</u>	<u>9,271,123,237</u>	<u>23,178</u>

	Class A ordinary shares		Class B ordinary shares	
	Number	Amount	Number	Amount
		<i>RMB'000</i>		<i>RMB'000</i>
Issued and fully paid, US\$0.0000025 each (b):				
At January 1, 2021 (Unaudited)	<u>2,350,582,688</u>	<u>38</u>	<u>80,821,352</u>	<u>1</u>
Transfer of shares among shareholders <i>(b)(ii)</i>	(18,174,122)	—	18,174,122	—
At December 31, 2021.	<u>2,332,408,566</u>	<u>38</u>	<u>98,995,474</u>	<u>1</u>
Transfer of shares among shareholders <i>(b)(iii)</i>	(26,476,041)	—	26,476,041	—
At December 31, 2022 and 2023	<u>2,305,932,525</u>	<u>38</u>	<u>125,471,515</u>	<u>1</u>

Share premium

	<i>RMB'000</i>
At January 1, 2021 (Unaudited)	<u>99,593</u>
Transfer of shares among shareholders <i>(b)(ii)</i>	24,527
At December 31, 2021.	<u>124,120</u>
Transfer of shares among shareholders <i>(b)(iii)</i>	22,137
At December 31, 2022 and 2023	<u>146,257</u>

(a) Authorized

During the Track Record Period, the authorized ordinary shares include 2,350,582,688 Class A ordinary shares of par value US\$0.0000025 each, and 9,271,123,237 Class B ordinary shares of par value US\$0.0000025 each. Each Class A ordinary share carries ten (10) votes at meetings of shareholders while each Class B ordinary share is entitled to one (1) vote. Each Class A ordinary share is convertible into one (1) Class B ordinary share at any time by the holder thereof, and Class B ordinary shares are not convertible into Class A ordinary shares or preferred shares under any circumstances. Upon any transfer of Class A ordinary shares by a holder thereof to any person or entity which is not an affiliate of such person, such Class A ordinary shares shall be automatically and immediately converted the equal number of Class B ordinary shares.

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Share Splits

Prior to the Track Record Period, the Company underwent two share splits. On December 11, 2017, the Company effected a 4-for-1 share split of all the issued and unissued ordinary shares and redeemable convertible preferred shares. On December 25, 2018, the Company effected another 10-for-1 share split of all issued and unissued ordinary shares and redeemable convertible preferred shares. After the two share splits, all information related to the Company’s ordinary shares, redeemable convertible preferred shares and share-based awards has been retroactively adjusted to give effect to the share splits.

(b) Issued and fully paid share capital

- (i) In March 2019, the Company issued 200,000,000 Class B ordinary shares to one of the founders, which were reserved for the future exercise of certain options granted to employees. These ordinary shares were not considered outstanding from accounting perspective and are disclosed as treasury shares and deducted from contributed equity. On December 1, 2021, these reserved ordinary shares were cancelled by the Company.
- (ii) In October 2021, 18,174,122 Class A ordinary shares held by a founder were transferred to an investor. These transferred Class A ordinary shares were automatically converted to Class B ordinary shares. The RMB24,527,000 excess of the transaction price over the fair value of the Class A ordinary shares, with reference to a third-party valuation report, was considered compensatory in nature in exchange for service of the founder, and therefore was recognized as share-based payment expense and credited to share premium.
- (iii) In April 2021, the founders of the Company agreed to transfer 26,476,041 Class A ordinary shares then held by them to an investor. The RMB22,137,000 excess of the transaction price over the fair value of the Class A ordinary shares, with reference to a third-party valuation report, on the date of the agreement was considered compensatory in nature in exchange for service of the founders, and therefore was recognized as share-based payment expense and credited to other reserve. In April 2022, the transfer of these 26,476,041 Class A ordinary shares were completed, related other reserve was then transferred to share premium.

25 OTHER RESERVES

	Share-based payments	Changes in the fair value attributable to credit risk changes	Statutory reserves	Currency Translation differences	Repurchase of non- controlling interests	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at January 1, 2021						
(Unaudited)	187,610	304,672	1,198	401,801	–	895,281
Share-based payments						
– Share Incentive						
Plans (<i>Note 26(a)</i>)	149,705	–	–	–	–	149,705
Share-based payments						
– Transfer of						
founders’ ordinary						
shares						
(<i>Note 24(b)(iii)</i>)	22,137	–	–	–	–	22,137
Fair value changes on						
convertible						
redeemable preferred						
shares due to own						
credit risk (<i>Note 28</i>).	–	257,022	–	–	–	257,022
Currency translation						
differences	–	–	–	270,243	–	270,243
Appropriations to						
statutory reserves	–	–	36	–	–	36
As at December 31,						
2021	<u>359,452</u>	<u>561,694</u>	<u>1,234</u>	<u>672,044</u>	<u>–</u>	<u>1,594,424</u>

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	Share-based payments	Changes in the fair value attributable to credit risk changes	Statutory reserves	Currency Translation differences	Repurchase of non- controlling interests	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Share-based payments						
– Share Incentive Plans (<i>Note 26(a)</i>) . . .	173,698	–	–	–	–	173,698
Share-based payments						
– Transfer of founders’ ordinary shares (<i>Note 24(b)(iii)</i>) . . .	(22,137)	–	–	–	–	(22,137)
Fair value changes on convertible redeemable preferred shares due to own credit risk (<i>Note 28</i>).	–	406,335	–	–	–	406,335
Currency translation differences	–	–	–	(898,171)	–	(898,171)
Appropriations to statutory reserves	–	–	103	–	–	103
Purchase of non- controlling interests . .	–	–	–	–	(6,743)	(6,743)
As at December 31, 2022	<u>511,013</u>	<u>968,029</u>	<u>1,337</u>	<u>(226,127)</u>	<u>(6,743)</u>	<u>1,247,509</u>
Share-based payments						
– Share Incentive Plans (<i>Note 26(a)</i>) . . .	341,751	–	–	–	–	341,751
Fair value changes on convertible redeemable preferred shares due to own credit risk (<i>Note 28</i>).	–	(457,686)	–	–	–	(457,686)
Currency translation differences	–	–	–	(371,859)	–	(371,859)
Appropriations to statutory reserves	–	–	127	–	–	127
As at December 31, 2023	<u>852,764</u>	<u>510,343</u>	<u>1,464</u>	<u>(597,986)</u>	<u>(6,743)</u>	<u>759,842</u>

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	Share-based payments	Changes in the fair value attributable to credit risk change	Currency translation differences	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at January 1, 2021				
(Unaudited)	187,610	304,672	269,041	761,323
Share-based payments – Share Incentive Plans (<i>Note 26(a)</i>) . . .	149,705	–	–	149,705
Share-based payments – Transfer of founders’ ordinary shares (<i>Note 24(b)(iii)</i>)	22,137	–	–	22,137
Fair value changes on convertible redeemable preferred shares due to own credit risk (<i>Note 28</i>) . . .	–	257,022	–	257,022
Currency translation differences . .	–	–	179,417	179,417
As at December 31, 2021	<u>359,452</u>	<u>561,694</u>	<u>448,458</u>	<u>1,369,604</u>
Share-based payments – Share Incentive Plans (<i>Note 26(a)</i>) . . .	173,698	–	–	173,698
Share-based payments – Transfer of founders’ ordinary shares (<i>Note 24(b)(iii)</i>)	(22,137)	–	–	(22,137)
Fair value changes on convertible redeemable preferred shares due to own credit risk (<i>Note 28</i>) . . .	–	406,335	–	406,335
Currency translation differences . .	–	–	(364,352)	(364,352)
As at December 31, 2022	<u>511,013</u>	<u>968,029</u>	<u>84,106</u>	<u>1,563,148</u>
Share-based payments – Share Incentive Plans (<i>Note 26(a)</i>) . . .	341,751	–	–	341,751
Fair value changes on convertible redeemable preferred shares due to own credit risk (<i>Note 28</i>) . . .	–	(457,686)	–	(457,686)
Currency translation differences . .	–	–	(162,805)	(162,805)
As at December 31, 2023	<u>852,764</u>	<u>510,343</u>	<u>(78,699)</u>	<u>1,284,408</u>

26 SHARE-BASED PAYMENTS

Total expenses arising from share-based payment transactions recognised during the Track Record Period were as follows:

	Year ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Share Incentive Plans (<i>a</i>)	149,705	173,698	341,751
Transfer of founders’ ordinary shares (<i>b</i>)	46,664	–	–
	<u>196,369</u>	<u>173,698</u>	<u>341,751</u>

(a) Share Incentive Plans

In November 2015, the Company adopted the 2015 share incentive plan (the “2015 Share Incentive Plan”). On November 16, 2018, the 2018 share incentive plan (the “2018 Share Incentive Plan”) was adopted by the Company to replace the 2015 Share Incentive Plan. As of December 31, 2023, the maximum number of shares that may be issued under the 2018 Share Incentive plan was 1,516,134,974 Class B ordinary shares.

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Under the 2015 Share Incentive Plan and the 2018 Share Incentive Plan, the Company have granted share options and RSUs to relevant directors and employees of the Company. The fair value of the services received in exchange for the grant of equity instruments (share options and RSUs) is recognised as an expense in the consolidated statements of profit or loss with a corresponding increase in other reserve.

The total amount to be expensed is determined by reference to the fair value of the options and RSUs granted:

- including any market performance conditions,
- excluding the impact of any service and non-market performance vesting conditions, and
- including the impact of any non-vesting conditions.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of shares that are expected to vest based on the service conditions. The expected retention rate of grantees was 94%, 92% and 92% respectively in 2021, 2022 and 2023. The Company recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When the share options are exercised or the RSUs are settled, the Company issues new ordinary shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium.

Most of options and RSUs vest over a one-year or four-year requisite service period, depending on the terms of each award agreement. And granted options and RSUs generally follow one of the three vesting schedules (“Schedule A”, “Schedule B”, “Schedule C”) below:

- Schedule A: 25% of the awards vest upon each of the four anniversaries of vesting commencement date;
- Schedule B: 50% of the awards vest upon the second anniversary of vesting commencement date, and 25% of the awards vest upon the third and fourth anniversary respectively;
- Schedule C: 100% of the awards vest on the first anniversary of vesting commencement date.

Set out below are summaries of options granted under the 2018 Share Incentive Plan:

	Weighted Average exercise price per share option	Number of options	Weighted-average remaining contract life	Weighted average fair value of options granted during the period
	<i>US\$</i>			<i>US\$</i>
Outstanding at January 1, 2021	0.11	378,086,175	6.52	
Granted	0.39	33,653,560		0.09
Forfeited	0.41	(9,283,810)		
Outstanding at December 31, 2021	0.13	<u>402,455,925</u>	5.75	
Exercisable as of December 31, 2021	0.09	<u>316,741,063</u>		
Granted	0.47	4,570,000		0.08
Forfeited	0.40	(4,075,000)		
Outstanding at December 31, 2022	0.13	<u>402,950,925</u>	4.77	
Exercisable as of December 31, 2022	0.11	<u>367,420,775</u>		
Granted	–	–		–
Forfeited	0.39	(3,416,450)		
Outstanding at December 31, 2023	0.13	<u>399,534,475</u>	3.74	
Exercisable as of December 31, 2023	0.12	<u>391,540,725</u>		

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Share options outstanding at the end of the year have the following expiry date and exercise prices:

Grant Date	Expiry date	Exercise price per share option	Number of share options		
			December 31, 2021	December 31, 2022	December 31, 2023
		<i>US\$</i>			
2015	2025	0.000025	128,875,150	128,875,150	128,875,150
2016	2026	0.000025-0.0625	46,726,740	46,726,740	46,726,740
2017	2027	0.000025-0.09175	19,706,960	19,706,960	19,706,960
2018	2028	0.00025-0.302	89,377,415	88,972,415	88,972,415
2019	2029	0.001-0.3777	71,518,600	70,403,600	70,017,800
2020	2030	0.05408-0.3777	17,140,000	16,465,000	16,084,350
2021	2031	0.10249-0.4677	29,111,060	27,831,060	25,771,060
2022	2032	0.4677	–	3,970,000	3,380,000
Total			402,455,925	402,950,925	399,534,475

Set out below are summaries of RSUs granted under the 2018 Share Incentive Plan:

	Number of RSUs	Weighted-average remaining contract life	Weighted average fair value of RSUs granted during the period
			<i>US\$</i>
Outstanding at January 1, 2021	239,826,085	8.57	
Granted	82,172,450		0.25
Forfeited	(8,567,966)		
Outstanding at December 31, 2021	313,430,569	8.13	
Exercisable as of December 31, 2021	137,225,581		
Granted	178,928,963		0.26
Forfeited	(24,836,470)		
Outstanding at December 31, 2022	467,523,062	7.84	
Exercisable as of December 31, 2022	216,935,459		
Granted	215,740,216		0.37
Forfeited	(22,701,502)		
Outstanding at December 31, 2023	660,561,776	7.58	
Exercisable as of December 31, 2023	342,725,801		

RSUs outstanding at the end of the year have the following expiry date:

Grant Date	Expiry date	Number of RSUs		
		December 31, 2021	December 31, 2022	December 31, 2023
2015	2025	–	–	–
2016	2026	7,967,430	7,967,430	7,967,430
2017	2027	–	–	–
2018	2028	89,478,400	89,478,400	89,478,400
2019	2029	20,013,439	19,863,439	19,713,439
2020	2030	116,848,850	110,264,700	109,128,138
2021	2031	79,122,450	76,530,965	71,322,215
2022	2032	–	163,418,128	151,189,468
2023	2033	–	–	211,762,686
Total		313,430,569	467,523,062	660,561,776

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Fair value of options and RSUs granted

The directors have used the discounted cash flow method to determine the underlying equity fair value of the Company and adopted the equity allocation model to determine the fair value of the underlying ordinary shares. Key assumptions, such as projections of future performance, are determined by the directors with best estimate.

Based on fair value of the underlying ordinary shares, the directors use binomial model to determine the fair value of the share options as of the grant date.

Key assumptions used by directors are set as below:

	Year ended December 31,		
	2021	2022	2023
Risk-free interest rate	1%~2%	1%~2%	N/A
Contractual term (in years)	10	10	N/A
Volatility	32.2%~32.7%	36.7%~37.2%	N/A
Expected dividend yield	0%	0%	N/A

The fair value of RSUs at the grant date was determined by reference to the fair value of the underlying ordinary shares on the dates of grant.

	Year ended December 31,		
	2021	2022	2023
Fair value of underlying ordinary shares (US\$)	0.25~0.26	0.27~0.37	0.37~0.47

Key assumptions used by directors to estimate the underlying ordinary shares’ fair value are set as below:

	Year ended December 31,		
	2021	2022	2023
Discount rate	21%	20%	20%
Risk-free interest rate	0.26%-0.73%	2.94%-4.11%	3.73%-4.40%
DLOM	8.0%	5.5%-10.0%	8.0%-9.5%
Volatility	45.78%-50.50%	41.38%-47.17%	40.77%-48.79%

(b) Transfer of founders’ ordinary shares

The Group recognized share-based payment expenses in 2021 arising from certain ordinary shares transfer between founders and certain investors. For details please see Note 24 (b) (ii) & (iii).

27 TRADE PAYABLES, ACCRUALS, OTHER PAYABLES AND OTHER NON-CURRENT LIABILITIES

	As at December 31,		
	2021	2022	2023
	RMB’000	RMB’000	RMB’000
Current liabilities			
Trade payables (i)	8,040	3,822	11,164
Tax liabilities			
– Income tax payable	3	1,181	170
– Other taxes payable	13,791	31,263	142,448
Other payables			
– Payables for purchase of intangible assets	165,068	142,413	171,559
– Payables for third-party service fees and deposit	49,753	74,539	173,775
– Payables to certain former investors for preferred shares repurchase before Track Record Period	9,433	10,304	583
– Payables for construction in progress	12	3,812	30,803
– Accrued warranty liabilities	2,500	2,490	3,768
– Others	29,965	12,243	17,338
Total trade payables and accruals and other payables	278,565	282,067	551,608

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(i) The aging analysis of the trade payables based on purchase date were as follows:

	As at December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Up to 3 months	7,635	3,381	10,647
3 to 6 months	117	54	–
6 months to 1 year	18	33	262
1 to 2 years	259	119	12
Over 2 years	11	235	243
Total trade payables	8,040	3,822	11,164

Other non-current liabilities

	As at December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Deferred income in relation to financial subsidies	7,570	15,652	61,954

28 PREFERRED SHARES AND OTHER FINANCIAL LIABILITIES AT FVPL

The Group and the Company

	As at December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Preferred shares (a)	18,341,195	26,451,328	33,509,674
Convertible loan (b)	–	–	5,729,904
	18,341,195	26,451,328	39,239,578

(a) Preferred shares

Since the date of incorporation, the Company has completed several rounds of financing by issuing preferred shares to investors.

The details of the issuance are set out in the table below (after taking into consideration of share splits):

	Issue price per share	Number of shares as of January 1, 2021	Number of shares as of December 31, 2023	Total consideration received by December 31, 2023
	US\$			US\$'000
Series Seed-1 Preferred Shares	0.02	820,000,000	820,000,000	12,551
Series Seed-2 Preferred Shares	0.03	80,000,000	80,000,000	2,400
Series A Preferred Shares	0.06	614,300,320	614,300,320	39,302
Series A1 Preferred Shares	0.09	547,100,600	547,100,600	50,214
Series A3 Preferred Shares	0.10	404,327,650	404,327,650	40,805
Series A5 Preferred Shares	0.10	97,570,490	97,570,490	10,000
Series B1 Preferred Shares	0.25	1,244,898,062	1,244,898,062	313,739
Series B2 Preferred Shares	0.30	247,532,056	247,532,056	74,405
Series B3 Preferred Shares	0.38	105,904,158	105,904,158	38,936
Series C Preferred Shares	0.47	1,162,309,965	3,353,574,611	1,568,460
Series D Preferred Shares	0.74	–	283,197,279	210,000
		5,323,943,301	7,798,405,226	2,360,812

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The details of the movements of number of preferred shares issued during the Track Record Period are as follows:

	<u>Number of shares</u>
Opening as of January 1, 2021	5,323,943,301
Issuance of Series C preferred shares	2,105,739,361
Outstanding as of December 31, 2021	<u>7,429,682,662</u>
Opening as of January 1, 2022	7,429,682,662
Issuance of Series C preferred shares	85,525,285
Outstanding as of December 31, 2022	<u>7,515,207,947</u>
Opening as of January 1, 2023	7,515,207,947
Issuance of Series D preferred shares	283,197,279
Outstanding as of December 31, 2023	<u>7,798,405,226</u>

The key terms of the preferred shares are as follows:

Conversion rights

Unless converted earlier pursuant to the provisions with respect to automatic conversion as set out below, preferred shares shall be convertible, at the option of the holder thereof, at any time into such number of fully paid Class B ordinary shares at an initial conversion ratio of 1:1, and thereafter shall be subject to adjustment and readjustment from time to time for (a) share splits and combinations, (b) ordinary share dividends and distributions, (c) other dividends, (d) reorganizations, mergers, consolidations, reclassifications, exchanges, substitution, (e) dilutive issuance.

Each preferred share shall automatically be converted, based on the then-effective conversion price, without the payment of any additional consideration, into fully-paid Class B ordinary shares upon the earlier of (i) the consummation of the [REDACTED] (“[REDACTED]”), or (ii) the date specified by the written consent of at least two-thirds (2/3) of the voting power of the then outstanding preferred shares of each class with respect to conversion of each class.

Redemption rights

Preferred shareholders may redeem of all or any part of the then outstanding shares held, at any time after the occurrence of (i) the failure by the Company to consummate a [REDACTED] prior to December 31, 2026, (ii) any occurrence of a material breach or violation of the transaction documents or relevant laws or (iii) occurrence of any other factors, which has resulted in the Company’s chief executive officer terminating his employment relationship with the Group or losing control of the Company.

The redemption price of each share to be redeemed shall equal to (i) 100% of each series stated issue price with a compounded rate of ten percent (10%) per annum return, plus (ii) any accrued but unpaid dividends on each applicable preferred shares.

Under the redemption, the redemption price will be paid to the preferred shareholders in the following order: first to holders of Series D preferred shares, second to holders of Series C preferred shares, third to holders of Series B1/B2/B3/B4 preferred shares, fourth to holders of Series A1/A2/A3/A4/A5 preferred shares, fifth to holders of Series A preferred shares, and lastly to holders of Series Seed-1/Seed-2 preferred shares.

Voting rights

Each preferred share has voting rights equivalent to the number of Class B ordinary shares into which such preferred shares could be then convertible.

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Dividend rights

Each preferred shareholder shall be entitled to receive the dividends at a simple annual rate of eight percent (8%) on pro-rata basis according to the relative number of shares held by them on an as-converted basis, only when, as and if declared by the Board of Directors and shall be non-cumulative. The distribution sequence should be in the following order: first to holders of Series D preferred shares, second to holders of Series C preferred shares, third to holders of B1/B2/B3/B4 preferred shares, fourth to holders of Series A1/A2/A3/A4/A5 preferred shares, fifth to holders of Series A preferred shares, sixth to holders of Series Seed-1/Seed-2 preferred shares and lastly to holders of ordinary shareholders.

Liquidation preference

In the event of any liquidation or deemed liquidation, dissolution, winding up of the Company, either voluntary or involuntary, the assets and funds of the Company legally available for distribution to the shareholders shall be distributed to shareholders in the following manner and order:

Each preferred shareholder shall be entitled to receive, prior and in preference to any distribution of any of the assets or funds of the Company to the holders of any previous preferred shares and ordinary shares, the amount equal to one hundred and ten percent (110%) of the original issue price on each preferred shares, plus all declared but unpaid dividends thereon up to the date of liquidation. The liquidation preference amount will be paid in the following order: first to holders of Series D preferred shares, second to holders of Series C preferred shares, third to holders of Series B1/B2/B3/B4 preferred shares, fourth to holders of Series A1/A2/A3/A4/A5 preferred shares, fifth to holders of Series A preferred shares, and lastly to holders of Series Seed-1/Seed-2 preferred shares. After distributing or paying in full the liquidation preference amount to all of the preferred shareholders, the remaining assets of the Company available for distribution, if any, shall distributed to the holders of ordinary shares and the preferred shareholders on a pro rata basis, based on the number of ordinary shares then held by each shareholder on an as-converted basis. If the value of the remaining assets of the Company is less than aggregate liquidation preference amount payable to the holders of a particular series of preferred shares, then the remaining assets of the Company shall be distributed pro rata amongst the holders of all outstanding preferred shares of that series.

Deemed Liquidation Events

Deemed Liquidation Events (as defined in the Company's memorandum and articles of association) include: (1) any consolidation, amalgamation, scheme of arrangement or merger of the Company and/or its subsidiaries with or into any other person or other reorganization in which the shareholders of the Company and/or its subsidiaries immediately prior to such consolidation, amalgamation, merger, scheme of arrangement or reorganization own less than fifty percent (50%) of the voting power of the surviving company immediately after such transaction; or (2) a sale, transfer, lease or other disposition of all or substantially all of the assets of the Company and/or its subsidiaries; or (3) exclusive and irrevocable licensing of all or substantially all of the Company and/or its subsidiaries' intellectual property to a third party.

A Deemed Liquidation Event shall be deemed to be a liquidation, dissolution or winding up of the Company, and any proceeds, whether in cash or properties, resulting from a Deemed Liquidation Event shall be distributed.

The Group does not bifurcate any embedded derivatives from the host instruments and designates the entire preferred share instruments as financial liabilities at fair value through profit or loss with the changes in the fair value recorded in the consolidated statements of profit or loss and the component of fair value changes relating to the Company's own credit risk is recognised in other comprehensive income. Amounts recorded in other comprehensive income related to credit risk are not subject to recycling in profit or loss but are transferred to retaining earnings when realized. Any directly attributable transaction costs are expensed as incurred.

The preferred shares have been presented as current liabilities as the preferred shares may be converted into ordinary shares at the option of the preferred shareholders at any time, and the conversion option doesn't meet the definition of equity instrument.

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The movements of the preferred shares carrying amount are set out as below:

	<i>RMB'000</i>
At January 1, 2021 (Unaudited)	11,833,371
Issuance of Series C Preferred Shares	6,348,190
Change in fair value through profit or loss	763,984
Change in fair value through other comprehensive income	(257,022)
Currency translation differences	(347,328)
At December 31, 2021.	18,341,195
At January 1, 2022	18,341,195
Issuance of Series C Preferred Shares	254,796
Change in fair value through profit or loss	6,655,367
Change in fair value through other comprehensive income	(406,335)
Currency translation differences	1,606,305
At December 31, 2022.	26,451,328
At January 1, 2023	26,451,328
Issuance of Series D Preferred Shares	1,494,494
Change in fair value through profit or loss	4,695,950
Change in fair value through other comprehensive income	457,686
Currency translation differences	410,216
At December 31, 2023.	33,509,674

(b) Convertible loan

In November 2022, the Company entered into an agreement to issue a convertible loan with the principal amount of US\$924,855,000 with CARIAD, which is also a Series D preferred share investor. The convertible loan has a repayment term of three years from the closing date (“Maturity date”) and with an interest rate of 2% for the first two annum and an 5% for the remaining annum.

Pursuant to the agreement, at any time after the date of closing and prior to the repayment in full, the convertible loan shall be automatically and mandatorily converted into the relevant equity interests in the Company when any of the following events occurs:

- In the event the Company consummates a [REDACTED] prior to the Maturity Date, upon the closing of the [REDACTED], all the principal amount and accrued interest (the “Conversion Amount”) shall be automatically and mandatorily converted into Class B Ordinary shares of the Company at a conversion price equal to the final per share [REDACTED] for the [REDACTED], subject to the total beneficial interests cap of CARIAD in the Company being [REDACTED]% upon [REDACTED]. The Company will repay the remaining Conversion Amount by cash on the [REDACTED], if any.
- In the event the Company fails to consummate a [REDACTED] but one or more rounds of Qualified Financing occurs prior to the Maturity Date, on the Maturity Date, the convertible loan shall be automatically and mandatorily converted into the same class of shares issued by the Company to the investors in the Qualified Financing at a conversion price equal to the price per share for the relevant class of shares.
- In the event neither a [REDACTED] nor a Qualified Financing occurs prior to the Maturity Date, on the Maturity Date, the convertible loan shall be automatically and mandatorily converted into the most senior series shares at a conversion price which implies a pre-determined valuation agreed by both parties.

Qualified Financing means a bona fide equity financing of the Company that takes place after the closing of the share purchase transaction under the Series D Preferred Share Purchase Agreement, the amount of total proceeds to the Company from which shall be no less than US\$350,000,000 and at least US\$100,000,000 of such total proceeds shall be invested by a single external investor.

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The lender has rights to ask the Company to repay all outstanding and unpaid principal amount when some default event occurs. Therefore, the Company does not have the unconditional right to avoid delivering cash to settle the loan.

The Group does not bifurcate any embedded derivatives from the host instruments and designates the entire convertible loan as financial liabilities at fair value through profit or loss with the changes in the fair value recorded in the consolidated statements of profit or loss and the component of fair value changes relating to the Company’s own credit risk is recognised in other comprehensive income.

In December 2023, the closing conditions of the convertible loan agreement have been satisfied and the Company received the total cash consideration of US\$800,000,000 from the lender.

The movements of the convertible loan carrying amount are set out as below:

	<i>RMB’000</i>
At January 1, 2023	–
Issuance of convertible loan	5,694,080
Change in fair value through profit or loss	64,404
Currency translation differences	(28,580)
At December 31, 2023	<u>5,729,904</u>

(c) Fair value measurements

Fair value of the preferred shares

The Group applied the discount cash flow method to determine the underlying equity value of the Company and adopted equity allocation model to determine the fair value of the convertible redeemable preferred shares. Key assumptions are set as below:

	As at December 31,		
	2021	2022	2023
Discount rate	21%	20%	20%
Risk-free interest rate	0.73%	4.11%	4.01%
DLOM	8.0%	10.0%	8.0%
Volatility	50.50%	47.17%	41.26%

Discount rate (post-tax) was estimated by weighted average cost of capital as at each valuation date. Management estimated the risk-free interest rate based on the yield to maturity of U.S. treasury bonds denominated in US\$ with maturity close to expected liquidation date/redemption date as at the valuation date. The DLOM was estimated based on the option-pricing method. Under option-pricing method, the cost of put option, which can hedge the price change before the privately held share can be sold, was considered as a basis to determine the lack of marketability discount. Volatility was estimated based on annualized standard deviation of the daily return embedded in historical stock prices of comparable companies with a time horizon close to the expected term. In addition to the assumptions adopted above, the Company’s projections of future performance were also factored into the determination of the fair value of preferred shares on each valuation date.

The Company performed sensitivity test to changes in unobservable inputs in determining the fair value of the preferred shares. The changes in unobservable inputs including discount rate will result in a significantly higher or lower fair value measurement. The increase in the fair value of the preferred shares would increase the loss of fair value change of preferred shares and other financial liabilities in the consolidated income statements. When performing the sensitivity test, management applied an increase or decrease to each unobservable input, which represents management’s assessment of reasonably possible change to these unobservable inputs.

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If the Company’s key valuation assumptions used to determine the fair value of the preferred shares had increased/decreased certain percentage, the estimated fair value changes from carrying amount ended December 31, 2021, 2022 and 2023 respectively listed in below table (assuming the change of key assumptions would not have significant impact on fair value change attributable to credit risk)

	As at December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Discount rate + 1%	(1,487,507)	(2,147,973)	(2,653,152)
Discount rate - 1%	1,717,626	2,483,544	3,051,033

	As at December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Risk-free interest rate + 10%	(2,123)	(22,382)	(20,733)
Risk-free interest rate - 10%	2,149	22,584	20,987

	As at December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
DLOM + 10%	(161,463)	(283,926)	(289,834)
DLOM - 10%	161,450	283,858	289,834

	As at December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Volatility + 10%	(43,432)	(47,212)	(12,350)
Volatility - 10%	41,605	41,972	4,389

Fair value of the convertible loan

The Company estimated the fair value using the scenario analysis method with key assumptions as follows:

	As at December 31,		
	2021	2022	2023
	Risk-free interest rate.	N/A	N/A
Bond yield	N/A	N/A	11.13%

The changes in unobservable input including bond yield will result in a significantly higher or lower fair value measurement. If the bond yield had been 10% higher, loss for the years ended December 31, 2023 would have been approximately RMB 114,496,000 lower. If the bond yield had been 10% lower, loss for the years ended December 31, 2023 would have been approximately RMB 121,652,000 higher.

29 BORROWINGS

	As at December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Non-current			
Bank loan – secured	–	12,515	112,844

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A subsidiary of the Company entered into a bank loan agreement in December 2022. Under this loan agreement, the bank agreed to lend RMB844,500,000 to this subsidiary for a construction project, with a land use right mortgaged as the collateral for the loan (Note 17(i)(a)). The loan period is from December 15, 2022 until December 14, 2037, and all drawdowns shall be made by December 14, 2025. The interest rate is reset on January 1 of each year during the loan period. The interests are paid quarterly, while the principal will be paid in instalments as agreed starting from June 15, 2026 until the end of the loan period.

As at the end of each reporting period, the Group’s borrowings were repayable as follows:

	As at December 31,		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Between 2 and 5 years	–	12,515	60,000
Over 5 years	–	–	52,844
	–	12,515	112,844
	=	=	=

As at December 31, 2022 and 2023, the weighted average effective interest rate for borrowings was 2.70% and 2.60%, respectively.

30 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax recoverable against current income tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The following amounts, determined after appropriate offsetting, are shown in the consolidated statement of financial position:

(i) Deferred tax assets

The balance comprises temporary differences attributable to:

	As at December 31,		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Lease liabilities	12,853	22,699	18,941
Tax losses carried forward.	80,050	88,714	99,537
Total gross deferred tax assets	92,903	111,413	118,478
Deferred tax assets:			
– to be realized within 12 months.	4,137	5,355	5,502
– to be realized after 12 months.	88,766	106,058	112,976
Set-off of deferred tax assets pursuant to set-off provisions	(12,959)	(22,497)	(18,511)
Net deferred tax assets	79,944	88,916	99,967

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(ii) Deferred tax liabilities

The balance comprises temporary differences attributable to:

	As at December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Right-of-use assets	11,072	20,855	17,173
Financial assets measured at fair value	1,887	1,642	1,338
Total gross deferred tax liabilities	12,959	22,497	18,511
Set-off of deferred tax liabilities pursuant to set-off provisions	(12,959)	(22,497)	(18,511)
Net deferred tax liabilities	–	–	–

(iii) The movement on the carrying amount of deferred income tax assets is as follows:

	Lease liabilities	Tax losses carried forward	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1, 2021 (Unaudited)	12,533	54,151	66,684
Credited to profit or loss	320	25,899	26,219
At December 31, 2021	12,853	80,050	92,903
At January 1, 2022	12,853	80,050	92,903
Credited to profit or loss	9,846	8,664	18,510
At December 31, 2022	22,699	88,714	111,413
At January 1, 2023	22,699	88,714	111,413
Credited/(charged) to profit or loss	(3,758)	10,823	7,065
At December 31, 2023	18,941	99,537	118,478

(iv) The movement on the carrying amount of deferred income tax liabilities is as follows:

	Right-of-use assets	Financial assets measured at FVPL	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1, 2021 (Unaudited)	10,252	3,149	13,401
Charged/(credited) to profit or loss	820	(1,262)	(442)
At December 31, 2021	11,072	1,887	12,959
At January 1, 2022	11,072	1,887	12,959
Charged/(credited) to profit or loss	9,783	(245)	9,538
At December 31, 2022	20,855	1,642	22,497
At January 1, 2023	20,855	1,642	22,497
Charged/(credited) to profit or loss	(3,682)	(304)	(3,986)
At December 31, 2023	17,173	1,338	18,511

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realization of the related tax benefit through the future taxable profits is probable.

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31 DIVIDENDS

No dividend has been paid or declared by the Company during each of the years ended December 31, 2021, 2022 and 2023.

32 CASH FLOW INFORMATION

(a) Cash used in operating activities

	Note	Year ended December 31,		
		2021	2022	2023
		RMB'000	RMB'000	RMB'000
Loss before income tax		(2,090,200)	(8,724,701)	(6,744,128)
Adjustments for				
Depreciation of property, plant and equipment	16	46,988	62,937	76,262
Amortisation of intangible assets	18	76,650	186,121	228,316
Depreciation of right-of-use assets	17	30,062	43,907	52,153
Provision for impairment of financial assets	3.1(b)	5,098	13,039	20,793
Provision for impairment of inventories	22	3,808	268	7,314
Share based payments	26	196,369	173,698	341,751
Fair value changes of financial assets at FVPL	8	5,286	(29,715)	(8,852)
Losses/(gains) on disposal of subsidiaries	8	3,142	–	(623)
Share of net losses of investments accounted for using the equity method	13	2,530	34,298	112,074
Elimination of unrealised profits and losses from downstream transactions with equity method investees	13	–	–	297,301
Fair value changes of preferred shares and other financial liabilities	28	763,984	6,655,367	4,760,354
Losses on disposal of property, plant and equipment		344	238	1,912
Finance costs	10	16,592	7,548	8,651
Net foreign exchange differences	8	(11,080)	264,660	40,334
Change in operating assets and liabilities:				
Increase in trade and note receivables		(33,165)	(264,230)	(141,000)
Increase in inventories		(88,893)	(249,888)	(434,680)
(Increase)/decrease in restricted cash		(14,409)	9,802	(709,248)
(Increase)/decrease in other operating assets		(238,463)	46,241	(9,181)
Increase/(decrease) in trade payables		40	(4,218)	7,342
Increase in other payables		75,977	95,381	260,718
(Decrease)/increase in contract liabilities		(3,008)	57,533	(38,204)
Increase in other operating liabilities		141,332	64,429	126,133
Cash used in operating activities		(1,111,016)	(1,557,285)	(1,744,508)

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(b) Non-cash investing activities

There were no material non-cash investing transactions for the years ended December 31, 2021, 2022 and 2023.

(c) Reconciliation of liabilities generated from financing activities

	Preferred shares	Convertible loan	Lease liabilities	Borrowings	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Liabilities from financing					
activities as at January 1,					
2021 (Unaudited)	11,833,371	–	94,899	–	11,928,270
Financing cash flows	6,348,190	–	(36,896)	–	6,311,294
Changes in fair values	506,962	–	–	–	506,962
Other changes (i)	–	–	57,645	–	57,645
Currency translation differences.	(347,328)	–	(134)	–	(347,462)
Liabilities from financing					
activities as at December 31,					
2021	18,341,195	–	115,514	–	18,456,709
Financing cash flows	254,796	–	(48,849)	12,515	218,462
Changes in fair values	6,249,032	–	–	–	6,249,032
Other changes (i)	–	–	138,529	–	138,529
Currency translation differences.	1,606,305	–	(403)	–	1,605,902
Liabilities from financing					
activities as at December 31,					
2022	26,451,328	–	204,791	12,515	26,668,634
Financing cash flows	1,494,494	5,694,080	(60,140)	100,329	7,228,763
Changes in fair values	5,153,636	64,404	–	–	5,218,040
Other changes (i)	–	–	19,370	–	19,370
Currency translation differences.	410,216	(28,580)	335	–	381,971
Liabilities from financing					
activities as at December 31,					
2023	33,509,674	5,729,904	164,356	112,844	39,516,778

(i) Other changes mainly include new leases, early termination and interest accruals.

33 COMMITMENTS

(a) Capital commitments

Significant capital expenditures contracted for at the end of the reporting period but not recognised as liabilities yet are as follows:

	As at December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment	17,093	23,585	38,167
Intangible assets	5,621	64,085	33,920
Total	22,714	87,670	72,087

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(b) Operating commitments

	As at December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Inventory procurement	145,165	255,020	103,070
Others	<u>13,094</u>	<u>107,456</u>	<u>85,636</u>
Total	<u>158,259</u>	<u>362,476</u>	<u>188,706</u>

For commitments in respect of associates and joint ventures please see Note 13 (i).

34 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Parties are also considered to be related if they are subjected to common control. Members of key management and their close family members of the Group are also considered as related parties.

The following significant transactions were carried out between the Group and its related parties during the periods presented. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(a) Names and relationships with related parties

The following companies are significant related parties of the Group that had transactions and/or balances with the Group during the Track Record Period:

Company	Relationship
SAIC Motor Co., Ltd, and its subsidiaries (“SHAIC”).	Shareholder of the Company
SPACE and its subsidiaries (“SPACE”).	An Associate of the Company
Continental Smart Core Technology (Shanghai) Co., Ltd (“CSC”)	An Associate of the Company
Nanjing Yuxin Technology Co., Ltd. (“NYX”)	An Associate of the Company
Carizon (Beijing) Technology Co., Ltd. (“CARIZON”)	A Joint venture of the Company
Chongqing Juchuangzhixing Technology Co., Ltd. (“JC”).	An Associate of the Company

(b) Significant transactions with related parties

	Year ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<u>Sales to related parties</u>			
License and services to SHAIC.	26,955	101,817	82,422
Products and services to CSC.	–	3,398	8,458
License and services to CARIZON	–	–	924,000
License and services to JC	–	–	3,437
Total	<u>26,955</u>	<u>105,215</u>	<u>1,018,317</u>

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The transactions with CSC in 2023 include RMB597,000 unrealized profits from downstream transactions eliminated when applying equity method accounting.

The transactions with CARIZON in 2023 include RMB296,704,000 unrealized profits from downstream transactions eliminated when applying equity method accounting.

	Year ended December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<u>Purchases from related parties</u>			
Products and services from SPACE	2,005	–	–
Services from NYX	–	48,232	29,076
Services from JC	–	–	36,140
Total	<u>2,005</u>	<u>48,232</u>	<u>65,216</u>

(c) **Year end balances with related parties**

	As at December 31,		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<u>Account receivables due from related parties</u>			
Due from SHAIC	8,390	37,098	20,998
Due from CSC	–	1,342	4,262
Due from CARIZON	–	–	50,850
Due from JC	–	–	80
Total	<u>8,390</u>	<u>38,440</u>	<u>76,190</u>
<u>Other receivables due from related parties</u>			
Due from CARIZON	–	–	18,383
Total	<u>–</u>	<u>–</u>	<u>18,383</u>
<u>Other payables due to related parties</u>			
Due to NYX	–	7,318	5,268
Due to JC	–	–	6,614
Total	<u>–</u>	<u>7,318</u>	<u>11,882</u>
<u>Contract liabilities due to related parties</u>			
Due to SHAIC	140	53,053	924
Due to CSC	–	453	–
Due to CARIZON	–	–	17,775
Total	<u>140</u>	<u>53,506</u>	<u>18,699</u>

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(c) Key management personnel compensation

The compensations to key management personnel as directors are shown below:

	Year ended December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Director fees	446	493	498
Wages, salaries and bonuses	5,030	12,581	8,064
Share-based payments (i)	63,941	14,630	7,525
Pension costs-defined contribution plans	275	299	319
Housing fund, medical insurance and other social insurance	372	373	377
Other employee benefits	165	193	228
Total	70,229	28,569	17,011

(i) Represents the amount recognized as expense during the Track Record Period in accordance with IFRS 2 Share-based Payment.

35 BENEFITS AND INTERESTS OF DIRECTORS

The remuneration of every director during the Track Record Period is set out below:

For the year ended December 31, 2021:

Name of Directors	Director fees	Wages and salaries	Discretionary bonuses	Share-based compensation expenses (a)	Social security costs, housing benefits and other employee welfare	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Dr. Kai Yu (i)	–	510	–	41,474	133	42,117
Dr. Chang Huang (ii)	–	485	–	3,756	146	4,387
Ms. Feiwen Tao (iii)	–	1,085	–	1,434	203	2,722
Mr. Feng Zhou (iv)	–	1,504	228	11,761	161	13,654
Mr. Yufeng Zhang (v)	–	801	417	5,244	169	6,631
Mr. Jin'an Feng (vi)	–	–	–	–	–	–
Mr. Liang Li (vii)	–	–	–	–	–	–
Mr. Qin Liu (viii)	–	–	–	–	–	–
Mr. Zuoyi Wu (ix)	–	–	–	–	–	–
Mr. Xin Zhang (x)	–	–	–	–	–	–
Dr. Ya-Qin Zhang (xi)	446	–	–	272	–	718
Total	446	4,385	645	63,941	812	70,229

For the year ended December 31, 2022:

Name of Directors	Director fees	Wages and salaries	Discretionary bonuses	Share-based compensation expenses (a)	Social security costs, housing benefits and other employee welfare	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Dr. Kai Yu (i)	–	688	–	–	176	864
Dr. Chang Huang (ii)	–	426	–	–	154	580
Ms. Feiwen Tao (iii)	–	1,165	–	–	199	1,364
Mr. Feng Zhou (iv)	–	1,447	–	8,291	152	9,890
Mr. Yufeng Zhang (v)	–	997	7,858	6,206	184	15,245
Mr. Jin'an Feng (vi)	–	–	–	–	–	–
Mr. Liang Li (vii)	–	–	–	–	–	–
Mr. Qin Liu (viii)	–	–	–	–	–	–
Mr. Zuoyi Wu (ix)	–	–	–	–	–	–
Dr. Juehui Zhang (xii)	–	–	–	–	–	–
Mr. Xin Zhang (x)	–	–	–	–	–	–
Dr. Ya-Qin Zhang (xi)	493	–	–	133	–	626
Total	493	4,723	7,858	14,630	865	28,569

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For the year ended December 31, 2023:

Name of Directors	Director fees	Wages and salaries	Discretionary bonuses	Share-based compensation expenses (a)	Social security costs, housing benefits and other employee welfare	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Dr. Kai Yu (i)	–	1,506	–	–	189	1,695
Dr. Chang Huang (ii)	–	1,226	–	–	167	1,393
Ms. Feiwen Tao (iii)	–	1,597	–	–	195	1,792
Mr. Feng Zhou (iv)	–	1,516	–	16	159	1,691
Mr. Yufeng Zhang (v)	–	1,734	485	7,440	214	9,873
Mr. Liang Li (vii)	–	–	–	–	–	–
Mr. Qin Liu (viii)	–	–	–	–	–	–
Dr. André Stoffels (xiii)	–	–	–	–	–	–
Dr. Juehui Zhang (xii)	–	–	–	–	–	–
Mr. Xin Zhang (x)	–	–	–	–	–	–
Dr. Ya-Qin Zhang (xi)	498	–	–	69	–	567
Total	498	7,579	485	7,525	924	17,011

(a) Represents the amount recognized as an expense during the Track Record Period in accordance with IFRS 2 Share-based Payment.

- (i) Dr. Kai Yu was appointed as a director of the Company on July 21, 2015 and re-designated as an executive director on March 18, 2024.
- (ii) Dr. Chang Huang was appointed as a director of the Company on November 1, 2017 and re-designated as an executive director on March 18, 2024.
- (iii) Ms. Feiwen Tao was appointed as a director of the Company on September 7, 2017 and re-designated as an executive director on March 18, 2024.
- (iv) Mr. Feng Zhou was appointed as a director of the Company on August 13, 2018 and resigned from directorship on March 8, 2023.
- (v) Mr. Yufeng Zhang was appointed as a director of the Company on May 20, 2020 and resigned from directorship in March 2024.
- (vi) Mr. Jin’an Feng was appointed as a director of the Company on November 3, 2020 and resigned from directorship on January 20, 2022.
- (vii) Mr. Liang Li was appointed as a director of the Company on November 1, 2017 and re-designated as a non-executive director on March 18, 2024.
- (viii) Mr. Qin Liu was appointed as a director of the Company on October 15, 2015 and re-designated as a non-executive director on March 18, 2024.
- (ix) Mr. Zuoyi Wu was appointed as a director of the Company on August 13, 2018 and resigned from directorship on November 14, 2022.
- (x) Mr. Xin Zhang was appointed as a director of the Company on February 8, 2021.
- (xi) Dr. Ya-Qin Zhang was appointed as a director of the Company on January 23, 2020 and re-designated as an independent non-executive director on March 18, 2024.
- (xii) Dr. Juehui Zhang was appointed as a director of the Company on January 20, 2022 and re-designated as a non-executive director on March 18, 2024.
- (xiii) Dr. André Stoffels was appointed as a director of the Company on December 7, 2023 and re-designated as a non-executive director on March 18, 2024.

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36 EVENTS OCCURRING AFTER THE REPORTING PERIOD

There have been no material events subsequent to the Track Record Period.

37 SUMMARY OF OTHER ACCOUNTING POLICIES

37.1 Principles of consolidation and equity accounting

(i) *Subsidiaries*

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

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

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

(ii) *Associates*

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights or has board seats. Investments in associates are accounted for using the equity method of accounting (see (iv) below), after initially being recognised at cost.

(iii) *Joint ventures*

Under IFRS 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangement and determined it to be joint ventures. Interests in joint ventures are accounted for using the equity method (see (iv) below), after initially being recognised at cost in the consolidated statement of financial position.

(iv) *Equity method*

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 13.

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37.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee’s net assets including goodwill in the financial statements.

37.3 Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’). The functional currency of the Company and its subsidiaries outside the Chinese mainland are US\$ as their key activities and transactions are denominated in US\$. The Company’s primary subsidiaries are incorporated in the PRC Chinese mainland and for these subsidiaries, RMB is the functional currency. As the major operations of the Group during the Track Record Period are within the Chinese mainland, the Group determined to present its Historical Financial Information in RMB (unless otherwise stated).

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are generally recognised in consolidated statements of profit or loss as part of the “other (losses)/gains, net”.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss.

(iii) *Group companies*

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

The Group has monetary items that are receivables from or payables to foreign operations. The items for which settlements are neither planned nor likely to occur in the foreseeable future are, in substance, part of the Group’s net investment in foreign operations. Such monetary items include long-term receivables or loans. They do not include trade receivables or trade payables. On consolidation, foreign exchange gains or losses arising from the exchange of any net investment in foreign entities, are recognised in the consolidated statement of comprehensive income. When a foreign operation is disposed, the related foreign exchange gains or losses are reclassified into consolidated statements of profit or loss as part of the “other (losses)/gains, net”. The accumulative translation adjustments related to subsidiaries with same functional currency as the Company are presented as part of items of other comprehensive income that will not be reclassified to profit or loss.

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37.4 Impairment of non-financial assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

37.5 Investments and other financial assets

(i) *Classification*

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

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

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

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

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) *Measurement*

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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

- *Debt instruments*

Subsequent measurement of debt instruments depends on the group’s business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

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- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses), and impairment expenses are presented as separate line item in the statement of profit or loss.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

During the Track Record Period, no amount is recognised in respect of financial assets at FVOCI.

- *Equity instruments*

The Group subsequently measures all equity investments at fair value. Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the consolidated statement of profit or loss as applicable.

(iv) *Impairment*

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

37.6 Trade and note receivables, net

Trade and note receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and note receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and note receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade and note receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 3.1(b) for a description of the Group's impairment policies.

37.7 Cash and cash equivalents and term deposits

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank deposits with initial terms of over three months are presented as term deposits on the consolidated statement of financial positions.

37.8 Share capital

Ordinary shares are classified as equity.

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

Preferred shares are classified as financial liabilities based on the respective contract terms.

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37.9 Trade, accruals and other payables

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

37.10 Current and deferred income tax

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

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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

Current and deferred tax is recognised in consolidated statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

37.11 Employee benefits

(i) Short-term obligations

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

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(ii) Pension obligations

The Group participates in various defined contribution retirement benefit plans which are available to all relevant employees. These plans are generally funded through payments to schemes established by governments. A defined contribution plan is a pension plan under which the Group pays contributions on a mandatory, contractual or voluntary basis into a separate fund. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee services in the current and prior years. The Group's contributions to the defined contribution plans are expensed as incurred and not reduced by contributions forfeited by those employees who leave the plans prior to vesting fully in the contributions.

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

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

(iii) Employee leave entitlement

Employee entitlement to annual leave is recognized when they have accrued to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the statement of financial position date. Employee entitlement to sick leave and maternity leave are not recognized until the time of leave.

(iv) Bonus plans

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

(v) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

37.12 Provisions

Provisions for legal claims, warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

37.13 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions

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Where the grants related to an expense item, it is recognised as income on a systematic basis over the period that the costs, which it is intended to compensate, are expensed. Where the grants related to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset on straight-line basis.

37.14 Interest income

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other gains.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company in respect of any period subsequent to December 31, 2023 and up to the date of this report. No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to December 31, 2023.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
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Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of the Cayman Companies Act. The Company was incorporated in the Cayman Islands as an exempted company with limited liability on July 21, 2015 under the Cayman Companies Act. The Company's constitutional documents consist of its Memorandum and Articles of Association.

SUMMARY OF THE CONSTITUTION OF THE COMPANY

1 Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on [●] and states, *inter alia*, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Act or any other law of the Cayman Islands.

The Memorandum of Association is on display on the websites of the Stock Exchange and the Company as specified in Appendix V in the section headed "Documents Delivered to the Registrar of Companies and Available on Display".

2 Articles of Association

The Articles of Association of the Company were conditionally adopted on [●] and include provisions to the following effect:

2.1 *Classes of Shares*

(a) Share capital

The share capital of the Company consists of Class A Ordinary Shares and Class B Ordinary Shares. The capital of the Company at the date of adoption of the Articles is US\$20,000,000,000 divided into 2,124,389,270 Class A Ordinary Shares of US\$0.0000025 each and 17,875,610,730 Class B Ordinary Shares of US\$0.0000025 each.

(b) Weighted voting rights

Subject to the provisions of the Articles of Association, the holders of Class A Ordinary Shares and Class B Ordinary Shares shall at all times vote together as one class on all resolutions submitted to a vote by the members. On a poll, each Class A Ordinary Share shall entitle its holder to ten votes and each Class B Ordinary Share shall entitle its holder to one vote, provided that each Class A Ordinary Share and each Class B Ordinary Share shall entitle its holder to one vote on a poll at a general meeting in respect of a resolution on the following matters:

- (i) any amendment to the Memorandum of Association or the Articles of Association, including the variation of the rights attached to any class of shares;

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- (ii) the appointment, election or removal of any independent non-executive Director;
- (iii) the appointment or removal of the auditors; or
- (iv) the voluntary winding-up of the Company.

Notwithstanding the foregoing, where a holder of Class A Ordinary Shares is permitted by the Stock Exchange from time to time to exercise more than one vote per share when voting on a resolution to amend the Memorandum of Association or the Articles of Association, any holder of Class A Ordinary Shares may elect to exercise such number of votes per share as is permitted by the Stock Exchange, up to the maximum number of votes attached to each Class A Ordinary Share as set out in the Articles of Association.

The Company shall not take any action (including the issue or repurchase of shares of any class) that would result in (i) the aggregate number of votes entitled to be cast by all holders of Class B Ordinary Shares (for the avoidance of doubt, excluding those who are also holders of Class A Ordinary Shares) present at a general meeting to be less than 10% of the votes entitled to be cast by all members at a general meeting; or (ii) an increase in the proportion of Class A Ordinary Shares to the total number of shares in issue.

(c) Restrictions on issue of shares with weighted voting rights

No further Class A Ordinary Shares shall be allotted, issued or granted by the Company, except with the approval of the Stock Exchange and pursuant to (i) an offer to subscribe for shares in the Company made to all the members of the Company pro rata (apart from fractional entitlements) to their existing holdings; (ii) a pro rata issue of shares to all the members of the Company by way of scrip dividends; or (iii) a share subdivision or other similar capital reorganisation, provided that each member of the Company shall be entitled to subscribe for or be issued shares in the same class as the shares then held by him, and further provided that the proposed allotment or issuance will not result in an increase in the proportion of Class A Ordinary Shares in issue, so that:

- (A) if, under a pro rata offer, any holder of Class A Ordinary Shares does not take up any part of the Class A Ordinary Shares or the rights thereto offered to him, such untaken shares or rights shall only be transferred to another person on the basis that such transferred rights will only entitle the transferee to an equivalent number of Class B Ordinary Shares; and

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(B) to the extent that rights to Class B Ordinary Shares in a pro rata offer are not taken up in their entirety (including, but not limited to, where the pro rata offering is not fully underwritten), the number of Class A Ordinary Shares that shall be allotted, issued or granted in such pro rata offer shall be reduced proportionately,

and where necessary, the holders of Class A Ordinary Shares shall use their best endeavours to enable the Company to comply with this requirement.

(d) Reduction of shares with weighted voting rights on repurchase of shares

In the event the Company reduces the number of Class B Ordinary Shares in issue (including, but not limited to, through a purchase of its own shares), the holders of Class A Ordinary Shares shall reduce their weighted voting rights in the Company proportionately (including, but not limited to, through a conversion of a portion of their shares with those rights into shares without those rights), if the reduction in the number of Class B Ordinary Shares in issue would otherwise result in an increase in the proportion of Class A Ordinary Shares.

(e) Prohibition on variation of terms of shares with weighted voting rights

The Company shall not change the terms of the Class A Ordinary Shares to increase the weighted voting rights attached to that class, unless, in addition to complying with any requirement under law, prior approval of the Stock Exchange is obtained and, if such approval is granted, the change is announced.

(f) Conversion of Class B Ordinary Shares

Each Class A Ordinary Share is convertible into one Class B Ordinary Share at any time by the holder thereof, such right to be exercisable by the holder of the Class A Ordinary Share delivering a written notice to the Company that such holder elects to convert a specified number of Class A Ordinary Shares into Class B Shares.

(g) Qualification of holders of shares with weighted voting rights

Class A Ordinary Shares shall only be held by the WVR Beneficiaries, or (a) a partnership of which a WVR Beneficiary is a partner and the terms of which must expressly specify that the voting rights attached to any and all Class A Ordinary Shares held by such partnership are solely dictated by the WVR Beneficiary; (b) a trust of which a WVR Beneficiary is a beneficiary and that meets the following conditions: (i) the WVR Beneficiary must in substance retain an element of control of the trust and any immediate holding companies of, and retain a beneficial interest in any and all of the Class A Ordinary Shares held by such trust; and (ii) the purpose of the trust must be for estate planning and/or tax planning purposes; or (c) a private company or other vehicle

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wholly-owned and wholly controlled by the WVR Beneficiary or by a trust referred to in (b) above (a "**Founder Holding Vehicle**"). Subject to the Listing Rules or other applicable laws and regulations, each Class A Ordinary Share shall be automatically converted into one Class B Ordinary Share upon the occurrence of any of the following events:

- (i) the death of the holder of such Class A Ordinary Share (or, where the holder is a Founder Holding Vehicle, the death of the WVR Beneficiary holding and controlling such Founder Holding Vehicle);
- (ii) the holder of such Class A Ordinary Share ceasing to be a Director or a Founder Holding Vehicle for any reason;
- (iii) the holder of such Class A Ordinary Share (or, where the holder is a Founder Holding Vehicle, the WVR Beneficiary holding and controlling such vehicle) being deemed by the Stock Exchange to be incapacitated for the purpose of performing his duties as a Director;
- (iv) the holder of such Class A Ordinary Share (or, where the holder is a Founder Holding Vehicle, the WVR Beneficiary holding and controlling such vehicle) being deemed by the Stock Exchange to no longer meet the requirements of a director set out in the Listing Rules; or
- (v) the transfer to another person of the beneficial ownership of, or economic interest in, such Class A Ordinary Share or the control over the voting rights attached to such Class A Ordinary Share (through voting proxies or otherwise), including where the Founder Holding Vehicle holding such Class A Ordinary Share no longer complies with Rule 8A.18(2) of the Listing Rules (in which event the Company and such Founder Holding Vehicle or the WVR Beneficiary holding and controlling such vehicle shall notify the Stock Exchange of the details of the non-compliance as soon as practicable), other than (A) the grant of any lien, mortgage, charge or other encumbrance over such Class A Ordinary Share which does not result in the transfer of the legal title or beneficial ownership of, or the voting rights attached to, such Class A Ordinary Share, until the same is transferred upon the enforcement of such lien, mortgage, charge or other encumbrance, and (B) a transfer of the legal title to such Class A Ordinary Share by a WVR Beneficiary to Founder Holding Vehicle wholly-owned and wholly controlled by such WVR Beneficiary, or by a Founder Holding Vehicle to the WVR Beneficiary holding and controlling it or another Founder Holding Vehicle wholly-owned and wholly controlled by such WVR Beneficiary.

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(h) Cessation of weighted voting rights

All of the Class A Ordinary Shares in the authorised share capital shall be automatically re-designated into Class B Ordinary Shares in the event none of the holders of Class A Ordinary Shares at the time of [REDACTED] of the Company's shares on the Stock Exchange have beneficial ownership of Class A Ordinary Shares, and no further Class A Ordinary Shares shall be issued by the Company.

(i) Shares to rank pari passu

Save and except for the rights, preferences, privileges and restrictions set out in this paragraph 2.1, the Class A Ordinary Shares and the Class B Ordinary Shares shall rank pari passu in all other respects and shall have the same rights, preferences, privileges and restrictions.

2.2 Directors

(a) Number of Directors

The number of Directors shall not be less than two, and the board of Directors shall consist of not less than one-third and less than one-half of independent non-executive Directors.

(b) Power to allot and issue shares

Subject to the provisions of the Memorandum of Association, the Articles of Association, compliance with the Listing Rules and the Code on Takeovers and Mergers and Share Buy-back issued by the Securities and Futures Commission of Hong Kong and any direction that may be given by the Company in general meeting, and without prejudice to any rights attached to any existing shares, the Directors may allot, issue, grant options over or otherwise dispose of shares with or without preferred, deferred or other rights or restrictions, whether in regard to dividend or other distribution, voting, return of capital or otherwise and to such persons, at such times and on such other terms as the Directors think proper, provided however that (a) no new class of shares with voting rights superior to those of Class B Ordinary Shares shall be created, and (b) any variation in the relative rights as between different classes of shares shall not result in the creation of a new class of shares with voting rights superior to those of Class B Ordinary Shares.

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(c) Power to dispose of the assets of the Company or any subsidiary

Subject to the provisions of the Companies Act, the Memorandum and Articles of Association and to any directions given by special resolution, the business of the Company shall be managed by the Directors who may exercise all the powers of the Company. No alteration of the Memorandum and Articles of Association and no such direction shall invalidate any prior act of the Directors which would have been valid if that alteration had not been made or that direction had not been given.

(d) Compensation or payment for loss of office

There are no provisions in the Articles of Association relating to compensation or payment for loss of office of a Director.

(e) Loans to Directors

There are no provisions in the Articles of Association relating to making of loans to Directors.

(f) Financial assistance to purchase shares

There are no provisions in the Articles of Association relating to the giving of financial assistance by the Company to purchase shares in the Company or its subsidiaries.

(g) Disclosure of interest in contracts with the Company or any of its subsidiaries

No person shall be disqualified from the office of Director or alternate Director or prevented by such office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any contract or transaction entered into by or on behalf of the Company in which any Director or alternate Director shall be in any way interested be or be liable to be avoided, nor shall any Director or alternate Director so contracting or being so interested be liable to account to the Company for any profit realised by or arising in connection with any such contract or transaction by reason of such Director or alternate Director holding office or of the fiduciary relationship thereby established, provided that the nature of the interest of any Director or any alternate Director in any such contract or transaction shall be disclosed by them at or prior to its consideration and any vote thereon.

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A Director shall not be entitled to vote on (nor shall the Director be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates has any material interest, and if he shall do so his vote shall not be counted (nor shall he be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
 - (A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or
 - (B) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates to the Director, his close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of their interest in shares or debentures or other securities of the Company.

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(h) Remuneration

The remuneration to be paid to the Directors, if any, shall be such remuneration as the Directors shall determine. The Directors shall also be entitled to be paid all travelling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of Directors or committees of Directors, or general meetings of the Company, or separate meetings of the holders of any class of shares or debentures of the Company, or otherwise in connection with the business of the Company or the discharge of their duties as a Director, or to receive a fixed allowance in respect thereof as may be determined by the Directors, or a combination partly of one such method and partly the other.

The Directors may approve additional remuneration to any Director for any services which in the opinion of the Directors go beyond that Director's ordinary routine work as a Director. Any fees paid to a Director who is also counsel, attorney or solicitor to the Company, or otherwise serves it in a professional capacity shall be in addition to their remuneration as a Director.

(i) Retirement, appointment and removal

The Company may by ordinary resolution appoint any person to be a Director, either to fill a vacancy or as an additional Director.

The Company may by ordinary resolution remove any Director (including a managing or other executive Director) before the expiration of such Director's term of office, notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director, and may by ordinary resolution elect another person in their stead. Nothing shall be taken as depriving a Director so removed of compensation or damages payable to such Director in respect of the termination of his appointment as Director or of any other appointment or office as a result of the termination of his appointment as Director.

The Directors may appoint any person to be a Director, either to fill a vacancy or as an additional Director provided that the appointment does not cause the number of Directors to exceed any number fixed by or in accordance with the Articles of Association as the maximum number of Directors. Any Director so appointed shall hold office only until the first annual general meeting of the Company after such Director's appointment and shall then be eligible for re-election at that meeting.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

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The office of a Director shall be vacated if:

- (i) the Director gives notice in writing to the Company that he resigns the office of Director;
- (ii) the Director is absent (for the avoidance of doubt, without being represented by proxy or an alternate Director appointed by him) for a continuous period of 12 months without special leave of absence from the Directors, and the Directors pass a resolution that he has by reason of such absence vacated office;
- (iii) the Director dies, becomes bankrupt or makes any arrangement or composition with his creditors generally; or
- (iv) the Director is found to be or becomes of unsound mind.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election at such meeting. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(j) Borrowing powers

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof and to issue debentures, debenture stock, mortgages, bonds and other such securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

2.3 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class for the time being issued (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied only with (in addition to a special resolution to amend the

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Memorandum or the Articles) the consent in writing of the holders of not less than three-fourths of the voting rights of the issued shares of that class, or with the approval of a resolution passed by a majority of not less than three-fourths of the votes cast at a separate meeting of the holders of the shares of that class. For so long as any Class A Ordinary Share is in issue and unless such change is otherwise required by law or the Listing Rules, (a) any change to the composition of the board of Directors set out in paragraph 2.2(a) above; (b) any change in the proportion of votes required to pass a resolution of the members, whether as an ordinary resolution or a special resolution or in respect of particular matters or generally; (c) any variation to the number of votes attached to a share of any class, except any such variation arising from a conversion of a Class A Ordinary Share into a Class B Ordinary Share pursuant to paragraph 2.1(f) or paragraph 2.1(g) above; and (d) any change to the matters in respect of which each Class A Ordinary Share and each Class B Ordinary Share shall entitle its holder to one vote on a poll at a general meeting as described in paragraph 2.1(b), to the quorum requirements for meetings of Directors or to this provision, shall require the consent in writing of the holders of not less than three-fourths in nominal value of the issued Class A Ordinary Shares. To any such separate meeting all the provisions of the Articles of Association relating to general meetings shall apply *mutatis mutandis*, except that the necessary quorum shall be one or more persons holding or representing by proxy or duly authorised representative at least one-third of the voting rights of the issued shares of that class.

The rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 Alteration of capital

The Company may by ordinary resolution:

- (a) increase its share capital by such sum as the ordinary resolution shall prescribe and with such rights, priorities and privileges annexed thereto, as the Company in general meeting may determine;
- (b) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchasers thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may

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either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company’s benefit;

- (c) by subdivision of its existing shares or any of them divide the whole or any part of its share capital into shares of smaller amount than is fixed by the Memorandum of Association or into shares without par value; and
- (d) cancel any shares that at the date of the passing of the ordinary resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

The Company may by special resolution reduce its share capital or any capital redemption reserve fund, subject to the provisions of the Companies Act.

2.6 Special resolution — majority required

A “special resolution” is defined in the Articles of Association to have the same meaning as in the Companies Act, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an “ordinary resolution” is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

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2.7 *Voting rights*

Subject to paragraph 2.1(b) above and any rights or restrictions attached to any shares, at any general meeting every member of the Company present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have (a) the right to speak; (b) one vote on a show of hands; and (c) one vote for every share of which he is the holder on a poll.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint holders the vote of the senior holder who tenders a vote, whether in person or by proxy (or in the case of a corporation or other non-natural person, by its duly authorised representative or proxy) shall be accepted to the exclusion of the votes of the other joint holders, and seniority shall be determined by the order in which the names of the holders stand in the register of members of the Company.

A member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by their committee, receiver, curator bonis, or other person on such member's behalf appointed by that court, and any such committee, receiver, curator bonis or other person may vote by proxy.

No person shall be counted in a quorum or be entitled to vote at any general meeting unless he is registered as a member on the record date for such meeting, nor unless all calls or other monies then payable by him in respect of shares have been paid.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairperson of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

Any corporation or other non-natural person which is a member of the Company may in accordance with its constitutional documents, or in the absence of such provision by resolution of its directors or other governing body, authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members, and the person so authorised shall be entitled to exercise the same powers as the corporation could exercise if it were an individual member.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company, provided that, if more than one person is so authorised, the authorisation shall specify the

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number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which that person represents as that recognised clearing house (or its nominee(s)) could exercise as if such person were an individual member of the Company holding the number and class of shares specified in such authorisation, including the right to speak and, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 Annual general meetings and extraordinary general meetings

The Company shall hold a general meeting as its annual general meeting for each financial year within six months (or such other period as may be permitted by the Listing Rules or the Stock Exchange) after the end of such financial year. An annual general meeting shall be specified as such in the notices calling it.

The Directors may call general meetings, and they shall on a members' requisition forthwith proceed to convene an extraordinary general meeting of the Company. A members' requisition is a requisition of one or more members holding at the date of deposit of the requisition not less than 10% of the voting rights, on a one vote per share basis, of the issued shares which as at that date carry the right to vote at general meetings of the Company. The members' requisition must state the objects and the resolutions to be added to the agenda of the meeting and must be signed by the requisitionists and deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, and may consist of several documents in like form each signed by one or more requisitionists. If there are no Directors as at the date of the deposit of the members' requisition or if the Directors do not within 21 days from the date of the deposit of the members' requisition duly proceed to convene a general meeting to be held within a further 21 days, the requisitionists, or any of them representing more than one-half of the total voting rights of all the requisitionists, may themselves convene a general meeting, but any meeting so convened shall be held no later than the day which falls three months after the expiration of the said 21-day period. A general meeting convened by requisitionists shall be convened in the same manner as nearly as possible as that in which general meetings are to be convened by Directors.

2.9 Accounts and audit

The Directors shall cause proper books of account to be kept with respect to all sums of money received and expended by the Company and the matters in respect of which the receipt or expenditure takes place, all sales and purchases of goods by the Company and the assets and liabilities of the Company. Such books of account must be retained for a minimum period of five years from the date on which they are prepared. Proper books shall not be deemed to be kept if there are not kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions.

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- (b) in the case of an extraordinary general meeting, by a majority in number of the members having a right to attend and vote at the meeting, together holding not less than 95% in par value of the shares giving that right.

If, after the notice of a general meeting has been sent but before the meeting is held, or after the adjournment of a general meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), the Directors, in their absolute discretion, consider that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time and place specified in the notice calling such meeting, they may change or postpone the meeting to another date, time and place.

The Directors also have the power to provide in every notice calling a general meeting that in the event of a gale warning or a black rainstorm warning is in force at any time on the day of the general meeting (unless such warning is cancelled at least a minimum period of time prior to the general meeting as the Directors may specify in the relevant notice), the meeting shall be postponed without further notice to be reconvened on a later date.

Where a general meeting is postponed:

- (a) the Company shall endeavour to cause a notice of such postponement, which shall set out the reason for the postponement in accordance with the Listing Rules, to be placed on the Company's website and published on the Stock Exchange's website as soon as practicable, provided that failure to place or publish such notice shall not affect the automatic postponement of a general meeting due to a gale warning or black rainstorm warning being in force on the day of the general meeting;
- (b) the Directors shall fix the date, time and place for the reconvened meeting and at least seven clear days' notice shall be given for the reconvened meeting; and such notice shall specify the date, time and place at which the postponed meeting will be reconvened and the date and time by which proxies shall be submitted in order to be valid at such reconvened meeting (provided that any proxy submitted for the original meeting shall continue to be valid for the reconvened meeting unless revoked or replaced by a new proxy); and
- (c) only the business set out in the notice of the original meeting shall be transacted at the reconvened meeting, and notice given for the reconvened meeting does not need to specify the business to be transacted at the reconvened meeting, nor shall any accompanying documents be required to be recirculated. Where any new business is to be transacted at such reconvened meeting, the Company shall give a fresh notice for such reconvened meeting in accordance with the Articles of Association.

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2.12 Transfer of shares

Transfers of shares may be effected by an instrument of transfer, which shall be in writing and in any standard form of transfer as prescribed by the Stock Exchange or such other form as the Directors may approve. The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company.

The Directors may decline to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favour of the Company; and
- (f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall notify the transferor and the transferee within two months of such refusal.

The registration of transfers shall be suspended during such periods as the register of members of the Company is closed. The Directors may, on at least 10 business days' notice (or on at least 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, close the register of members at such times and for such periods as the Directors may from time to time determine, provided that the register of members shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

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2.13 Power of the Company to purchase its own shares

Subject to the provisions of the Companies Act, the Company may purchase its own shares provided that (a) the manner of purchase has first been authorised by the members of the Company by ordinary resolution, and (b) any such purchase shall only be made in accordance with any relevant code, rules or regulations issued by the Stock Exchange or the Securities and Futures Commission of Hong Kong from time to time in force.

2.14 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.15 Dividends and other methods of distribution

Subject to the Companies Act and the Articles of Association, the Company may by ordinary resolution resolve to pay dividends and other distributions on shares in issue and authorise payment of the dividends or other distributions out of the funds of the Company lawfully available therefor, provided no dividends shall exceed the amount recommended by the Directors. No dividend or other distribution shall be paid except out of the realised or unreleased profits of the Company, out of the share premium account or as otherwise permitted by law.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may in addition from time to time declare and pay special dividends on shares of such amounts and on such dates as they think fit.

Except as otherwise provided by the rights attached to any shares, all dividends and other distributions shall be paid according to the amounts paid up on the shares that a member holds during any portion or portions of the period in respect of which the dividend is paid. For this purpose no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may deduct from any dividends or other distribution payable to any member of the Company all sums of money (if any) then payable by the member to the Company on account of calls or otherwise. The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

No dividend shall carry interest against the Company. Except as otherwise provided by the rights attached to any shares, dividends and other distributions may be paid in any currency.

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Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other monies payable in cash in respect of shares may be paid by wire transfer to the holder or by cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of the holder who is first named on the register of members of the Company or to such person and to such address as the holder or joint holders may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. Any one of two or more joint holders may give effectual receipts for any dividends, other distributions, bonuses, or other monies payable in respect of the shares held by them as joint holders.

Any dividend or other distribution which remains unclaimed after a period of six years from the date on which such dividend or distribution becomes payable shall be forfeited and shall revert to the Company.

The Directors, with the sanction of the members of the Company by ordinary resolution, may resolve that any dividend or other distribution be paid wholly or partly by the distribution of specific assets, and in particular (but without limitation) by the distribution of shares, debentures, or securities of any other company or in any one or more of such ways, and where any difficulty arises in regard to such distribution, the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any members of the Company upon the basis of the value so fixed in order to adjust the rights of all members, and may vest any such specific assets in trustees as may seem expedient to the Directors.

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2.16 Proxies

A member of the Company entitled to attend and vote at a general meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. Votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint any number of proxies to attend in his stead at any one general meeting or at any one class meeting.

The instrument appointing a proxy shall be in writing and shall be executed under the hand of the appointor or of his attorney duly authorised in writing, or, if the appointor is a corporation or other non-natural person, under the hand of its duly authorised representative.

The Directors shall, in the notice convening any meeting or adjourned meeting, or in an instrument of proxy sent out by the Company, specify the manner (including by electronic means) by which the instrument appointing a proxy shall be deposited and the place and the time (being not later than the time appointed for the commencement of the meeting or adjourned meeting to which the proxy relates) at which the instrument appointing a proxy shall be deposited.

The instrument appointing a proxy may be in any usual or common form (or such other form as the Directors may approve) and may be expressed to be for a particular meeting or any adjournment thereof or generally until revoked.

2.17 Calls on shares and forfeiture of shares

Subject to the terms of the allotment and issue of any shares, the Directors may make calls upon the members of the Company in respect of any monies unpaid on their shares (whether in respect of par value or premium), and each member of the Company shall (subject to receiving at least 14 clear days' notice specifying the times or times of payment) pay to the Company at the time or times so specified the amount called on his shares. A call may be revoked or postponed, in whole or in part, as the Directors may determine. A call may be required to be paid by instalments. A person upon whom a call is made shall remain liable for calls made upon him, notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share.

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If a call remains unpaid after it has become due and payable, the person from whom it is due shall pay interest on the amount unpaid from the day it became due and payable until it is paid at such rate as the Directors may determine (and in addition all expenses that have been incurred by the Company by reason of such non-payment), but the Directors may waive payment of the interest or expenses wholly or in part.

If any call or instalment of a call remains unpaid after it has become due and payable, the Directors may give to the person from whom it is due not less than 14 clear days' notice requiring payment of the amount unpaid together with any interest which may have accrued and any expenses incurred by the Company by reason of such non-payment. The notice shall specify where payment is to be made and shall state if the notice is not complied with the shares in respect of which the call was made will be liable to be forfeited.

If such notice is not complied with, any share in respect of which it was given may, before the payment required by the notice has been made, be forfeited by a resolution of the Directors. Such forfeiture shall include all dividends, other distributions or other monies payable in respect of the forfeited shares and not paid before the forfeiture.

A forfeited share may be sold, re-allotted or otherwise disposed of on such terms and in such manner as the Directors think fit.

A person any of whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares and shall surrender to the Company for cancellation the certificate for the shares forfeited and shall remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with interest at such rate as the Directors may determine, but that person's liability shall cease if and when the Company shall have received payment in full of all monies due and payable by them in respect of those shares.

2.18 Inspection of register of members

The Company shall maintain or cause to be maintained the register of members of the Company in accordance with the Companies Act. The Directors may, on giving 10 business days' notice (or 6 business days' notice in the case of a rights issue) by advertisement published on the Stock Exchange's website or, subject to the Listing Rules, in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, close the register of members at such times and for such periods as the Directors may determine, either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

Except when the register is closed, the register of members shall during business hours be kept open for inspection by any member of the Company without charge.

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2.19 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present. Two members of the Company holding not less than 10% of the total voting power of the Company present in person or by proxy, or if a corporation or other non-natural person by its duly authorised representative or proxy, shall be a quorum unless the Company has only one member entitled to vote at such general meeting in which case the quorum shall be that one member present in person or by proxy, or in the case of a corporation or other non-natural person by its duly authorised representative or proxy.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

2.20 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.21 Procedure on liquidation

Subject to the Companies Act, the Company may by special resolution resolve that the Company be wound up voluntarily.

Subject to the rights attaching to any shares, in a winding up:

- (a) if the assets available for distribution amongst the members of the Company shall be insufficient to repay the whole of the Company's paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, on the shares held by them at the commencement of the winding up;
- (b) if the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the Company's paid up capital at the commencement of the winding up, the surplus shall be distributed amongst the members of the Company in proportion to the capital paid up on the shares held by them at the commencement of the winding up.

If the Company shall be wound up, the liquidator may with the approval of a special resolution of the Company and any other approval required by the Companies Act, divide amongst the members of the Company in kind the whole or any part of the assets of the Company (whether such assets shall consist of property of the same kind or not) and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like

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approval, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like approval, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.22 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12-year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12-year period, the Company has caused an advertisement to be published in the newspapers or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

3 Introduction

The Companies Act is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Act and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Act, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

4 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on July 21, 2015 under the Companies Act. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

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5 Share Capital

The Companies Act permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the "share premium account". At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Act provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act);
- (d) writing-off the preliminary expenses of the company;
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

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Subject to the detailed provisions of the Companies Act, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

6 Dividends and Distributions

With the exception of section 34 of the Companies Act, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 5 above for details).

7 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

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8 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

9 Disposal of Assets

The Companies Act contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

10 Accounting and Auditing Requirements

The Companies Act requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

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11 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

12 Inspection of Books and Records

Members of a company will have no general right under the Companies Act to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

13 Special Resolutions

The Companies Act provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

14 Subsidiary Owning Shares in Parent

The Companies Act does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

15 Mergers and Consolidations

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and

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liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

16 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by (a) 75% in value of shareholders, or (b) a majority in number representing 75% in value of creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

17 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

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18 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

19 Restructuring

A company may present a petition to the Grand Court of the Cayman Islands for the appointment of a restructuring officer on the grounds that the company:

- (a) is or is likely to become unable to pay its debts; and
- (b) intends to present a compromise or arrangement to its creditors (or classes thereof) either pursuant to the Companies Act, the law of a foreign country or by way of a consensual restructuring.

The Grand Court may, among other things, make an order appointing a restructuring officer upon hearing of such petition, with such powers and to carry out such functions as the court may order. At any time (i) after the presentation of a petition for the appointment of a restructuring officer but before an order for the appointment of a restructuring officer has been made, and (ii) when an order for the appointment of a restructuring officer is made, until such order has been discharged, no suit, action or other proceedings (other than criminal proceedings) shall be proceeded with or commenced against the company, no resolution to wind up the company shall be passed, and no winding up petition may be presented against the company, except with the leave of the court. However, notwithstanding the presentation of a petition for the appointment of a restructuring officer or the appointment of a restructuring officer, a creditor who has security over the whole or part of the assets of the company is entitled to enforce the security without the leave of the court and without reference to the restructuring officer appointed.

20 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

21 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

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22 Taxation

Pursuant to section 6 of the Tax Concessions Act (As Revised) of the Cayman Islands, the Company may obtain an undertaking from the Financial Secretary of the Cayman Islands:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- (b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of litigation or inheritance tax shall be payable:
 - (i) on or in respect of the shares, debentures or other obligations of the Company;
or
 - (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Act (As Revised).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

23 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

24 General

Maples and Calder (Hong Kong) LLP, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is on display on the websites as referred to in the section headed "Documents Delivered to the Registrar of Companies and Available on Display" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

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STATUTORY AND GENERAL INFORMATION

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of Our Company

Our Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability on July 21, 2015. Our registered office is at Suite #4-210, Governors Square, 23 Lime Tree Bay Avenue, PO Box 32311, Grand Cayman KY1-1209, Cayman Islands. Accordingly, our Company’s corporate structure and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of our Articles of Association is set out in the section headed “Summary of the Constitution of our Company” in Appendix III to this Document.

Our headquarters and principal places of business in the PRC are at Block A, Building No. 2, Fenghao East Road No. 9, Haidian District, Beijing, PRC and No. 1868, Yunjuan South Road, Lin-gang Special Area, China (Shanghai) Pilot Free Trade Zone. We [have been] registered as a non-Hong Kong company under Part 16 of the Companies Ordinance with the Registrar of Companies in Hong Kong. Ms. Ka Man So has been appointed as the authorized representative of our Company for the acceptance of service of process in Hong Kong. The address for service of process is 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong.

2. Changes in the Share Capital of Our Company

The following sets out the changes in the share capital of our Company during the two years immediately preceding the date of this Document:

- On December 7, 2023, we issued 269,711,694 series D preferred shares to CARIAD Estonia AS.
- On December 28, 2023, we issued 13,485,585 series D preferred shares to SAIC QIJUN I Holdings Limited.

Save as disclosed in the section headed “History, Reorganization and Corporate Structure”, there has been no alternation in our share capital of our Company within the two years immediately preceding the date of this Document.

3. Changes in the Share Capital of Our Subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in the Accountants’ Report in Appendix I to this Document.

The following sets out the changes in the share capital of the Company’s subsidiaries during the two years immediately preceding the date of this Document:

- On July 1, 2022, Horizon Hangzhou increased its share capital from RMB70 million to RMB120 million and on March 21, 2023, it further increased its share capital from RMB120 million to RMB220 million.

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- On August 17, 2022, Horizon Information increased its share capital from US\$350 million to US\$600 million and on May 6, 2023, it further increased its share capital from US\$600 million to US\$1,500 million.
- On August 26, 2022, Horizon Anting increased its share capital from US\$93 million to US\$220 million.
- On August 29, 2022, Horizon Together was incorporated in the Cayman Islands as a limited liability company with one issued share at a par value of US\$1.00.
- On November 24, 2022, Horizon Shanghai increased its share capital from RMB1,200 million to RMB4,000 million.
- On November 30, 2022, Horizon Nanjing increased its share capital from RMB138 million to RMB350 million.
- On February 9, 2023, Beijing Horizon Robotics increased its share capital from RMB2,000 million to RMB8,000 million.
- On May 11, 2023, Chengdu Horizon Journey Technology Co., Ltd. (成都地平線征程科技有限公司) increased its share capital from RMB70 million to RMB170 million.
- On September 7, 2023, Horizon Shenzhen increased its share capital from RMB580 million to RMB1,500 million.
- On December 25, 2023, Ningbo Horizon Sateng Technology Co., Ltd. (寧波地平線颯騰科技有限公司) was established as a limited liability company in the PRC with an initial registered capital of US\$300 million.
- On October 24, 2023, D-Robotics was incorporated in the Cayman Islands as a limited liability company with one issued share at a par value of US\$1.00.
- On October 24, 2023, D-Robotics Holding Limited was incorporated in Hong Kong as a limited liability company with a share capital of HK\$1 divided into one share of HK\$1.00 each.
- On January 16, 2024, Shenzhen Digua Robotics Co., Ltd. (深圳地瓜機器人有限公司) was established as a limited liability company in the PRC with an initial registered capital of RMB200 million.
- On February 27, 2024, Horizon Journey Together Limited was incorporated in Hong Kong as a limited liability company with a share capital of HK\$1 divided into 1 shares of HK\$1.00 each.

Save as disclosed above and the section headed “History, Reorganization and Corporate Structure”, there had been no other alterations of share capital of our subsidiaries within the two years preceding the date of this Document.

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4. Resolutions of our Shareholders

Written resolutions of our Shareholders were passed on [●], pursuant to which, among others:

- (a) the Memorandum and Articles of Association were approved and adopted conditional upon [REDACTED];
- (b) the terms of the Post-[REDACTED] Share Incentive Plan were approved and adopted, and will come into effect upon [REDACTED];
- (c) the [REDACTED] and the [REDACTED] were approved;
- (d) all issued Class A Ordinary Shares other than those held by the controlled entities of Dr. Yu and Dr. Huang, and all of the Preferred Shares be re-designated and re-classified as Class B Ordinary Shares, and the authorized share capital of the Company shall be US\$500,000 divided into 2,124,389,270 Class A Ordinary Shares of US\$0.0000025 par value each and 17,875,610,730 Class B Ordinary Shares of US\$0.0000025 par value each and the issued share capital of the Company shall be US\$[REDACTED] divided into 2,124,389,270 Class A Ordinary Shares of US\$0.0000025 par value each and [REDACTED] Class B Ordinary Shares of US\$0.0000025 par value each, in each case to be effective on the [REDACTED];
- (e) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with Class B Ordinary Shares or securities convertible into Class B Ordinary Shares and to make or grant offers or agreements or options (including any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive Class B Ordinary Shares) which might require Class B Ordinary Shares to be allotted, issued or dealt with, otherwise than pursuant to the [REDACTED] or pursuant to a rights issue or pursuant to the exercise of any subscription rights attaching to any warrants or any option scheme or similar arrangement which may be allotted and issued by our Company from time to time on a specific authority granted by the Shareholders in general meeting or, pursuant to the allotment and issue of Class B Ordinary Shares in lieu of the whole or part of a dividend on Class B Ordinary Shares in accordance with the Articles, Class B Ordinary Shares not exceed 20% of the number of the Shares in issue immediately following completion of the [REDACTED], such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles or any applicable laws, or until revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever is the earliest;

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- (f) a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the total number of Shares in issue immediately following the completion of the [REDACTED], excluding any Class B Ordinary Shares to be sold, or issued and allotted pursuant to the exercise of the [REDACTED].
- (g) the Repurchase Mandate was extended by the addition to the number of the Shares which may be allotted, or agreed conditionally or unconditionally to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the number of Shares repurchased by the Company pursuant to the mandate to purchase shares referred to in paragraph (f) above, provided that such amount shall not exceed 10% of the total number of the Shares in issue immediately following the completion of the [REDACTED], excluding any Class B Ordinary Shares to be sold, or issued and allotted pursuant to the exercise of the [REDACTED].

5. Repurchases of Our Own Securities

(a) *Provisions of the Listing Rules*

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(i) *Shareholders' approval*

All proposed repurchases of shares (which must be fully paid up) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the Shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a written Shareholder's resolution of our Company dated [●], the Repurchase Mandate was given to the Directors authorizing any repurchase by our Company of Class B Ordinary Shares on the Stock Exchange or on any other stock exchange on which the securities may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of not more than 10% of the number of Shares in issue immediately following the completion of the [REDACTED] but excluding any Class B Ordinary Shares which may be issued pursuant to the exercise of the [REDACTED] until the conclusion of our next annual general meeting, or the date by which our next annual general meeting is required by the Articles of Association or any applicable law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever occurs first.

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(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with our Articles and the applicable laws of Hong Kong and the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. As a matter of Cayman Islands law, any repurchases by the Company may be made out of profits or out of the proceeds of a new issue of shares made for the purpose of the repurchase or from sums standing to the credit of our share premium account or out of capital, if so authorised by the Articles of Association and subject to the Cayman Companies Act. Any premium payable on the repurchase over the par value of the shares to be repurchased must have been provided for out of profits or from sums standing to the credit of our share premium account or out of capital, if so authorised by the Articles of Association and subject to the Cayman Companies Act.

(iii) Trading restrictions

The total number of Class B Ordinary Shares which our Company may repurchase is up to 10% of the total number of our Shares in issue immediately after the completion of the [REDACTED] (but not taking into account any Class B Ordinary Shares which may be issued pursuant to the exercise of the [REDACTED]). Our Company may not issue or announce a proposed issue of Class B Ordinary Shares for a period of 30 days immediately following a repurchase of Class B Ordinary Shares without the prior approval of the Stock Exchange. Our Company is also prohibited from repurchasing Class B Ordinary Shares on the Stock Exchange if the repurchase would result in the number of listed Class B Ordinary Shares which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. Our Company is required to procure that the broker appointed by our Company to effect a repurchase of Class B Ordinary Shares discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require. As required by the prevailing requirements of the Listing Rules, an issuer shall not purchase its shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

(iv) Status of repurchased Class B Ordinary Shares

All repurchased Class B Ordinary Shares (whether effected on the Stock Exchange or otherwise) will be automatically [REDACTED] and the certificates for those Class B Ordinary Shares must be cancelled and destroyed. Under the laws of the Cayman Islands, unless, prior to the repurchase the Directors of the Company resolve to hold the shares repurchased by the Company as treasury shares, shares repurchased by the Company shall

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be treated as cancelled and the amount of the Company's issued share capital shall be diminished by the nominal value of those shares. However, the repurchase of shares will not be taken as reducing the amount of the authorised share capital under Cayman Islands law.

(v) *Suspension of repurchase*

Pursuant to the Listing Rules, our Company may not make any repurchases of Class B Ordinary Shares after inside information has come to its knowledge until the information is made publicly available. In particular, under the requirements of the Listing Rules in force as of the date hereof, during the period of one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half year, quarterly or any other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of our Company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and in each case ending on the date of the results announcement, our Company may not repurchase Class B Ordinary Shares on the Stock Exchange unless the circumstances are exceptional.

In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) *Procedural and reporting requirements*

As required by the Listing Rules, repurchases of Class B Ordinary Shares on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Stock Exchange business day following any day on which our Company may make a purchase of Class B Ordinary Shares. The report must state the total number of Class B Ordinary Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases. In addition, our Company's annual report is required to disclose details regarding repurchases of Class B Ordinary Shares made during the year, including a monthly analysis of the number of shares repurchased, the purchase price per Share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

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(vii) Connected parties

A company is prohibited from knowingly repurchasing securities on the Stock Exchange from a core connected person (as defined in the Listing Rules) and a core connected person shall not knowingly sell its securities to the company on the Stock Exchange.

(b) Reasons for repurchases

The Directors believe that it is in the best interests of our Company and Shareholders for the Directors to have general authority from the Shareholders to enable the Directors to repurchase Class B Ordinary Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where the Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws and regulations of Hong Kong.

On the basis of the current financial position as disclosed in this Document and taking into account the current working capital position, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Company as compared with the position disclosed in this Document. The Directors, however, do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of our Company which in the opinion of the Directors are from time to time appropriate for our Company.

(d) General

To the best knowledge of the Directors, neither the explanatory statement contained herein nor the proposed share repurchase has unusual features.

None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations of Hong Kong. Our Company have not repurchased any Shares since our incorporation.

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Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue or such other minimum percentage prescribed by the Stock Exchange could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be granted other than in exceptional circumstances.

If, as a result of any repurchase of Class B Ordinary Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the general mandate to repurchase Shares.

No core connected person has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

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B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this Document that are or may be material:

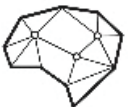
- (a) the shareholders agreement dated December 7, 2023 entered into among the Company, Horizon Robotics Holdings Limited, Beijing Horizon Information Technology Co., Ltd. (北京地平線信息技術有限公司), Shanghai Anting Horizon Zhineng Transportation Technology Co., Ltd. (上海安亭地平線智能交通技術有限公司), Nanjing Horizon Information Technology Co., Ltd. (南京地平線信息技術有限公司), Beijing Horizon Robotics Technology Research and Development Co., Ltd. (北京地平線機器人技術研發有限公司), Horizon Journey (Hangzhou) Technology Co., Ltd. (地平線征程(杭州)科技有限公司), Chengdu Horizon Journey Technology Co., Ltd. (成都地平線征程科技有限公司), Horizon Journey (Shanghai) Technology Co., Ltd. (地平線征程(上海)科技有限公司), Nanjing Qing Dihui Robotics Technology Co., Ltd. (南京清地滙機器人科技有限公司), Nanjing Horizon Technology Development Co., Ltd. (南京地平線技術開發有限公司), Shenzhen Horizon Robotics Technology Co., Ltd. (深圳地平線機器人科技有限公司), Nanjing Horizon Robotics Technology Co., Ltd. (南京地平線機器人技術有限公司), Tianjin Shuzhao Technology Co., Ltd. (天津數兆科技有限公司), Nanjing Horizon corporation management co., Ltd. (南京地平線企業管理有限公司), Dezhou Horizon Journey Information Technology Co., Ltd. (德州地平線征程信息科技有限公司), Horizon Robotics, Inc., Grace Robotics, Inc., Kai Robotics, Inc., Kai Yu (余凱), Chang Huang (黃暢), Feiwen Tao (陶斐雯) and the Pre-**[REDACTED]** Investors listed therein, in respect of, among others, the rights of shareholders in our Company;
- (b) the convertible loan agreement dated November 17, 2022, entered into by and between the Company as the borrower and CARIAD Estonia AS as the lender, pursuant to which CARIAD Estonia AS agreed to provide the loan in the amount of US\$800,000,000 to the Company; and
- (c) **[REDACTED]**.

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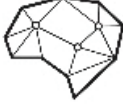
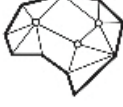
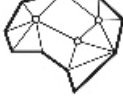




2. Intellectual Property Rights of our Group

(a) Trademarks

As of the Latest Practicable Date, our Group had registered the following trademarks which we consider to be material to our Group’s business:

No.	Trademark Registered	Owner	Registration Number	Places of Registration
1.	Horizon Robotics	Beijing Horizon Robotics	18735871	PRC
2.	Horizon Robotics	Beijing Horizon Robotics	18735874	PRC
3.	Horizon Robotics	Beijing Horizon Robotics	18735876	PRC
4.	Horizon Robotics	Beijing Horizon Robotics	37633590	PRC
5.	Horizon Robotics	Beijing Horizon Robotics	37777840	PRC
6.	Horizon Robotics	Beijing Horizon Robotics	37784258	PRC
7.	地平线	Beijing Horizon Robotics	35062115	PRC
8.	地平线 地平線	Horizon Hong Kong	305878568	Hong Kong
9.	地平线机器人	Beijing Horizon Robotics	18735878	PRC
10.	地平线机器人	Beijing Horizon Robotics	18735881	PRC
11.	地平线机器人	Beijing Horizon Robotics	18735883	PRC
12.	地平线机器人	Beijing Horizon Robotics	37645915	PRC
13.	地平线机器人	Beijing Horizon Robotics	37773180	PRC
14.	地平线机器人	Beijing Horizon Robotics	37773299	PRC
15.	地平线机器人	Horizon Hong Kong	305750488	Hong Kong
16.		Horizon Hong Kong	305750497	Hong Kong

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No.	Trademark Registered	Owner	Registration Number	Places of Registration
17.		Beijing Horizon Robotics	18735864	PRC
18.		Beijing Horizon Robotics	18735867	PRC
19.		Beijing Horizon Robotics	18735869	PRC
20.		Beijing Horizon Robotics	37643714	PRC
21.		Beijing Horizon Robotics	37791017	PRC
22.		Beijing Horizon Robotics	37781914	PRC
23.		Beijing Horizon Robotics	71822128	PRC
24.		Beijing Horizon Robotics	71801740	PRC
25.		Horizon Hong Kong	306308613	Hong Kong
26.	BPU	Beijing Horizon Robotics	33987566	PRC
27.	BPU	Beijing Horizon Robotics	33987567	PRC
28.	BPU	Horizon Hong Kong	305750659	Hong Kong
29.	journey	Beijing Horizon Robotics	40769781	PRC
30.	Journey	Beijing Horizon Robotics	40793331	PRC
31.	Horizon Journey	Beijing Horizon Robotics	27757566	PRC

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No.	Trademark Registered	Owner	Registration Number	Places of Registration
32.	Horizon Journey	Beijing Horizon Robotics	27751490	PRC
33.	Horizon Journey	Beijing Horizon Robotics	60257989	PRC
34.	Horizon Journey	Beijing Horizon Robotics	60258023	PRC
35.	征程	Beijing Horizon Robotics	27877161	PRC
36.	征程	Beijing Horizon Robotics	27870823	PRC
37.	征程	Horizon Hong Kong	305750433	Hong Kong
38.	地平线征程	Beijing Horizon Robotics	27761830	PRC
39.	地平线征程	Beijing Horizon Robotics	27752418	PRC
40.	地平线征程	Beijing Horizon Robotics	30050569	PRC
41.	地平线征程	Horizon Hong Kong	305750398	Hong Kong
42.	Journey Together	Beijing Horizon Robotics	41716224	PRC
43.	Journey Together	Beijing Horizon Robotics	41738145	PRC
44.	Journey Together	Horizon Hong Kong	305868523	Hong Kong
45.	Horizon AIDI	Beijing Horizon Robotics	49613963	PRC
46.	Horizon AIDI	Beijing Horizon Robotics	49614055	PRC
47.	艾迪	Horizon Hong Kong	305750505	Hong Kong
48.	地平线艾迪	Beijing Horizon Robotics	49622489	PRC
49.	地平线艾迪	Beijing Horizon Robotics	49614047	PRC
50.	地平线艾迪	Horizon Hong Kong	305750514	Hong Kong
51.	Horizon Halo	Beijing Horizon Robotics	50120876	PRC
52.	Horizon Halo	Beijing Horizon Robotics	50149559	PRC




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No.	Trademark Registered	Owner	Registration Number	Places of Registration
53.	Horizon Hobot	Beijing Horizon Robotics	64491419	PRC
54.	Horizon Hobot	Beijing Horizon Robotics	64490874	PRC
55.	Horizon Matrix	Beijing Horizon Robotics	33267750	PRC
56.	Horizon Matrix	Beijing Horizon Robotics	33267753	PRC
57.	TogetherOS	Horizon Hong Kong	305750569	Hong Kong
58.	Horizon Together	Beijing Horizon Robotics	56500388	PRC
59.	Horizon Together	Beijing Horizon Robotics	56492617	PRC
60.	Horizon TogetherROS	Beijing Horizon Robotics	69041787	PRC
61.	Horizon TogetherROS	Beijing Horizon Robotics	69044724	PRC
62.	Horizon TROS	Beijing Horizon Robotics	69063904	PRC
63.	Horizon TROS	Beijing Horizon Robotics	69059125	PRC
64.	TogetherROS	Beijing Horizon Robotics	67215319	PRC
65.	TROS	Beijing Horizon Robotics	62400481	PRC
66.	踏歌	Beijing Horizon Robotics	64054687	PRC
67.	踏歌	Beijing Horizon Robotics	64054700	PRC
68.	地平线踏歌	Beijing Horizon Robotics	64063135	PRC
69.	地平线踏歌	Beijing Horizon Robotics	64039022	PRC
70.	地平线天工开物	Beijing Horizon Robotics	40702362	PRC
71.	地平线天工开物	Beijing Horizon Robotics	40705742	PRC
72.	地平线天工开物	Horizon Hong Kong	305750640	Hong Kong
73.	Horizon OpenExplorer	Beijing Horizon Robotics	40694529	PRC

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No.	Trademark Registered	Owner	Registration Number	Places of Registration
74.	Horizon OpenExplorer	Beijing Horizon Robotics	40705867	PRC
75.	OpenExplorer	Beijing Horizon Robotics	40698223	PRC
76.	OpenExplorer	Beijing Horizon Robotics	40701684	PRC
77.	OpenExplorer	Horizon Hong Kong	305750622	Hong Kong

As of the Latest Practicable Date, our Group had applied for the registration of the following trademarks which we consider to be material to our Group’s business:

No.	Trademark Registered	Owner	Application Number	Places of Registration
1.	Horizon Robotics	Horizon Hong Kong	305750479	Hong Kong
2.	地平线	Beijing Horizon Robotics	56344219	PRC
3.		Beijing Horizon Robotics	71812215	PRC
4.		Beijing Horizon Robotics	74026264	PRC
5.	Journey	Horizon Hong Kong	305750415	Hong Kong
6.	 地平线	Horizon Hong Kong	306501258	Hong Kong

(b) Patents

As of the Latest Practicable Date, we are the owner of the following material patents, details of which are as follows:

No.	Patent Description	Registered Owner	Place of Registration
1.	存儲裝置、方法、電子設備和存儲介質	Horizon Shanghai	PRC
2.	車輛換道的控制方法和裝置、電子設備和存儲介質	Horizon Anting	PRC
3.	自動駕駛控制方法和裝置、電子設備和存儲介質	Horizon Shanghai	PRC

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No.	Patent Description	Registered Owner	Place of Registration
4.	車輛控制方法、裝置和車輛	Horizon Anting	PRC
5.	車輛碰撞中的安全防護方法和裝置、電子設備和介質	Horizon Anting	PRC
6.	故障診斷電路、方法、裝置及計算機可讀存儲介質	Horizon Shanghai	PRC
7.	對目標的運動信息進行檢測的方法和裝置、設備和介質	Horizon Hangzhou	PRC
8.	對目標的運動信息進行檢測的方法和裝置、設備和介質	Horizon Hangzhou	Japan
9.	數據通路的保護電路、方法、裝置及計算機可讀存儲介質	Horizon Hangzhou	PRC
10.	待測試模塊的測試電路、方法及裝置	Horizon Hangzhou	PRC
11.	待測試模塊的測試電路、方法及裝置	Horizon Hangzhou	Japan
12.	確定硬件使用率的方法和裝置、存儲介質、電子設備	Horizon Hangzhou	PRC
13.	圖像拼接方法和裝置、計算機可讀存儲介質、電子設備	Horizon Hangzhou	PRC
14.	車道線擬合方法、裝置、介質以及電子設備	Beijing Horizon Robotics	PRC
15.	一種車輛導向提示方法及裝置	Beijing Horizon Robotics	PRC
16.	行車軌跡預測方法、裝置、電子設備及存儲介質	Horizon Shanghai	PRC
17.	一種信號燈狀態的估計方法及裝置	Beijing Horizon Robotics	PRC
18.	一種標誌物的匹配方法及裝置	Beijing Horizon Robotics	PRC
19.	一種車輛駕駛狀態的控制方法及裝置	Beijing Horizon Robotics	PRC
20.	一種目標對象的測距方法及裝置	Beijing Horizon Robotics	PRC
21.	一種目標檢測模型的確定方法及裝置	Beijing Horizon Robotics	PRC
22.	指令執行方法、裝置和電子設備	Beijing Horizon Robotics	PRC
23.	車輛行駛軌跡預測方法和裝置	Beijing Horizon Robotics	PRC
24.	最近障礙物的確定方法和裝置、存儲介質、電子設備	Beijing Horizon Robotics	PRC
25.	車輛行駛狀態的識別方法和裝置、存儲介質、電子設備	Beijing Horizon Robotics	PRC
26.	用於獲得和處理帶數字簽名信息的張量數據的方法和裝置	Horizon Information	PRC
27.	一種圖像特徵點的深度信息確定方法及裝置	Beijing Horizon Robotics	PRC

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No.	Patent Description	Registered Owner	Place of Registration
28.	相機俯仰角的調整方法和裝置、 存儲介質、電子設備	Beijing Horizon Robotics	PRC
29.	相機翻滾角的調整方法和裝置、 存儲介質、電子設備	Horizon Anting	PRC
30.	一種位姿確定方法及裝置	Beijing Horizon Robotics	PRC
31.	一種車輛狀態量信息確定方法及 裝置	Beijing Horizon Robotics	PRC
32.	運動狀態預測方法、裝置、電子 設備及車輛	Horizon Nanjing	PRC
33.	處理圖像的多個感興趣區域數據 的裝置和方法	Horizon Nanjing	PRC
34.	張量數據分塊存取的方法及裝置	Beijing Horizon Robotics	PRC
35.	特徵數據提取方法及裝置、指令 生成方法及裝置	Beijing Horizon Robotics	PRC
36.	存儲器訪問控制方法、裝置和電 子設備	Beijing Horizon Robotics	PRC
37.	存儲器訪問控制方法、裝置和電 子設備	Beijing Horizon Robotics	United States
38.	存儲器訪問控制方法、裝置和電 子設備	Beijing Horizon Robotics	Japan
39.	存儲器訪問控制方法、裝置和電 子設備	Beijing Horizon Robotics	Taiwan
40.	存儲器訪問控制方法、裝置和電 子設備	Beijing Horizon Robotics	South Korea
41.	電路檢測方法和數據檢測電路	Horizon Information	South Korea
42.	圖像處理方法、用於圖像處理的 指令的生成方法及裝置	Horizon Shanghai	Japan
43.	數據處理方法、裝置、電子設備 以及介質	Beijing Horizon Robotics	United States
44.	控制硬件模塊的方法及裝置、電 子設備和存儲介質	Horizon Shanghai	PRC
45.	控制硬件模塊的方法及裝置、電 子設備和存儲介質	Horizon Shanghai	United States

APPENDIX IV STATUTORY AND GENERAL INFORMATION

(c) Copyrights

As of the Latest Practicable Date, we owned the following copyrights which we consider to be material to our business:

No.	Copyright Name	Registered Owner	Place of Registration
1.	基於圖像序列的攝像頭的俯仰角估計系統	Horizon Shenzhen	PRC
2.	自動駕駛仿真及可視化調試軟件	Horizon Shenzhen	PRC
3.	自動駕駛傳感器狀態監測平台	Beijing Horizon Robotics	PRC
4.	地平線Journey2前視環境感知系統	Beijing Horizon Robotics	PRC
5.	計算機輔助駕駛感知測評系統	Horizon Information	PRC
6.	魚眼相機標定及畸變校正系統	Nanjing Development	PRC
7.	地平線艾迪問題管理平台	Beijing Horizon Robotics	PRC
8.	地平線天工開物工具鏈軟件	Beijing Horizon Robotics	PRC
9.	超級駕駛系統	Horizon Shanghai	PRC
10.	超級駕駛感知系統	Horizon Shanghai	PRC
11.	Horizon Robotics標誌	Beijing Horizon Robotics	PRC
12.	新版大腦圖形	Beijing Horizon Robotics	PRC

(d) Domain Name

As of the Latest Practicable Date, we had registered the following domain names which we consider to be material to our business:

No.	Domain Name	Registered Owner	Registration Date	Expiry Date
1.	horizon.cc	Horizon Information	2020-12-10	2029-12-10

Save as disclosed above, as of the Latest Practicable Date, there were no other intellectual property rights which are or may be material in relation to our business.

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C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests and short positions of our Directors in the share capital of our Company and its associated corporations following completion of the [REDACTED]

Save as disclosed in the section headed “Substantial Shareholders” and below, immediately following the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised and the Conversion at Mid-point), so far as our Directors are aware, none of our Directors and chief executive has any interests and short positions in our Shares, underlying Shares or debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) (i) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or (ii) which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (iii) which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) contained in the Listing Rules:

Name	Capacity/Nature of interest	Number and Class of Shares interested in	Approximate percentage of shareholding in the relevant class of Shares in our Company immediately following the completion of the [REDACTED]	Approximate percentage of shareholding in the total issued share capital of our Company immediately following the completion of [REDACTED]
Ms. Tao	Interest in controlled corporation, founder and beneficiary of a trust ⁽¹⁾	169,543,255 Class B Ordinary Shares	[REDACTED]%	[REDACTED]%
Dr. Liming Chen . .	Beneficial owner ⁽²⁾	10,171,440 Class B Ordinary Shares	[REDACTED]%	[REDACTED]%
Dr. Ya-Qin Zhang . .	Beneficial owner ⁽³⁾	847,236 Class B Ordinary Shares	[REDACTED]%	[REDACTED]%

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Notes:

1. Immediately following the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised and the Conversion at Mid-point), the entire interest of 169,543,255 Class B Ordinary Shares is held by HOPE Robotics Holdings Inc., which is held by Venus Robotics Limited as to 99% and Kai Robotics, Inc. as to 1%. Kai Robotics, Inc. is wholly-owned by Ms. Tao. Venus Robotics Limited is wholly-owned by the trustee of TAO Trust, the family trust established by Ms. Tao (as settlor) for the benefit of Ms. Tao and her family. Ms. Tao is deemed to be interested in the 169,543,255 Class B Ordinary Shares held by HOPE Robotics Holdings Inc. under the SFO.
2. Immediately following the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised and the Conversion at Mid-point), Dr. Liming Chen is entitled to receive up to 10,171,440 Class B Ordinary Shares pursuant to the share awards granted to him under the 2018 Share Incentive Plan, subject to the terms and conditions of such share awards.
3. Immediately following the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised and the Conversion at Mid-point), Dr. Ya-Qin Zhang is entitled to receive up to 847,236 Class B Ordinary Shares pursuant to the share awards granted to him under the 2018 Share Incentive Plan, subject to the terms and conditions of such share awards.

(b) Interests of the substantial shareholders in the Shares

Save as disclosed in “Substantial Shareholders”, immediately following the completion of the [REDACTED] and without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED] and assuming the Conversion at Mid-point, our Directors are not aware of any other person (not being a Director or chief executive of our Company) who will have an interest or short position in our Shares or the underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the issued voting shares of our Company.

(c) Interests of the substantial shareholders in other members of our Group

As of the Latest Practicable Date, our Directors are not aware of any persons who would, immediately following the completion of the [REDACTED], be directly or indirectly interested in 10% or more of the issued voting shares of the following member of our Group (other than our Company).

2. Particulars of Service Contracts

(a) Executive Directors

Each of the executive Directors [has] entered into a service contract with our Company under which they agreed to act as executive Directors for an initial term of three years commencing from the [REDACTED], which may be terminated by not less than three months’ notice in writing served by either the executive Director or our Company.

The appointments of the executive Directors are subject to the provisions of retirement and rotation of Directors under the Articles.

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(b) Non-executive Director and Independent Non-executive Directors

Each of the non-executive Directors and the independent non-executive Directors [has] signed an appointment letter with our Company for a term of three years with effect from the [REDACTED]. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles.

3. Director’s Remuneration

Save as disclosed in “Directors and Senior Management” and Note 11 to the Accountants’ Report set out in Appendix I to this Document for the three financial years ended December 31, 2021, 2022 and 2023, none of our Directors received other remunerations of benefits in kind from us.

4. Disclaimers

Save as disclosed in this Document:

- (a) none of the Directors or chief executive of our Company has any interest or short positions in the Shares, underlying Shares or debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to in that section, or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code, in each case once our Class B Ordinary Shares are [REDACTED] on the Stock Exchange;
- (b) none of our Directors is aware of any person (not being a Director or chief executive of our Company) who will, immediately following the completion of the [REDACTED] (without taking into account any Class B Ordinary Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] and assuming the Conversion at Mid-point), have an interest or short position in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is interested, directly or indirectly, in 10% or more of the issued voting shares of any member of our Group;
- (c) none of our Directors, their respective close associates (as defined under the Listing Rules) or Shareholders who own more than 5% of the number of issued shares of our Company have any interests in the five largest customers or the five largest suppliers of our Group; and
- (d) none of our Directors or any of the parties listed in “Qualifications of Experts” of this Appendix is:

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- (i) interested in our promotion, or in any assets which have been, within two years immediately preceding the date of this Document, acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to any member of our Group; or
- (ii) materially interested in any contract or arrangement subsisting at the date of this Document which is significant in relation to our business.

D. SHARE INCENTIVE PLANS

1. 2018 Share Incentive Plan

The following is a summary of the principal terms of the 2018 Share Incentive Plan, which was adopted by the Company in November 2018. The 2018 Share Incentive Plan is not subject to Chapter 17 of the Listing Rules as it does not involve any further grant of awards by the Company after the [REDACTED].

(a) Purpose

The purposes of the 2018 Share Incentive Plan are to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentives to selected employees, Directors and consultants and to promote the success of the Company’s business by offering these individuals or entities an opportunity to acquire a proprietary interest in the success of the Company, or to increase this interest by permitting them to acquire Shares of the Company.

(b) Eligible Participants

Only employees, Directors, and consultants, or trusts or companies established in connection with any employee benefit plan of the Company for the benefit of an employee, Director or consultant, shall be eligible for the grant of awards. Options may be granted to employees only. Awards other than options may be granted to employees, Directors and consultants.

(c) Types of Awards

The 2018 Share Incentive Plan provides for the grant of options, restricted share awards and restricted share units (“RSUs”).

(d) Duration

Unless otherwise determined by the Board, the term of the 2018 Share Incentive Plan shall be ten years commencing on the date of its adoption.

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(e) Administration

The 2018 Share Incentive Plan shall be administered by the Board or such other person approved and appointed by the Board (the “Administrator”). Subject to applicable law, the Administrator may delegate limited authority to specified officers of the Company to execute on behalf of the Company any instrument required to effect an award previously granted by the Administrator.

(f) Maximum Number of Shares

The maximum aggregate number of shares that may be issued under the 2018 Share Incentive Plan shall not exceed such number of shares as determined and approved by the members and the Board from time to time (as appropriately adjusted for subsequent share splits, share dividends and the like). As of the Latest Practicable Date, the maximum aggregate number of Class B Ordinary Shares that may be issued under the 2018 Share Incentive Plan is 1,516,134,974.

(g) Performance Target

The awards may be subject to performance goals or other criteria as set forth at the sole discretion of the Administrator.

(h) Restricted Period

The Restricted Period shall commence on the grant date and end at the time or times set forth on a schedule established by the Administrator in the applicable award agreement (the “Restricted Period”); provided, however, that notwithstanding any such vesting dates, the Administrator may in its sole discretion accelerate the vesting of any restricted award at any time and for any reason.

(i) Options

(i) Exercise price

Each option agreement shall specify the exercise price. The exercise price of an option shall be determined by the Administrator in its sole discretion which may be a fixed or variable price related to the fair market value of the shares on the date of grant, provided, however, that the exercise price may be not less than the fair market value on the date of grant, without compliance with Section 409A of the U.S. Internal Revenue Code of 1986 (the “Code”), or the optionee’s consent; provided further, that the exercise price of any option granted to any individual who, upon the date of grant, owns shares possessing more than ten percent (10%) of the total combined voting power of all classes of shares of the Company may not be less than one-hundred and ten percent (110%) of fair market value on the date of grant. Notwithstanding anything to the contrary in the foregoing, in the event of a transaction described in Section 424(a) of the Code, options may be issued at an exercise price other than as required by the foregoing.

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(ii) Vesting schedule

Fifty percent (50%) of the optioned shares shall vest on the first vesting date (such day to be deemed to be the last day of the month, when necessary), and remaining 50% optioned shares shall vest in equal annual installments over the following two (2) years, subject to the optionee's continuing to be an employee, Director, or consultant through these dates. Before or after execution of the option agreement, the vesting schedule may be modified or changed by the Administrator in its sole discretion as it deems necessary or appropriate where new agreement between the Company and the optionee shall be entered into regarding the said modification or change.

(iii) Term of Option

The option agreement shall specify the term of the option; provided, however, that the term shall not exceed ten (10) years from the date of grant; and further provided that any option shall not be exercisable for more than five (5) years from the date of grant if such option are granted to certain individual who, upon the date of grant, owns shares possessing more than ten percent (10%) of the total combined voting power of all classes of shares of the Company. Subject to the preceding sentence, the Administrator in its sole discretion shall determine when an option is to expire.

(j) *RSUs*

(i) General

The terms and conditions of a grant of RSUs shall be reflected in an award agreement. No Shares shall be issued at the time a RSU is granted, and the Company will not be required to set aside funds for the payment of any such award. A participant shall have no voting rights with respect to any RSU granted hereunder. To the extent provided in an award agreement, the holder of RSUs shall be entitled to be credited with dividend equivalent payments (upon the payment by the Company of dividends on Shares) either in cash or, at the sole discretion of the Administrator, in Shares having a fair market value equal to the amount of such dividends (and interest may, at the sole discretion of the Administrator, be credited on the amount of cash dividend equivalents at a rate and subject to such terms as provided by the Administrator), which accumulated dividend equivalents (and interest thereon, if applicable) shall be payable to the participant upon the release of restrictions on such RSUs, and if such RSUs are forfeited, the participant shall have no right to such dividend equivalent payments.

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(ii) Restrictions on RSUs

RSUs awarded to a participant shall be subject to (a) forfeiture until the expiration of the Restricted Period and satisfaction of any applicable performance goals during such period, to the extent provided in the applicable award agreement, and to the extent such RSUs are forfeited, all rights of the participant to such RSUs shall terminate without further obligation on the part of the Company and (b) such other terms and conditions as may be set forth in the applicable award agreement.

(iii) Settlement of RSUs

Upon the expiration of the Restricted Period with respect to any outstanding RSUs, the Company shall deliver to the Participant, or his or her beneficiary, without charge, one Share for each outstanding RSU and any dividend equivalent payments credited to the participant's account with respect to such RSUs and the interest thereon, if any; provided, however, that if explicitly provided in the award agreement, the Administrator may, in its sole discretion, elect to pay part cash or part cash and part Shares in lieu of delivering only Shares for vested RSUs. If a cash payment is made in lieu of delivering Shares, the amount of such payment shall be equal to the fair market value of the Shares as of the date on which the Restricted Period lapsed.

(k) *Restrictions on Transfer*

Unless otherwise determined by the Administrator and so provided in the applicable option agreement, restricted share purchase agreement or share award agreement (or be amended to provide), no award shall be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner (whether by operation of law or otherwise) other than certain circumstances stipulated in the Share Incentive Plan. The administrator may in its sole discretion make an award transferable only under certain conditions.

(l) *Change in Control*

In the event of a change in control, unless the option agreement, restricted share purchase agreement or share award agreement provides otherwise, each outstanding option shall be assumed or an equivalent option shall be substituted by, and each right of the Company to repurchase, redeem or reacquire Shares upon termination of a purchaser's relationship as an employee, Director, or Consultant shall be assigned to, the successor corporation or a parent or subsidiary of the successor corporation.

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Outstanding Awards

(a) *Options*

As of the Latest Practicable Date, our Company had granted outstanding options under the 2018 Share Incentive Plan to 537 grantees to subscribe for an aggregate of 394,746,975 Class B Ordinary Shares, representing approximately [REDACTED]% of the total issued share capital immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised and the Conversion at Mid-point), among which all options were held by our employees or former employees including one connected person, and none of the option was held by Directors, members of senior management, consultants or other connected persons of the Company. These options were granted with nominal consideration between June 2015 and April 2022 with exercise prices ranging from US\$0.000025 to US\$0.4677. The vesting periods of the options are one year or four years from the grant date. As of the Latest Practicable Date, 388,718,225 Class B Ordinary Shares underlying the options have been vested. We set forth below details of the outstanding options granted to the connected person and other grantees:

Name of Grantee	Position held at our Company	Address	Exercise Price <i>(US\$ per Share)</i>	Number of Class B Ordinary Shares subject to the options granted	Date of Grant	Vesting Period	Approximate percentage of shareholding immediately following completion of the [REDACTED] ⁽²⁾ %
Yufeng Zhang (張玉峰) ⁽¹⁾	Vice president and former Director	2-302, 34-3-3 Xinjiekouwai Street, Xicheng District Beijing PRC	from 0.0625 to 0.3777	11,000,000	from April 11, 2017 to January 15, 2021	4 years	[REDACTED]
Other grantees	-	-	from 0.000025 to 0.4677	383,746,975	from June 11, 2015 to April 15, 2022	1 year or 4 years	[REDACTED]
Total				394,746,975			[REDACTED]

Notes:

1. Yufeng Zhang served as our Director from May 2020 to March 2024.
2. Assuming no exercise of the [REDACTED] and the Conversion at Mid-point.

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(b) *RSUs*

As of the Latest Practicable Date, our Company had granted outstanding share awards under the 2018 Share Incentive Plan to 2,044 grantees to subscribe for an aggregate of 692,455,735 Class B Ordinary Shares, representing approximately [REDACTED]% of the total issued share capital immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised and the Conversion at Mid-point), among which all share awards were held by our employees or former employees including four connected persons, and none of the share awards were held by other Directors, members of senior management, consultants or other connected persons of the Company. These share awards were granted with nominal consideration and the vesting periods of which are one year or four years from the grant date. As of the Latest Practicable Date, 364,635,555 Class B Ordinary Shares underlying the share awards have been vested. We set forth below details of the outstanding RSUs granted to four connected persons and other grantees:

<u>Name of Grantee</u>	<u>Position held at our Company</u>	<u>Address</u>	<u>Number of Class B Ordinary Shares subject to the share awards granted</u>	<u>Date of Grant</u>	<u>Vesting Period</u>	<u>Approximate percentage of shareholding immediately following completion of the [REDACTED]⁽³⁾</u>
						%
Liming Chen (陳黎明)	Executive Director and president	Lane 377 Zhuxin Road Minhang District Shanghai PRC	10,171,440	from December 25, 2021 to April 15, 2023	1 year or 4 years	[REDACTED]
Ya-Qin Zhang (張亞勤)	Independent non-executive Director	Ziyuhuaifu Chaoyang District Beijing PRC	847,236	January 23, 2020	4 years	[REDACTED]
Yufeng Zhang (張玉峰) ⁽¹⁾	Vice president and former Director	2-302, 34-3-3 Xinjielouwai Street, Xicheng District Beijing PRC	15,674,860	from April 15, 2019 to January 15, 2024	1 year or 4 years	[REDACTED]
Feng Zhou (周峰) ⁽²⁾	Former Director	Room 401, Unit 4 Block 38 Hushu Xincun Hangzhou Zhengjiang PRC	22,305,190	from April 15, 2020 to January 15, 2022	1 year or 4 years	[REDACTED]
Subtotal			48,998,726			[REDACTED]
Other grantees	-	-	643,457,009	from April 5, 2016 to January 15, 2024	1 year or 4 years	[REDACTED]
Total			692,455,735			[REDACTED]

Notes:

1. Yufeng Zhang served as our Director from May 2020 to March 2024.
2. Feng Zhou served as our Director from August 2018 to March 2023.
3. Assuming the [REDACTED] is not exercised and the Conversion at Mid-point.

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Dilution Effect and Impact on Earnings per Share

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

2. Post-[REDACTED] Share Incentive Plan

A summary of the principal terms of the Post-[REDACTED] Share Incentive Plan conditionally approved and adopted in compliance with Chapter 17 of the Listing Rules by resolution of our Shareholders on [●] is as follows.

(a) Purpose

The purpose of the Post-[REDACTED] Share Incentive Plan is to incentivize and reward the Eligible Participants (as defined below) for their contribution to the Group and to align their interests with that of our Company so as to encourage them to work towards enhancing the value of our Company.

(b) Eligible Participants

The Board (which expression shall, for the purpose of this paragraph, include the Board or a duly authorized committee thereof) may, at its absolute discretion, offer to grant an option or a share award to subscribe for such number of Class B Ordinary Shares as the Board may determine to (a) an employee (whether full time or part-time) or a director of our Company or any of its subsidiaries (the “Eligible Employee(s)”) and (b) a consultant who provides services to the Group on a continuing and recurring basis in its ordinary and usual course of business which are material to the long term growth of the Group (“Service Provider(s)”, together with the Eligible Employees referred as the “Eligible Participant(s)”).

For the avoidance of doubt, Service Providers shall exclude placing agents or financial advisers providing advisory services for fundraising, mergers or acquisitions, and any professional service providers such as auditors or valuers.

The eligibility of any Eligible Employees shall be determined by the Board from time to time on the basis of the Board’s opinion as to, among others, the participant’s individual performance, time commitment, responsibilities or employment conditions according to the prevailing market practice and industry standard, the length of engagement with the Group and the actual or potential contribution to the development and growth of the Group.

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The eligibility of any Service Providers shall be determined by the Board from time to time on the basis of the Board’s opinion as to, among others, their contribution to the development and growth of the Group, the prevailing market practice and industry standard, the actual degree of involvement in and/or cooperation with the Group and length of collaborative relationship the Service Providers has established with the Group, and the amount of support, assistance, guidance, advice, efforts and contributions the Service Providers has exerted and given towards the success of the Group, and/or whether the person is regarded as a valuable consultant of the Group, taking into account the knowledge, experience, qualification, expertise and reputation of the Service Providers or other relevant factors (including without limitation technical know-how, market competitiveness, synergy between him/her and the Group and his/her strategic value).

(c) Maximum number of Shares

- (i) Subject to paragraphs (iv) and (v) below, the total number of Class B Ordinary Shares which may be issued upon exercise of all options and share awards to be granted under the Post-[REDACTED] Share Incentive Plan shall not in aggregate exceed [10]% of the total number of Shares in issue on the day on which [REDACTED] of the Class B Ordinary Shares [REDACTED] on the Stock Exchange (the “Plan Mandate Limit”). Options and share awards lapsed in accordance with the terms of the Post-[REDACTED] Share Incentive Plan will not be counted for the purpose of calculating the Plan Mandate Limit.
- (ii) Subject to paragraph (i) above, within the Plan Mandate Limit, the total number of Class B Ordinary Shares which may be issued upon exercise of all options and share awards to be granted to Service Providers shall not exceed [●]% of the total number of Shares in issue on the day on which trading of the Class B Ordinary Shares commences on the Stock Exchange (the “Service Providers Sublimit”).
- (iii) Subject to paragraph (iv) below, the Plan Mandate Limit and the Service Providers Sublimit may be refreshed at any time after three years from the date of Shareholders’ approval for the last refreshment (or the date on which the Post-[REDACTED] Share Incentive Plan is adopted, as the case may be) by approval of its Shareholders in general meeting provided that (1) any controlling shareholders and their associates (or if there is no controlling shareholder, directors (excluding independent non-executive directors) and the chief executive of our Company and their respective associates) must abstain from voting in favor of the relevant resolution at the general meeting; and (2) our Company must comply with the requirements under Rules 13.39(6), 13.39(7), 13.40, 13.41 and 13.42 of the Listing Rules. The requirements under (1) and (2) of this paragraph do not apply if the refreshment is made immediately after an issue of securities by our Company to the Shareholders on a pro rata basis as set out in Rule 13.36(2)(a) of the Listing Rules such that the unused part of the plan mandate (as a percentage of Shares in issue) upon refreshment is the same as the unused part of the plan mandate immediately before the issue of securities, rounded to the nearest whole Share.

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- (iv) The total number of Class B Ordinary Shares which may be issued upon exercise of all options and share awards to be granted under the Post-[REDACTED] Share Incentive Plan and any other plans of our Company under the plan mandate as refreshed must not exceed [10]% of the total number of Shares in issue as at the date of approval of the refreshed plan mandate.
- (v) Without prejudice to paragraph (iv) above, our Company may seek separate Shareholders' approval in a general meeting to grant options and/or share awards beyond the Plan Mandate Limit to participants specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to its Shareholders containing a general description of the specified participants, the number and terms of options and/or share awards to be granted, the purpose of granting options and/or share awards to the specified participants with an explanation as to how the terms of the options and/or share awards will serve such purpose and all other information required under the Listing Rules.

(d) Maximum entitlement of a grantee

Where any grant of options or share awards to a participant would result in the Class B Ordinary Shares issued and to be issued upon exercise of all options and/or share awards granted and to be granted to such participant (excluding any options and share awards lapsed in accordance with the terms of the Post-[REDACTED] Share Incentive Plan) in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the Shares in issue, such grant must be separately approved by the Shareholders in general meeting with such participant and his/her close associates (or his/her associates if the participant is a connected person) abstaining from voting. The number and terms (including the exercise price) of options and/or share awards to be granted to such participant must be fixed before Shareholders' approval.

(e) Grant and exercise of options and share awards

The Board or a duly authorized committee thereof may in its absolute discretion specify such event, time limit or conditions (if any) as it thinks fit when making such offer to the Eligible Participants, including, without limitation, conditions as to performance criteria (such as growth rate of revenue, earnings per share and/or total shareholders' return) to be satisfied or achieved by the Eligible Participants and/or our Company and/or the Group which must be satisfied before an option or a share award can be exercised.

An offer of the grant of an option or a share award shall be made to any Eligible Participants by letter in such form as the Board or a duly authorized committee thereof may from time to time determine specifying the number of Class B Ordinary Shares, the vesting period, the subscription price, the option period, the date by which the grant must be accepted and further requiring the Eligible Participants to hold the option or share award on the terms on which it is to be granted and to be bound by the provisions of the Post-[REDACTED] Share Incentive Plan. An option or a share award shall be deemed to have been granted and accepted and to have taken effect when the duplicate letter comprising acceptance of the offer of the grant of the option or share award duly signed by the grantee together with a payment to our

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Company and/or any of its subsidiaries of HK\$1 (or the equivalent of HK\$1 in the local currency of any jurisdiction where our Company and/or its subsidiaries operate, as the Board or a duly authorized committee thereof may in its absolute discretion determine) by way of consideration for the grant thereof is received by our Company within the time period specified in the offer of the grant of the option or share award.

An option or a share award shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favor of any third party over or in relation to any option or share award. Any breach of the foregoing by the grantee shall entitle our Company to cancel any outstanding entitlement of such grantee.

An option may be exercised in accordance with the terms of the Post-[REDACTED] Share Incentive Plan at any time during a period to be determined and notified by the Board to each grantee, which period may commence on a day falling at least 12 months after the date upon which the offer for the grant of options is made but shall end in any event not later than 12 years from the date on which an option is offered to a participant, subject to the provisions for early termination under the Post-[REDACTED] Share Incentive Plan. The minimum period for which an option or a share award must be held before it can be vested or exercised (if applicable) shall be 12 months from the date of grant of such option or share award, except that any options or share awards granted to an Eligible Employee may be subject to a short vesting period, including where:

- (i) grants of "make-whole" options or a share awards to new Eligible Employee(s) to replace options or share awards such Eligible Participant(s) forfeited when leaving their previous employers;
- (ii) grants to an Eligible Participant whose employment is terminated due to death or disability or event of force majeure;
- (iii) grants of options or share awards which are subject to fulfilment of performance targets as determined in the conditions of his/her grant;
- (iv) grants of options or share awards the timing of which is determined by administrative or compliance requirements, in which case the vesting date may be adjusted to take account of the time from which the options or share awards would have been granted if not for such administrative or compliance requirements;
- (v) grants of options or share awards with a mixed vesting schedule such as the options or share awards vest evenly over a period of 12 months; and
- (vi) grants of options or share awards with a total vesting and holding period of more than 12 months, such as where the options or share awards may vest by several batches with the first batch to vest within 12 months of the grant date and the last batch to vest 12 months after the date of grant of such options or share awards.

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(f) Subscription price

The amount payable for each Class B Ordinary Share to be subscribed for under an option (the "Subscription Price") in the event of the option being exercised shall be determined by the Board or a duly authorized committee thereof at its absolute discretion, which shall be not less than the highest of:

- (i) the nominal value of a Class B Ordinary Share;
- (ii) the closing price of the Class B Ordinary Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and
- (iii) the average closing price of the Class B Ordinary Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.

The amount payable for each Class B Ordinary Share to be subscribed for under a share award (the "Purchase Price") shall be determined by the Board or a duly authorized committee thereof at its absolute discretion, based on considerations such as the prevailing closing price of the Class B Ordinary Shares, the purpose of the share award and the contribution of the Eligible Participant.

(g) Options and share awards granted to connected persons

- (i) Any grant of options or share awards to a director, chief executive or substantial shareholder of the Company, or any of their associates must be approved by the independent non-executive Director (excluding any independent non-executive Director who is the grantee of the options or share awards. Any grant of options or share awards to a director who is a WVR Beneficiary shall subject to prior recommendation of the Corporate Governance Committee under Rule 8A.30(4) of the Listing Rules.
- (ii) Where any grant of share awards (excluding grant of options) to a director (other than an independent non-executive Director) or chief executive of the Company, or any of their associates would result in the shares issued and to be issued in respect of all share awards granted (excluding any share awards lapsed in accordance with the terms of the Post-[REDACTED] Share Incentive Plan) to such person in the 12-month period up to and including the date of such grant, representing in aggregate over 0.1% of the total number of Shares in issue, such further grant of share awards must be approved by the Shareholders at a general meeting of our Company, with voting to be taken by way of poll.
- (iii) Where any grant of options or share awards to an independent non-executive Director or a substantial shareholder of our Company or any of their respective associates would result in the Shares issued and to be issued in respect of all options

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and awards granted (excluding any options lapsed in accordance with the terms of the Post-[REDACTED] Share Incentive Plan) under the Post-[REDACTED] Share Incentive Plan and any other plans of our Company to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the total number of Shares in issue, such further grant of options or share awards must be approved by the Shareholders at a general meeting of our Company, with voting to be taken by way of poll.

Our Company shall send a circular to the Shareholders containing all information as required under the Listing Rules in this regard. The grantee, his/her associates and all core connected persons (as defined in the Listing Rules) of our Company shall abstain from voting (except where any core connected person intends to vote against the proposed grant and his/her intention to do so has been stated in the aforesaid circular). Any change in the terms of an option or a share award granted to a Director, a chief executive, a substantial shareholder of our Company or an independent non-executive Director or any of their respective associates is also required to be approved by Shareholders in the aforesaid manner if the initial grant of the options or share awards requires such approval.

(h) Restriction of grant of options and share awards

No option or share awards shall be offered or granted:

- (i) to any Eligible Participant after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision, until (and including) the trading day after the relevant price sensitive or inside information has been announced in accordance with the applicable provisions of law or the Listing Rules;
- (ii) to any Eligible Participant during the period commencing one month immediately before the following (whichever is earlier):
 - (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's annual, quarterly (if any) or half-yearly results; and
 - (b) the deadline for our Company to publish an announcement of its annual, quarterly (if any) or half-yearly results;

and ending on the date of the results announcement. No option or share award shall be granted during any period of delay in the publication of a results announcement;

- (iii) to any Director (except where the Subscription Price is to be determined by the Board or a duly authorized committee thereof at the time of exercise of the option):

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- (a) during the period of 60 days immediately preceding the publication of the annual results of our Company or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; or
- (b) during the period of 30 days immediately preceding the publication of the quarterly (if any) or half-yearly results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(i) Lapse of options and share awards

Any option or share award shall elapse automatically and not be exercisable on the earliest of:

- (i) the expiry of the option period or other applicable exercisable periods under the Post-[REDACTED] Share Incentive Plan;
- (ii) the expiry of the periods or the occurrence of the relevant event referred to in paragraphs (1)(i) and (1)(iii) below;
- (iii) subject as provide in the Post-[REDACTED] Share Incentive Plan, the date of the commencement of the winding-up of our Company;
- (iv) the date on which the grantee commits a breach of relevant clauses that rights are personal to the grantee; or
- (v) the occurrence or non-occurrence of any event, expiry of any period, or non-satisfaction of any condition, as specified in the letter containing the offer or grant of the relevant option or share award.

(j) Voting and dividend rights

No grantee shall enjoy any of the rights of a Shareholder (including but not limited to voting, dividend, transfer rights or any other rights attached to a Class B Ordinary Share) by virtue of the grant of an option or a share award pursuant to the Post-[REDACTED] Share Incentive Plan, unless and until the registration of the grantee (or such other person as may succeed to the grantee's title by operation of applicable laws and in compliance with the terms of the Post-[REDACTED] Share Incentive Plan) as the holder thereof.

For the avoidance of doubt, the trustee holding unvested Class B Ordinary Shares under the Post-[REDACTED] Share Incentive Plan, whether directly or indirectly, shall abstain from voting on matters that require shareholders' approval under the Listing Rules, unless otherwise required by law to vote in accordance with the beneficial owner's direction and such a direction is given.

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STATUTORY AND GENERAL INFORMATION

(k) Effects of alterations in the capital structure of our Company

In the event of a capitalization issue, rights issue, subdivision or consolidation of Class B Ordinary Shares or reduction of capital of our Company whilst an option or a share award remains outstanding, such corresponding adjustment (if any) certified by the auditors for the time being of or an independent financial adviser to our Company as fair and reasonable will be made to (a) the number of Class B Ordinary Shares to which the option or the share award relates, so far as outstanding, and/or (b) the Subscription Price of any outstanding option and the Purchase Price of any share awards, provided that (i) any such alteration shall give a grantee the same proportion of the issued share capital (rounded to the nearest whole Class B Ordinary Share) to which the grantee was entitled prior to such alteration; (ii) any such adjustments shall be made on the basis that the aggregate Subscription Price and Purchase Price payable by a grantee on the full exercise of any option or share award shall remain as nearly as possible the same as it was before such event; and (iii) no adjustment shall be made the effect of which would be to enable a Class B Ordinary Share to be issued at less than its nominal value. In addition, in respect of any such adjustments, other than any adjustment made on a capitalization issue, such auditors or independent financial adviser must confirm to the Board in writing that the adjustments comply with the relevant provisions of the Listing Rules (or any guideline or supplementary guideline as may be issued by the Stock Exchange from time to time).

(l) Rights on ceasing employment, death, or dismissal

- (i) If the grantee of an option or a share award is an employee and ceases to be an employee for any reason other than death, or for serious misconduct or other grounds referred to in sub-paragraph (iii) below before exercising his/her option or share award in full, the option or share award (to the extent not already exercised) will lapse automatically on the date of cessation of his/her employment or engagement with the Group.
- (ii) If the grantee of an option or a share award is an employee and ceases to be an employee by reason of his/her death, before exercising the option or share award in full, his/her legal personal representative(s), or, as appropriate, the grantee may exercise the option or share award (to the extent not already exercised) in whole or in part within a period of 12 months following the date of death of the grantee.
- (iii) If the grantee of an option or a share award is an employee and ceases to be an employee by reason that he has been guilty of serious misconduct or has committed any act of bankruptcy or has become insolvent or has made any arrangement or composition with his/her creditors generally, or has been convicted of any criminal offense involving his/her integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his/her employment summarily, his/her option or share award will lapse automatically on the date of cessation of his/her employment with the Group.

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(m) Rights on takeover and plans of compromise or arrangement

If a general or partial offer (whether by way of take-over offer, share repurchase offer or otherwise in like manner other than by way of a plan of arrangement) is made to all the holders of Class B Ordinary Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or in concert with the offeror) our Company shall use its best endeavors to procure that such offer is extended to all the grantees (on the same terms mutatis mutandis, and assuming that they will become, by the exercise in full of the options and/or share awards granted to them, Shareholders of our Company). If such offer becomes or is declared unconditional, the grantee (or his/her legal personal representative(s)) shall be entitled to exercise the grantee's outstanding entitlement in full at any time within 14 days after the date on which such general offer becomes or is declared unconditional.

(n) Rights on a voluntary winding-up

In the event of an effective resolution being passed for the voluntary winding-up of our Company or an order of the court being made for the winding-up of our Company, notice thereof shall be given by our Company to grantees with options and/or share awards outstanding in full or in part at such date. If a grantee immediately prior to such event had any outstanding entitlement, the grantee (or his legal personal representative(s)) may by notice in writing to our Company within 21 days after the date of such resolution elect to be treated as if the entitlement had been exercised immediately before the passing of such resolution either to its full extent or to the extent specified in the notice, such notice to be accompanied by a remittance for the full amount of the aggregate Subscription Price or Purchase Price for the Class B Ordinary Shares in respect of which the notice is given, whereupon the grantee shall be duly transferred with the relevant Class B Ordinary Shares (or treated as such by our Company) and entitled to receive out of the assets available in the liquidation pari passu with the holders of Class B Ordinary Shares such sum as would have been received in respect of the Shares that are the subject of such election.

(o) Ranking of Shares

The Class B Ordinary Shares underlying the options and the share awards will be subject to all the provisions of the Articles of Association of our Company for the time being in force and will rank pari passu with the fully paid Class B Ordinary Shares in issue on the date of such transfer and accordingly will entitle the holders to participate in all dividends and other distributions paid or made on or after the date of such transfer other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor falls before the date of such transfer.

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(p) Duration

The Post-[REDACTED] Share Incentive Plan shall be valid and effective for a period of 10 years commencing on the date when the Post-[REDACTED] Share Incentive Plan becomes unconditional, after which period no further options or share awards will be granted by the provisions of the Post-[REDACTED] Share Incentive Plan, but the provisions of the Post-[REDACTED] Share Incentive Plan shall remain in full force and effect to the extent necessary to give effect to the exercise of any options or share awards granted prior thereto or otherwise as may be required in accordance with the provisions of the Post-[REDACTED] Share Incentive Plan.

(q) Alteration of the Plan

The Board may subject to the rules of the Post-[REDACTED] Share Incentive Plan amend any of the provisions of the Post-[REDACTED] Share Incentive Plan at any time (but not so as to affect adversely any rights which have accrued to any grantee at that date).

Any alterations to the terms and conditions of the Post-[REDACTED] Share Incentive Plan which are of a material nature, and any change to the terms of any options or share awards granted to the advantage of Eligible Participants, shall be subject to the approval of the Shareholders in general meeting and, where required under the Listing Rules, the Stock Exchange.

Any change to the terms of options or share awards granted to an Eligible Participant must be approved by the Board, the remuneration committee, the independent non-executive Directors and/or the Shareholders (as the case may be) if the initial grant of the options or share awards was approved by the Board, the remuneration committee, the independent non-executive Directors and/or the Shareholders (as the case may be). Such requirement does not apply where the alterations take effect automatically under the existing terms of the Post-[REDACTED] Share Incentive Plan.

(r) Cancellation of options and share awards

Any cancellation of options or share awards granted may be effected on such terms as may be agreed with the relevant grantee, as the Board may in its absolute discretion sees fit and in a manner that complies with all applicable legal requirements for such cancellation. Where our Company cancels options and/or share awards granted to a participant and makes a new grant to the same participant, such new grant may only be made under the Post-[REDACTED] Share Incentive Plan with available Plan Mandate Limit approved by the Shareholders. The options or share awards canceled will be regarded as utilized for the purpose of calculating the Plan Mandate Limit.

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(s) Clawback

The Board may, at its absolute discretion, determine such malus and/or clawback provisions to be applied to an option and a share award or an offer of grant so as to provide, upon the occurrence of the applicable malus and/or clawback event(s) such as serious misconduct, a material misstatement in our Company's financial statements and fraud. If the Board exercises its discretion under this paragraph, it will give the relevant grantee written notice of such determination and the Board's interpretation of and determination pursuant to this paragraph shall be final, conclusive and binding.

(t) Termination

Our Company by resolution in general meeting or the Board may at any time terminate the operation of the Post-[REDACTED] Share Incentive Plan and in such event no further options or share awards will be offered but the provisions of the Post-[REDACTED] Share Incentive Plan shall remain in full force in all other respects. All options and share awards granted prior to such termination shall continue to be valid and exercisable in accordance with the terms of the Post-[REDACTED] Share Incentive Plan.

(u) Value of option and share awards

Our Directors consider it inappropriate to disclose the value of options and/or share awards which may be granted under the Post-[REDACTED] Share Incentive Plan as if they had been granted as of the Latest Practicable Date. Any such valuation will have to be made on the basis of a certain option and/or share awards pricing model or other method that depends on various assumptions including the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options or share awards have been granted, certain variables are not available for calculating the value of options or share awards. Our Directors believe that any calculation of the value of options and share awards granted as of the Latest Practicable Date would be based on a number of speculative assumptions that are not meaningful and would be misleading to investors.

(v) General

As of the Latest Practicable Date, no options or share awards had been granted or agreed to be granted under the Post-[REDACTED] Share Incentive Plan.

E. OTHER INFORMATION

1. Litigation

As of the Latest Practicable Date, we are not aware of any other litigation or arbitration proceedings of material importance pending or threatened against us or any of our Directors that could have a material adverse effect on our financial condition or results of operations.

APPENDIX IV **STATUTORY AND GENERAL INFORMATION**

2. No Material Adverse Change

The Directors confirm that there has been no material change in the financial or trading position or prospects of our Group since December 31, 2023 (being the date to which the latest audited consolidated financial statements of our Group were prepared) and up to the date of this Document.

3. The Joint Sponsors and Joint Sponsors’ fees

The Joint Sponsors are independent from our Company pursuant to Rule 3A.07 of the Listing Rules. The fee payable by our Company to the Joint Sponsors to act as sponsor to our Company in connection with the [REDACTED] is US\$500,000 each.

4. Preliminary expenses

We have not incurred any material preliminary expenses.

5. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

6. Qualification of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this Document:

<u>Name</u>	<u>Qualification</u>
Goldman Sachs (Asia) L.L.C.....	A licensed corporation to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
Morgan Stanley Asia Limited.....	A licensed corporation to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

APPENDIX IV STATUTORY AND GENERAL INFORMATION

<u>Name</u>	<u>Qualification</u>
China Securities (International) Corporate Finance Company Limited	A licensed corporation to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
King & Wood Mallesons	Legal adviser to our Company as to PRC laws
Maples and Calder (Hong Kong) LLP	Legal adviser to our Company as to Cayman Islands laws
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) and Registered Public Interest Entity Auditor under Accounting and Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
China Insights Industry Consultancy Limited	Industry consultant

7. Consent of Experts

Each of the experts named above has given and has not withdrawn its respective written consent to the issue of this Document with the inclusion of its report and/or letter and/or opinion and/or the references to its name included in this Document in the form and context in which it is respectively included.

8. Binding Effect

This Document shall have the effect, if an application is made in pursuance of this Document, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

9. Bilingual document

The English and Chinese language versions of this Document are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

F. MISCELLANEOUS

Save as otherwise disclosed in this Document:

- (a) within the two years preceding the date of this Document: (i) we have not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash; and (ii) no commissions, discounts, brokerage fee or other special terms have been granted in connection with the issue or sale of any shares of our Company;
- (b) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;
- (c) we have not issued nor agreed to issue any founder shares, management shares or deferred shares;
- (d) there are no arrangements under which future dividends are waived or agreed to be waived;
- (e) there are no contracts for hire or hire purchase of plant to or by us for a period of over one year which are substantial in relation to our business;
- (f) there have been no interruptions in our business which may have or have had a significant effect on our financial position in the last 12 months;
- (g) there are no restrictions affecting the remittance of profits or repatriation of capital by us into Hong Kong from outside Hong Kong; and
- (h) no part of the equity or debt securities of our Company, if any, is currently listed on or dealt in on any stock exchange or trading system, and no such listing or permission to list on any stock exchange other than the Hong Kong Stock Exchange is currently being or agreed to be sought.

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR
OF COMPANIES AND AVAILABLE ON DISPLAY**

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this Document delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

- (a) the written consents referred to in the section headed “Statutory and General Information — E. Other Information — 7. Consent of Experts” in Appendix IV to this Document; and
- (b) a copy of each of the material contracts referred to in the section headed “Statutory and General Information — B. Further Information about our business — 1. Summary of Material Contracts” in Appendix IV to this Document.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the Company’s website (<https://cn.horizon.cc/>) and the Stock Exchange’s website (<https://www.hkexnews.hk>) up to and including the date which is 14 days from the date of this Document:

- (a) the Memorandum and Articles of Association of our Company;
- (b) the audited consolidated financial statements of our Company for the three financial years ended December 31, 2021, 2022 and 2023;
- (c) the Accountant’s Report from PricewaterhouseCoopers, the text of which is set out in Appendix I to this Document;
- (d) the report on the unaudited [REDACTED] financial information from PricewaterhouseCoopers, the text of which is set out in Appendix II to this Document;
- (e) the legal opinion issued by King & Wood Mallesons, our PRC Legal Adviser in respect of general matters and property interests of our Group in the PRC;
- (f) the letter of advice from Maples and Calder (Hong Kong) LLP, our legal adviser as to the law of the Cayman Islands, summarizing certain aspects of the Cayman Companies Act referred to in Appendix III to this Document;
- (g) the report issued by China Insights Industry Consultancy Limited, a summary of which is set forth in the section headed “Industry Overview”;
- (h) the material contracts referred to in the section entitled “Statutory And General Information — B. Further Information about Our Business — 1. Summary of Material Contracts” in Appendix IV to this Document;

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR
OF COMPANIES AND AVAILABLE ON DISPLAY**

- (i) the written consents referred to in the section entitled “Statutory and general information — E. Other Information — 7. Consents of Experts” in Appendix IV to this Document;
- (j) the service contracts and the letters of appointment with our Directors referred to in the section headed “Statutory and General Information — C. Further Information about Our Directors — 2. Particulars of Service Contracts” in Appendix IV to this Document;
- (k) the terms of the Share Incentive Plans; and
- (l) the Cayman Companies Act.

DOCUMENT AVAILABLE FOR INSPECTION

A copy of a list of grantees under the 2018 Share Incentive Plan, containing all details as required under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, will be available for inspection at the office of Davis Polk & Wardwell at 10th Floor, The Hong Kong Club Building, 3A Chater Road, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this Document.