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## **Application Proof of**

# **Beijing 51WORLD Digital Twin Technology Co., Ltd.**

**北京五一视界数字孪生科技股份有限公司**

(the “Company”)

*(a joint stock company incorporated in the People’s Republic of China with limited liability)*

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### Beijing 51WORLD Digital Twin Technology Co., Ltd. 北京五一视界数字孪生科技股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

[REDACTED]

Number of [REDACTED] under the [REDACTED]	:	[REDACTED] H Shares (subject to the [REDACTED])
Number of [REDACTED]	:	[REDACTED] H Shares (subject to reallocation)
Number of [REDACTED]	:	[REDACTED] H Shares (subject to reallocation and the [REDACTED])
Maximum [REDACTED]	:	[REDACTED] per H Share 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 application in Hong Kong dollars and subject to refund)
Nominal value	:	RMB1.00 per H Share
Stock code	:	[REDACTED]

Joint Sponsors, [REDACTED]



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Our Company is a Specialist Technology Company (as defined in Chapter 18C of the Listing Rules). The securities of Specialist Technology Companies carry high investment risks including risks of share price volatility and inflated valuation due to the difficulty in valuing such companies. Investors should fully understand the investment risks of a Specialist Technology Company and the risks disclosed by our Company before making their investment decisions.

[REDACTED]

[REDACTED]

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**IMPORTANT**

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## **IMPORTANT**

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**[REDACTED]**

**EXPECTED TIMETABLE<sup>(1)</sup>**

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[REDACTED]

**EXPECTED TIMETABLE<sup>(1)</sup>**

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[REDACTED]

**EXPECTED TIMETABLE<sup>(1)</sup>**

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[REDACTED]

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## SUMMARY

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*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 the [REDACTED]. In particular, we are a specialist technology company seeking to [REDACTED] on the Main Board of the Hong Kong Stock Exchange under Chapter 18C of the Listing Rules on the basis that we are unable to meet the requirements under Rule 8.05(1), (2) or (3) of the Listing Rules. There are unique challenges, risks and uncertainties associated with [REDACTED] in companies such as ours. In addition, we have incurred net losses since our inception, and we may incur net losses for the foreseeable future. We had negative net cash flow from operating activities during the Track Record Period. We did not declare or pay any dividends during the Track Record Period and may not pay any dividends in the foreseeable future. Your [REDACTED] decision should be made in light of these considerations.*

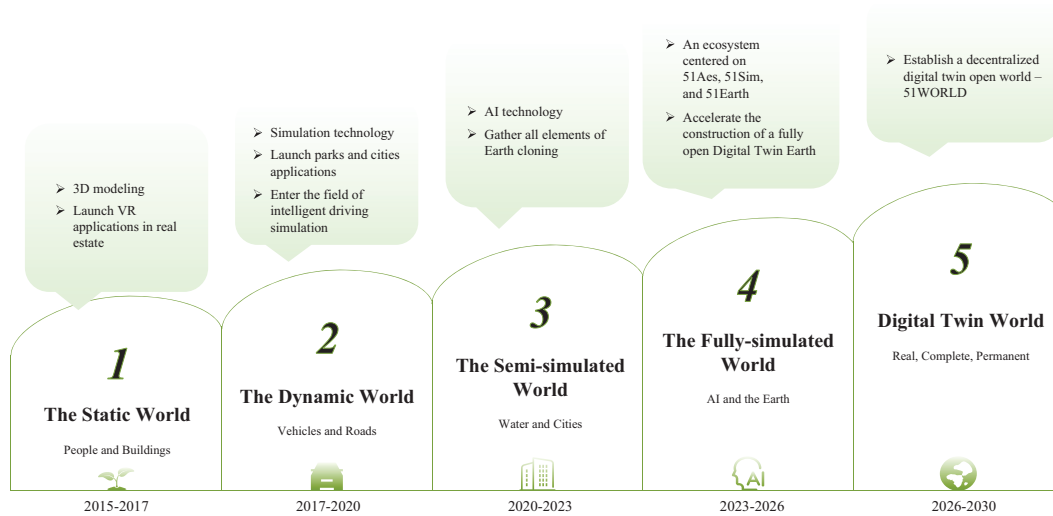
*There are risks associated with any investment. Some of the particular risks in [REDACTED] in the [REDACTED] are set out in the section headed “Risk Factors.” You should read that section carefully before you decide to [REDACTED] in the [REDACTED].*

## OVERVIEW

We are a leading technology company in the digital twin industry in China dedicated to cloning 510 million square kilometers of the Earth. We have invested heavily in and developed core competencies in technology around three major areas: 3D graphics, simulation, and AI. We aim to provide eco-partners including enterprises, consumers and developers with solutions to access and build digital twins and work together with them to create a real, complete, and permanent “Digital Twin Earth” which will in the end enhance the efficiency, safety, and quality of the real world as well as provide people with new perspectives and technologies to understand and improve our world. We refer to this initiative as our Earth Clone Project.

We were founded in February 2015. Based on the significant growth in the amount of information data and the swift advancement of information carriers, our founder keenly observed that real-time 3D would become the most effective way of information interaction after text, images, and video and is an inevitable outcome of the development of the information age. At that time, real-time 3D was mainly used in the field of games to immerse users in a virtual world of entertainment interaction. In light of the ongoing advancements in technology and the increasing focus on industrial applications, we have chosen to expand the scope of our real-time 3D capabilities to a broader field. Our aim is to build a 1:1 digital twin scene with the real world to enhance the efficiency, safety, and quality of the real world. Over the past decade, we have consistently viewed the Earth Clone Project as a driving force behind our Company’s growth and innovation. With our keen judgment and profound understanding of the industry, we believe Earth cloning can be broken down into five categories of elements, namely buildings, roads, plants, water, and terrain, and five stages, namely the static world, the dynamic world, the semi-simulated world, the fully-simulated world, and the digital twin world.

## SUMMARY



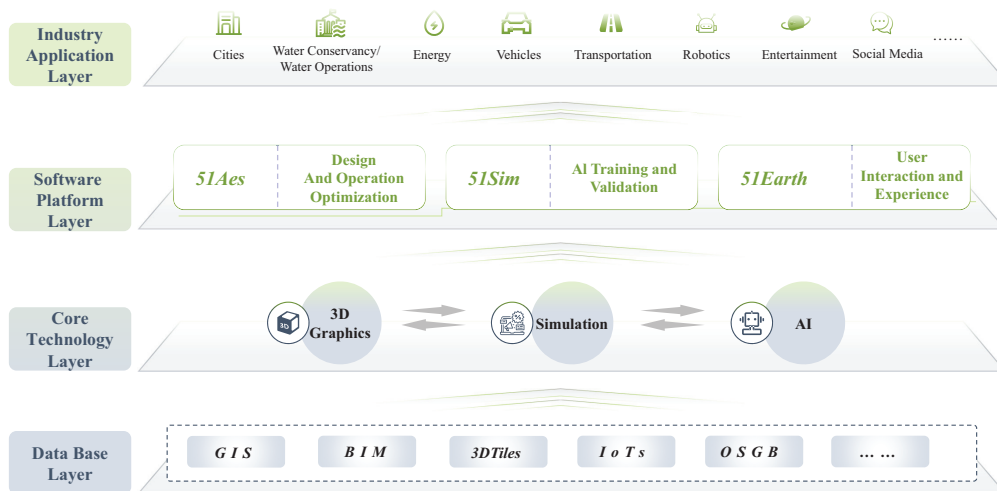
Thus far, we have entered the fourth stage of Earth cloning, achieved real-time generation and rendering of the entire Earth and successfully commercialized at scale the cloning technology that generates a city a day. Our goal is to complete the fifth stage in 2030, with the aim of solving real-world problems in areas such as traffic, AI training, spatial and temporal immersion, security warnings, climate prediction, and energy. With a compelling vision, we have set a clear development path and achieved several milestones through continuous technological breakthroughs, product iterations, and scenario extensions:

- We are the all-around leader in the digital twin industry in China, ranking first in the following key metrics for technology companies, according to Frost & Sullivan:
  - We were the first in the digital twin industry to propose and consistently implement the Earth Clone Project;
  - We ranked first in terms of revenue in 2023 in the digital twin industry;
  - We ranked first in terms of the amount of financing in the digital twin solution market in China as of the Latest Practicable Date;
  - We were the first to achieve revenue of HK\$250 million in a year in the digital twin industry in China;
  - We are the sole company in the industry capable of providing one-stop digital twin solutions; and
  - We developed the first digital twin scenario accuracy and application value grading system in the digital twin industry.
- We have formed three core businesses, namely 51Aes (Digital Twin Platform), 51Sim (Synthetic Data and Simulation Platform) and 51Earth (Digital Earth Platform), and have released commercialized products and solutions in all of these three business lines.
- We have abundant IP rights and play an active role in shaping domestic and international standards. As of the Last Practicable Date, we had 258 software copyrights and valid authorized patents, and had participated in the formulation of 36 national, local and group standards for digital twins and related applications.
- We have built a substantial customer base. Since our inception, we have provided our products and solutions to more than 1,000 enterprise customers spanning across 19 countries and regions.

## SUMMARY

### OUR BUSINESS AND PRODUCTS

With our profound understanding and interdisciplinary application of the three core technologies of digital twin, namely 3D graphics, simulation, and AI, as well as our engineering and commercialization capabilities across these three technologies, we have gradually built up the 51WORLD digital twin ecosystem, including four layers: data base layer, core technology layer, software platform layer, and industry application layer.



#### *Data Base Layer*

Data is the foundation of our development. Our data comes from a comprehensive database of builders, developers, business partners, and in-house developers and in various models, such as GIS, BIM, 3DTiles, IoTs, and OSGB. According to Frost & Sullivan, we are the only company in China that masters the full-stack of synthetic data paths, including the route of simulation and graphic rendering, the route of scene reconstruction based on the radiation field, the route of generation based on video generation model, and based on which we have built comprehensive commercialized synthesis data solutions in the digital twin industry. Based on the self-developed digital asset platform, which mainly contains semantic information and model information, we will continue to improve data accumulation with the contribution of builders and business partners, and provide 51WORLD ecosystem and third-party ecosystems with data solutions for various industry applications.

#### *Core Technology Layer*

Technological capabilities are an important cornerstone of our industry leadership, and we are leading the way in three important technologies in the field of digital twins in China:

- **3D graphics.** We are a pioneer in the industry to adopt a series of innovative methods to process and fuse multi-source heterogeneous spatial data, forming a comprehensive multi-source heterogeneous data fusion technology system to achieve more significant systematic technical advantages. We are a pioneer in China that is capable of generating all-element scenes with one click, achieves the coding and mapping capability of large-scale digital twins, and has the real-time scheduling capability of digital twin scenes at the level of city clusters.
- **Simulation.** We have accumulated a complete simulation technology chain and are the sole company in the digital twin industry that can provide full-stack simulation-related solutions. Our simulation technology has a wide range of applications, such as intelligent

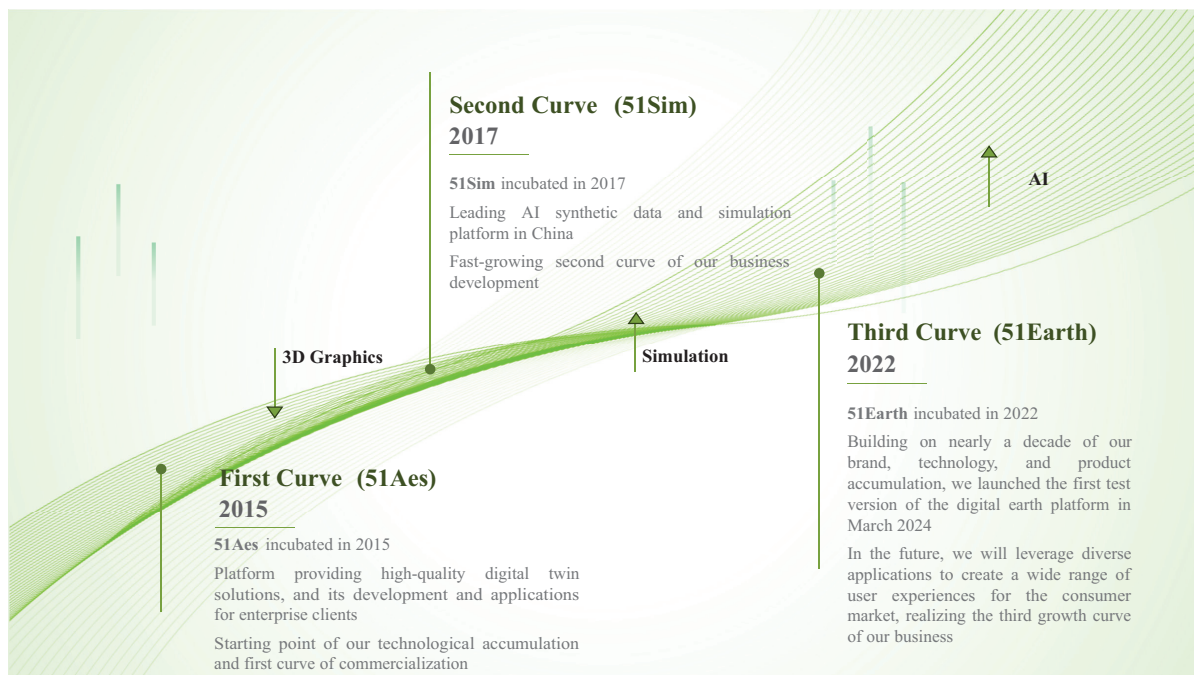
## SUMMARY

driving, intelligent transportation, engineering systems, natural environment, event emergency response and other extensive application scenarios, with extensive coverage of simulation technology and simulation deduction applications in China.

- **AI.** We can use the data generated by the virtual scene to continuously train AI and expand simulation capabilities, which can help accelerate the iteration of AI algorithms and application maturity, forming an “AI gym”. We have introduced AI-assisted recognition and automated discrimination correction functions, which greatly improve the efficiency of the construction of digital twin bases and reduce the cost. Besides, we support real-time scene generation in the cloud.

### *Software Platform Layer*

To realize Earth Clone Project, we have launched three major platforms in phases in line with market demand and technological maturity, which we refer to as the “three-curve” of our businesses.



### *First Curve: 51Aes Digital Twin Platform*

51Aes, our digital twin development and application platform, established in 2015, aims to enhance enterprise customer design and operational efficiency. It is committed to realizing the transformation of digital intelligence across various industries. We pioneered the development of the digital twin scenario accuracy and application value grading system in China. The three core products of 51Aes include AES (All Elements Scene), WDP (digital twin SaaS platform), and ISE (infinite simulation engine). The industry solutions offered by 51Aes include 51CIM (City Information Modeling), 51WIM (Water Information Modeling), and 51XIM (Industrial and Energy Information Modeling), covering more than 10 sectors such as cities, parks, village, water conservation, water affairs, industry, energy, real estate, medical care, and education.

## SUMMARY

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### *Second Curve: 51Sim Synthetic Data and Simulation Platform*

51Sim, incubated in 2017, is a leading synthetic data and simulation platform in China. Its core products include SimOne, a simulation platform for intelligent driving and robotics, DataOne, a data closed-loop and synthetic data platform, and TIM, a platform for traffic information modeling. Utilizing advanced data-driven simulation technology, distributed cloud simulation technology, end-to-end simulation technology, generative AI technology and other core technologies, 51Sim provides customers with software products and solutions for intelligent driving simulation testing and synthetic data used for AI system training. These products help developers better understand the performance of the intelligent driving system in different scenarios and continuously optimize and improve the autonomous driving algorithms to improve the safety and performance of the system. 51Sim is a mass-production oriented simulation platform in China, and has already provided commercialized services to hundreds of customers in the intelligent driving industry. Besides, several products of 51Sim have strong pan-industry extensibility, and are intended to build general simulation and synthetic data platforms for more industries.

### *Third Curve: 51Earth Digital Earth Platform*

Incubated in 2022, 51Earth embodies a decade of our brand, technology and product development. We anticipate that 51Earth will be the key platform for delivering unique digital experiences through diverse applications. This platform aims to build a community connecting builders and developers with consumers, providing them with platforms, products and economic systems, to engage hundreds of millions of users around the world to participate in the Earth Clone Project and experience diverse application scenarios. Through these diverse applications, we strive to create distinctive experiences for consumers and drive sustained business growth and expansion. We launched 51Earth.com on March 1, 2024, offering free access to 51Earth Builder and 51Earth Dev Kit on July 1, 2024. As of the Latest Practicable Date, 51Earth.com has attracted thousands of builders and developers.

### ***Industry Application Layer***

Our industry solutions span over 10 sectors, such as cities, water conservation, energy, automotive, transportation, robotics, entertainment, and social media. Below are the advantages of our industry solutions.

- **Uniqueness.** In response to the massive data demands of the AI 2.0 era, we have developed a synthetic data platform by integrating advanced technologies such as graphic simulation, 3D reconstruction, and generative AI. This platform provides high-quality, diversified, and cost-effective synthetic data, offering comprehensive support for the development of embodied AI. Currently, our synthetic data boasts an authenticity rate of 90% scene controllability of 100%, and multi-sensibility consistency of 100%, significantly enhancing the efficiency and quality of data production.
- **Leadership.** We excel in development iteration and test validation for intelligent driving, providing industry-leading one-stop solutions that include data-driven closed-loop cloud simulation, end-to-end simulation, and X-in-the-Loop simulation. Our platforms feature a cloud-edge integrated product architecture, enabling highly flexible deployment and management. Our perceptual and end-to-end simulation capabilities offer comprehensive simulations of real-world driving environments and complex scenarios to ensure the accuracy and reliability of results. These advanced technologies and solutions enable our customers to accelerate R&D and mass production of intelligent driving technologies,

## SUMMARY

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fostering rapid industry innovation. The current confidence levels for our dynamics simulation, LIDAR simulation, and camera simulation are up to 95%, 95%, and 90%, respectively.

- **Ease of use.** We provide our eco-partners with user-friendly digital twin software tools. Leveraging our extensive experience and technology in digital twin market across various fields, we have developed the WDP digital twin SaaS platform. By cloud-enabling the AES digital base and offering commonly used functions, we provide our partners with a faster, more flexible, efficient, and accessible tool platform. This platform can be utilized by industry end-users or secondary developers to create digital twin scenarios of relatively low complexity, reducing development costs by over 90% and increasing application development efficiency by 50%.
- **Scalability:** 51Earth’s latest technology generation facilitates seamless scaling of 3D generation and rendering from component-level (microscopic) to terrestrial (macroscopic) levels. Additionally, our real-time generation technology reduces the capacity of whole earth-level data significantly, extending the availability of data products from large enterprises and organizations to small and medium-sized enterprises and individual users. Our products support real-time generation and rendering either on endpoints or in the cloud, allowing end-users to experience and interact with the platform on various hardware devices, such as PCs, mobiles, and XR devices.
- **Comprehensiveness.** We offer the comprehensive solution by integrating various data types to build a real-time, panoramic twin system model. The Haidian City Brain, developed in collaboration with ZGC World and Baidu, enables real-time sensing of the city’s operational status, efficient resource deployment, and rapid response to urban safety emergencies. This system incorporates data from approximately 170,000 buildings, city components, and business systems (including more than 14,500 cameras and 10,000 sensors) with medium-precision coverage across Haidian and high-precision coverage in the 3 square kilometers of Zhongguancun’s West Zone. It ensures real-time perception of city operations, efficient resource allocation, and swift feedback on urban security issues.

## SUMMARY

The table below sets out a summary for how each of our products and solutions falls within acceptable sectors of a Specialist Technology Industry as defined under Chapter 18C of the Listing Rules:

Specialist Technology Products	Specialist Technology Industry Acceptable Sectors	Main Function Analysis	Major Customer Type and Customer Demand Drivers	Pricing and Payment
51Aes	<p>Metaverse technology:</p> <ul style="list-style-type: none"> <li>- Virtual reality (VR): technology providing lifelike simulation of reality synthetically or virtually</li> </ul>	<p>51Aes focuses on providing high-quality digital twin development and application services, encompassing various sectors such as cities, parks, water conservation, water affairs, industry and energy.</p>	<p>Our customers for 51Aes products and solutions are mainly enterprises.</p> <p>According to Frost &amp; Sullivan, China’s digital twin design and operation optimization solution market is primarily driven by rising demand from enterprise-level customers, expanding application scenarios, and continuous improvement of the ecosystem. For more details, see “Industry Overview—Digital Twin Solutions for Design and Operation Optimization—Drivers and Trends of China’s Digital Twin Design and Operation Optimization Solution Market.”</p>	<p>Our 51Aes products and solutions are primarily priced based on scene and function customization. For scene, pricing depends on the level of digital twin accuracy and the size of the area—higher accuracy and larger areas result in higher costs. For function customization, the price is determined by the complexity and the required man-days—more complex functions and longer development time lead to higher pricing. Additionally, our WDP software is available as standard products on a subscription or license basis, with fixed pricing for each version.</p> <p>For 51Aes products and solutions, customers are generally required to pay the purchase price upon acceptance of our products or solutions.</p>
51Sim	<p>Electric and autonomous vehicles</p> <p>Advanced transportation technology</p> <p>AI</p>	<p>Based on the most advanced full-chain closed-loop simulation technology, scenario simulation technology, distributed cloud simulation technology, end-to-end simulation technology, 51Sim provides customers with software products and solutions for intelligent driving simulation and testing, help R&amp;D personnel to better test the performance of intelligent driving technology in different scenarios, and continuously optimize and improve the intelligent driving algorithms to enhance the safety and performance of intelligent driving technology.</p>	<p>Our customers for 51Sim products and solutions are mainly domestic OEMs and automotive primary and secondary suppliers.</p> <p>According to Frost &amp; Sullivan, China’s digital twin AI training and validation solution market is primarily driven by rising demand for intelligent driving simulation and testing, robot simulation testing, and synthetic data. For more details, see “Industry Overview—Digital Twin Solutions for AI Training and Validation—Drivers and Trends of China’s Digital Twin AI Training and Validation Solution Market.”</p>	<p>When determining price for 51Sim products and solutions, we adopt a standard software-plus-service model. Cloud simulation services are charged based on the scale of deployment, while standalone software is priced per seat. Service offerings primarily include customized software development and are available at tiered pricing.</p> <p>For 51Sim products and solutions, customers are generally required to pay the purchase price upon acceptance of our products or solutions.</p>



## SUMMARY

Specialist Technology Products	Specialist Technology Industry Acceptable Sectors	Main Function Analysis	Major Customer Type and Customer Demand Drivers	Pricing and Payment
51Earth	<p>Metaverse technology:</p> <ul style="list-style-type: none"> <li>- Virtual reality (VR): technology providing lifelike simulation of reality synthetically or virtually</li> </ul>	<p>Adopting the industry’s ultra-highprecision and ultra-realistic 3D rendering engine and virtual digital man technology, 51Earth provided enterprises with a onestop VR services to meet general public’s needs of daily meetings, online exhibition halls, internal trainings, product releases, and industry forums. In the future, 51Earth aims to significantly reduce the obstacles to creating 3D content, foster creativity and innovation within the community, and provide consumers with unparalleled 3D and video content from a new generation of creators by developing a platform that connects builders, developers, and consumers.</p>	<p>Our customers for 51Earth products and solutions are mainly enterprises during the Track Record Period and intended to cover consumers in the future.</p> <p>According to Frost &amp; Sullivan, China’s digital twin user interaction and experience solution market is primarily driven by increased end-user demand for diverse and immersive interactions and experiences, further integration with generative AI and integration with AR/VR. For more details, see “Industry Overview—Digital Twin Solutions for User Interaction and Experience—Drivers and Trends of China’s Digital Twin User Interaction and Experience Solution Market.”</p>	<p>Our 51Earth products and solutions are primarily priced based on scene and function customization. For scene, pricing depends on the level of accuracy and the size of the area—higher accuracy and larger areas result in higher costs. For function customization, the price is determined by the complexity and the required man-days—more complex functions and longer development time lead to higher pricing. Going forward, with the launch of 51Earth.com and consumer-facing application scenarios, we expect to generate revenue from 51Earth from subscriptions and value-added services.</p>

Our industry consultant, Frost & Sullivan, confirms and our Directors are of the view that based on the information above, each of our products and solutions falls within one or more acceptable sectors of a Specialist Technology Industry as defined under Chapter 18C of the Listing Rules.

## SUMMARY

### OUR MARKET OPPORTUNITIES

	Features	Drivers	Market Size
<b>Design and Operation Optimization</b>	Leveraging digital sensing, transmission and other cutting edging technologies to analyze the massive data generated from the physical world, forming an intelligent insights, then further feeding back into the physical world, thereby achieving continuous optimization and scientific decision-making on the physical world.	<ul style="list-style-type: none"> <li>• Rising demand from enterprise-level customers</li> <li>• Expanding industry application scenarios</li> <li>• Continuous improvement of the ecosystem</li> </ul>	The global digital twin design and operation optimization solution market size is projected to continue to grow from US\$6.7 billion in 2023 to US\$34.5 billion by 2028, at a CAGR of 38.7%. China’s digital twin design and operation optimization solution market size is projected to continue to grow from RMB6.7 billion in 2023 to RMB37 billion by 2028, at a CAGR of 40.8%.
<b>AI Training and Validation</b>	Using digital twins to create a simulation system for exploring, analyzing, and validating AI algorithms without the need for a physical system, and to generate synthetic data for AI algorithm training.	<ul style="list-style-type: none"> <li>• Rising demand for autonomous driving simulation and testing</li> <li>• Rising demand for robot simulation and testing</li> <li>• Increasing difficulty in acquiring data assets and rising demand for synthetic data</li> </ul>	The global digital twin AI training and validation solution market size is projected to continue to grow from US\$1.8 billion in 2023 to US\$9.8 billion by 2028, at a CAGR of 41.0%. China’s digital twin AI training and validation solution market size is projected to continue to grow from RMB3.7 billion in 2023 to RMB25.9 billion by 2028, at a CAGR of 47.3%.
<b>User Interaction and Experience</b>	Creating engaging, realistic virtual environments and objects that mirror real-world features, enabling users to engage in a range of activities that may be hard to access in the real world.	<ul style="list-style-type: none"> <li>• Increased end-user demand for diverse and immersive interactions and experiences</li> <li>• Further integration with generative AI</li> <li>• Integration with AR/VR</li> </ul>	The global digital twin user interaction and experience solution market size is projected to grow from US\$0.4 billion in 2023 to US\$2.1 billion by 2028, at a CAGR of 38.7%. China’s digital twin user interaction and experience solution market size is expected to grow from RMB0.3 billion in 2023 to RMB3.1 billion by 2028, at a CAGR of 59.3%.

## SUMMARY

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### COMPETITION

China’s digital twin solution market is experiencing rapid growth, and the current competitive landscape is fragmented, with numerous types of players offering a diverse range of solutions.

Players in the China digital twin solution market can be categorized into two types: one-stop solution providers and point solution providers. One-stop solution providers are equipped to offer a comprehensive range of products and services, spanning model asset development tools to applications, and digital twin applications across multiple domains. In contrast, point solution providers specialize in a specific type of product or service and offer digital twin applications within a single domain. One-stop solution providers have a number of significant advantages over point solution providers, including greater technical capabilities, technical comprehensiveness, industry knowledge, business model diversity, and growth potential.

According to Frost & Sullivan, we are the largest digital twin solution provider in China in terms of digital twin solution revenue in 2023 and the only one-stop solution provider among the leading players in the market.

For more information about our competitive strengths, our industry and the risks we face, please refer to the sections headed “Industry Overview” and “Risk factors—Risks Related to Our Business and Industry—We operate in highly competitive markets and some market participants may have substantially greater resources. We compete against a large number of both established competitors and new market entrants.” included elsewhere in this document.

### OUR STRENGTHS

We believe the following competitive strengths contribute to our success:

- Industry leader in digital twin market in China;
- Leading interdisciplinary innovation and R&D capabilities;
- Robust ecosystem and strong brand influence;
- Scalable commercialization path; and
- Insightful and resilient management team with a vision-driven culture.

### OUR STRATEGIES

We focus on the following key strategies to achieve our mission:

- Empower digital infrastructure through 51Aes;
- Transform intelligent driving and embodied AI development through 51Sim;
- Connect builders, developers and consumers to drive real-time 3D interaction through 51Earth;
- Expand global market reach with digital twin solutions; and
- Foster elite talent for R&D and engineering excellence.

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## SUMMARY

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### RESEARCH AND DEVELOPMENT

Our ability to develop new technologies, design new products and solutions, and enhance existing products and solutions is critical for maintaining our market position.

Our R&D team consists of dedicated talents with profound industry expertise, focusing on developing and commercializing our products and solutions which help maintain our technological advantages and market competitiveness. Each of our core R&D team members has more than 10 years of industry experience and has specialized area. See “Business—Research and Development—Our R&D Team” for more details.

In 2021, 2022 and 2023, our R&D expenditure were RMB106.3 million, RMB132.5 million, RMB103.8 million, respectively, accounting for 49.8%, 54.1% and 50.5% of our total operating expenditure in the same years, respectively.

### INTELLECTUAL PROPERTY RIGHTS

We rely on unpatented trade secrets, confidential know-how, and continuous technological innovation, to develop, strengthen, and maintain our competitive position. We seek to protect and enhance our proprietary technologies, inventions, and improvements that are commercially important to the growth of our business, including by seeking, maintaining, and defending patent rights. We also strive to operate without infringing, misappropriating or otherwise violating the intellectual property rights of third parties. As confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, we did not have any instances of material infringement of third parties’ intellectual property rights.

It is important to our future commercial success that we obtain and maintain patent and other proprietary protection for commercially important technology, inventions, and know-how related to our business; defend and enforce our IP rights, in particular our patents, trademarks, and copyrights; maintain the confidentiality of our trade secrets; and operate without infringing, misappropriating, or violating the valid and enforceable patents and proprietary rights of third parties. Our ability to prevent third parties from making, using, selling, offering to sell, or importing any technology products we develop may depend on the extent to which we have rights under valid and enforceable patents or trade secrets covering these activities. See “Risk Factors—Risks Relating to Our Intellectual Property Rights” for a more comprehensive description of risks related to our IP.

As of the Latest Practicable Date, we had 148 software copyrights and 110 validly authorized patents, leading the software industry in terms of the number of IP rights. See “Business—Intellectual Property” for more details of our material intellectual property rights.

### SALES

Our sales team is designed to cater to the diverse needs and broad geographic distribution of our user base, ensuring high-quality service and support across all customer segments. As of June 30, 2024, our sales team consisted of 106 employees and we have established sales offices in Hangzhou, Hefei, Nanjing, Wuhan and Fuzhou, among other cities in China.

We directly contract with end-users, who are the primary recipients of our products, and handle the entire process, from project design and production to testing and delivery, providing standard software products, customized software, and technical services directly to the end customer.

## SUMMARY

In addition, we sell our products and solutions to eco-partners and IT service providers in the digital twin industry, who will either further develop on top of our products and solutions or integrate our products and solutions into others and then sell to the end-users, or sell directly to end-users.

By adopting these combined sales models, we effectively cater to the diverse needs and broad geographic distribution of our user base, ensuring high-quality service and support across all customer segments.

### CUSTOMERS AND SUPPLIERS

During the Track Record Period, our customers mainly consisted of enterprises of varying sizes. In 2021, 2022, 2023 and for the six months ended June 30, 2024, revenue generated from our five largest customers amounted to RMB31.4 million, RMB40.1 million, RMB98.1 million and RMB9.4 million, respectively, accounting for 24.9%, 23.6%, 38.3% and 28.4%, respectively, of our revenue. One of our five largest customers, Customer I, is also a Shareholder of our Company. See “History—[REDACTED] Investments.”

During the Track Record Period, our suppliers mainly consisted of hardware vendors, such as all-in-one PCs and specialized equipment, and software vendors, such as scene design, art rendering, and digital model modeling. Purchases from our five largest suppliers in 2021, 2022, 2023 and for the six months ended June 30, 2024 amounted to RMB21.4 million, RMB46.5 million, RMB10.7 million and RMB5.0 million, respectively, representing 53.9%, 63.9%, 41.9% and 53.0% of our total purchases in the same periods, respectively.

The table below set forth a breakdown of the number of our customers that contributed revenue for each period by business lines during the Track Record Period:

	As of December 31,									As of June 30		
	2021			2022			2023			2024		
	51Aes	51Sim	51Earth	51Aes	51Sim	51Earth	51Aes	51Sim	51Earth	51Aes	51Sim	51Earth
Number of customers	141	23	—	157	33	29	183	40	26	69	15	9

### RISK FACTORS

We are a specialist technology company seeking to [REDACTED] on the Main Board of the Stock Exchange under Chapter 18C of the Listing Rules. We are in the ramp-up stage with a history of losses. We may not be able to achieve or subsequently maintain profitability in the near future. We believe there are certain risks and uncertainties involved in the [REDACTED] in our Shares, some of which are beyond our control. If any of such risks and uncertainties materializes, the [REDACTED] of our Shares could decline, and you may lose all or part of your [REDACTED]. See “Risk Factors” for details of our risk factors, which we urge you to read in full before making an [REDACTED] in our Shares. Some of the major risks we face include:

- If we are unable to introduce new solutions and products in a timely manner and at competitive prices, our business could be adversely affected.
- Should our customers become more cautious about investing in new technologies as a result of macroeconomic impacts and their own business conditions, our business, results of operations, and financial condition will be adversely affected.

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## SUMMARY

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- We have made significant investments in research and development. It is not possible to guarantee that all of these activities will yield the anticipated benefits within a relatively short timeframe.
- The size of our addressable markets and the demand for our products and solutions may not increase as rapidly as we anticipate due to a variety of factors, which would materially and adversely affect our business, results of operations, financial condition and prospects.
- We operate in highly competitive markets and some market participants may have substantially greater resources. We compete with a large number of both established competitors and new market entrants.
- Our business and results of operations are subject to seasonal fluctuations.
- AI technologies are constantly evolving. Any flaws or inappropriate usage of AI technologies, whether actual or perceived, whether intended or inadvertent, whether committed by us or by other third parties, could have negative impact on our business, reputation and the general acceptance of AI solutions by the society.
- Claims by third parties that we are infringing their intellectual property and other litigation could adversely affect our business.
- We are in the ramp-up stage with a history of losses. We may not be able to achieve or subsequently maintain profitability in the near future. Our historical financial and results of operations may not be indicative of our future performance.
- We recorded net operating cash outflows historically and there can be no assurance that we will have net cash inflow from operating activities in the future.

### **[REDACTED] INVESTMENTS**

We completed eight rounds of [REDACTED] Investments and had raised funds of more than RMB800 million. See “History, Reorganization and Corporate Structure—[REDACTED] Investments” for the identities of [REDACTED] Investors and further details regarding [REDACTED] Investments.

### **SUMMARY OF HISTORICAL FINANCIAL INFORMATION**

The following tables set forth summary financial data from our consolidated financial information for the Track Record Period, derived from the Accountants’ Report set out in Appendix I. The summary consolidated financial data set forth below should be read together with the consolidated financial statements in this document, including the related notes. Our consolidated financial information was prepared in accordance with IFRS Accounting Standards.

## SUMMARY

### Summary of Consolidated Statements of Comprehensive Income

The following table sets forth a summary of our consolidated statements of comprehensive income with line items in absolute amounts and as percentages of our revenue for the periods indicated.

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2021	%	2022	%	2023	%	2023	%	2024	%
	<i>(in RMB thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
Revenue . . . . .	126,107	100.0	169,977	100.0	256,302	100.0	29,583	100.0	33,215	100.0
Cost of sales . . . . .	(43,944)	(34.8)	(59,571)	(35.0)	(117,280)	(45.8)	(12,512)	(42.3)	(16,617)	(50.0)
<b>Gross profit</b>	<b>82,163</b>	<b>65.2</b>	<b>110,406</b>	<b>65.0</b>	<b>139,022</b>	<b>54.2</b>	<b>17,071</b>	<b>57.7</b>	<b>16,598</b>	<b>50.0</b>
Other net income . . . . .	14,605	11.6	12,089	7.1	11,684	4.6	7,960	26.9	4,226	12.7
Selling expenses . . . . .	(54,029)	(42.8)	(58,217)	(34.2)	(51,352)	(20.0)	(24,014)	(81.2)	(25,182)	(75.8)
General and administrative expenses . . . . .	(53,291)	(42.3)	(54,058)	(31.8)	(50,332)	(19.6)	(25,464)	(86.1)	(26,172)	(78.8)
Research and development expenses . . . . .	(107,502)	(85.2)	(134,206)	(79.0)	(102,907)	(40.2)	(54,911)	(185.6)	(28,585)	(86.1)
Impairment losses on trade and other receivables . . . . .	(930)	(0.7)	(4,183)	(2.5)	(9,902)	(3.9)	(1,387)	(4.7)	(2,337)	(7.0)
<b>Loss from operations . . . . .</b>	<b>(118,984)</b>	<b>(94.4)</b>	<b>(128,169)</b>	<b>(75.4)</b>	<b>(63,787)</b>	<b>(24.9)</b>	<b>(80,745)</b>	<b>(272.9)</b>	<b>(61,452)</b>	<b>(185.0)</b>
Finance costs . . . . .	(2,715)	(2.2)	(3,949)	(2.3)	(6,307)	(2.5)	(3,155)	(10.7)	(2,963)	(8.9)
Changes in carrying amount of financial instruments issued to investors . . . . .	(24,969)	(19.8)	(57,400)	(33.8)	(15,676)	(6.1)	(15,676)	(53.0)	—	—
Share of results of associates . . . . .	229	0.2	(267)	(0.2)	(1,257)	(0.5)	(635)	(2.1)	(652)	(2.0)
<b>Loss before tax . . . . .</b>	<b>(146,439)</b>	<b>(116.1)</b>	<b>(189,785)</b>	<b>(111.7)</b>	<b>(87,027)</b>	<b>(34.0)</b>	<b>(100,211)</b>	<b>(338.7)</b>	<b>(65,067)</b>	<b>(195.9)</b>
Income tax . . . . .	—	—	—	—	(50)	—	—	—	—	—
<b>Loss for the year/period . . . . .</b>	<b>(146,439)</b>	<b>(116.1)</b>	<b>(189,785)</b>	<b>(111.7)</b>	<b>(87,077)</b>	<b>(34.0)</b>	<b>(100,211)</b>	<b>(338.7)</b>	<b>(65,067)</b>	<b>(195.9)</b>

### Non-IFRS Measures

To supplement our consolidated financial statements that are presented in accordance with IFRS Accounting Standards, we also use adjusted net loss (non-IFRS measure) as additional financial measures, which are not required by, or presented in accordance with, IFRS Accounting Standards. We believe that these non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impact of items that our management does not consider to be indicative of our operating performance. We believe that these measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of adjusted net loss (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measures has limitations as an analytical tool, and you should not consider them in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS Accounting Standards.

## SUMMARY

We define adjusted net loss (non-IFRS measure) as net loss for the period adjusted by adding back changes in carrying amount of financial instruments issued to investors, share-based payment and [REDACTED] expenses.

The following table sets forth a reconciliation of our adjusted net loss (non-IFRS measure) for the years ended December 31, 2021, 2022, and 2023 and the six months ended June 30, 2023 and 2024 to the nearest measure prepared in accordance with IFRS Accounting Standards, which is net loss for the year/period.

	For the Year Ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
	<i>(in RMB thousands)</i>				
<b>Reconciliation of net loss and adjusted net loss (non-IFRS measure)</b>					
Net loss for the year/period	(146,439)	(189,785)	(87,077)	(100,211)	(65,067)
Add:					
Changes in carrying amount of financial instruments issued to investors <sup>(1)</sup>	24,969	57,400	15,676	15,676	—
Share-based payment <sup>(2)</sup>	7,302	—	3,320	—	2,806
[REDACTED] expenses <sup>(3)</sup>	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>Adjusted Net Loss (non-IFRS measure)</b>	<b>(114,168)</b>	<b>(132,385)</b>	<b>(68,081)</b>	<b>(84,535)</b>	<b>(60,280)</b>

*Notes:*

- (1) Changes in carrying amount of financial instruments issued to investors relates to the redemption rights granted to investors in historical financings.
- (2) Share based payment expenses mainly represent the non-cash employee benefit expenses incurred in connection with our award to management and key employees. Such expenses in any specific period are not expected to result in future cash payments.
- (3) [REDACTED] expenses are one-off in nature relating to our [REDACTED] and will not recur after the [REDACTED].

### Summary of Consolidated Statements of Financial Position

The following table sets forth our current assets and liabilities as of the dates indicated:

	As of December 31,			As of
	2021	2022	2023	June 30, 2024
	<i>(in RMB thousands)</i>			
<b>Current assets</b>				
Inventories	38,251	78,954	19,629	30,326
Contract assets	4,025	6,715	8,026	8,819
Trade and other receivables	63,100	76,254	107,849	95,568
Prepayments	1,818	3,083	2,560	24,756
Other financial assets	—	—	88,000	48,233
Restricted cash	1,288	9,699	3,100	2,150
Cash and cash equivalents	176,941	78,911	40,326	271,738
<b>Total current assets</b>	<b>285,423</b>	<b>253,616</b>	<b>269,490</b>	<b>481,590</b>
<b>Current liabilities</b>				
Trade and other payables	86,628	127,747	93,295	89,429
Contract liabilities	74,944	111,345	26,490	54,034
Bank and other loans	20,918	92,939	118,662	133,711
Lease liabilities	12,571	14,913	12,265	14,042
Financial instruments issued to investors	915,992	1,056,739	—	—
Income tax payable	—	—	50	36
<b>Total current liabilities</b>	<b>1,111,053</b>	<b>1,403,683</b>	<b>250,762</b>	<b>291,252</b>
<b>Net current (liabilities)/assets</b>	<b>(825,630)</b>	<b>(1,150,067)</b>	<b>18,728</b>	<b>190,338</b>



## SUMMARY

We recorded net current liabilities of RMB1,150.1 million as of December 31, 2022 and net current liabilities of RMB825.6 million as of December 31, 2021, primarily due to financial instruments issued to investors. See Note 22 to the Accountants’ Report in Appendix I to this document for details.

We recorded net current assets of RMB18.7 million as of December 31, 2023, as compared to net current liabilities of RMB1,150.1 million as of December 31, 2022, primarily due to termination of redemption rights granted to investors upon which the then carrying amount of the redemption liabilities recognized was reclassified to equity. See Note 22 to the Accountants’ Report in Appendix I to this document for details.

Our net current assets increased from RMB18.7 million as of December 31, 2023 to RMB190.3 million as of June 30, 2024, primarily due to an increase of RMB231.4 million in cash and cash equivalents.

The following table sets forth the breakdown of our non-current assets and liabilities as of the dates indicated:

	As of December 31,			As of
	2021	2022	2023	June 30, 2024
	<i>(in RMB thousands)</i>			
<b>Non-current assets</b>				
Property and equipment	10,678	9,062	6,566	4,241
Right-of-use assets	58,242	49,347	32,378	26,338
Intangible assets	3,468	1,759	2,616	2,198
Interest in associates	6,671	3,751	2,494	1,842
Other financial assets	122,235	186,807	61,144	30,000
<b>Total non-current assets</b>	<b>201,294</b>	<b>250,726</b>	<b>105,198</b>	<b>64,619</b>
<b>Non-current liabilities</b>				
Lease liabilities	46,463	36,285	20,847	14,539
<b>Total non-current liabilities</b>	<b>46,463</b>	<b>36,285</b>	<b>20,847</b>	<b>14,539</b>
<b>Net non-current (liabilities) / assets</b>	<b>154,831</b>	<b>214,441</b>	<b>84,351</b>	<b>50,080</b>

## SUMMARY

### Summary of Consolidated Cash Flow Statements

The following table sets forth a summary of our cash flows for the years/periods indicated:

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2021	2022	2023	2023	2024
	<i>(in RMB thousands)</i>				
	<i>(unaudited)</i>				
Net cash used in operating activities . . . . .	(114,060)	(104,285)	(132,879)	(96,076)	(49,989)
Net cash generated from/(used in) investing activities . .	93,751	(58,724)	37,559	8,570	73,790
Net cash generated from financing activities . . . . .	90,310	64,969	56,704	53,071	207,605
<b>Net increase/(decrease) in cash and cash equivalents . . . . .</b>	<b>70,001</b>	<b>(98,040)</b>	<b>(38,616)</b>	<b>(34,435)</b>	<b>231,406</b>
<b>Cash and cash equivalents at the beginning of the year/period . . . . .</b>	<b>106,941</b>	<b>176,941</b>	<b>78,911</b>	<b>78,911</b>	<b>40,326</b>
Effect of foreign exchange rate changes . . . . .	(1)	10	31	15	6
<b>Cash and cash equivalents at the end of year/period . . . . .</b>	<b>176,941</b>	<b>78,911</b>	<b>40,326</b>	<b>44,491</b>	<b>271,738</b>

Our cash burn rate refers to the average monthly aggregate amount of (i) net cash used in operating activities, (ii) payment for the purchase of property and equipment, and intangible assets, and (iii) lease payment. Our historical monthly average cash burn rate was RMB11.6 million, RMB10.1 million, RMB12.6 million and RMB9.2 million in 2021, 2022 and 2023 and for the six months ended June 30, 2024, respectively. We had cash and cash equivalents, restricted cash, and current portion of other financial asset of RMB290.5 million in aggregate as of September 30, 2024. We estimate that we will receive net [REDACTED] of approximately [REDACTED] after deducting the [REDACTED] expenses in the [REDACTED], assuming no [REDACTED] is exercised and assuming an [REDACTED] of [REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] in this document.

Assuming that the average cash burn rate going forward will be RMB12.6 million, similar to the cash burn rate level in the year ended December 31, 2023 based on the underlying assumptions that (i) the number of our employees will not increase significantly; (ii) no substantial capital expenditures; (iii) no other acquisitions or investments, we estimate that our cash and cash equivalents, restricted cash and current portion of other financial assets as of September 30, 2024 will be able to maintain our financial viability for approximately [23] months or, if we take into account [REDACTED] of the estimated net [REDACTED] from the [REDACTED] (namely, the portion allocated for our working capital and other general corporate purposes), approximately [REDACTED] months or, if we also take into account [REDACTED] of the estimated net [REDACTED] from the [REDACTED], approximately [REDACTED] months. We will continue to monitor our cash flows from operations closely. We do not expect to have next round of financing before the [REDACTED].

## SUMMARY

### KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of the dates/for the periods indicated:

	As of/for the year ended December 31,			As of/for the six months ended June 30,
	2021	2022	2023	2024
Gross profit margin (%) <sup>(1)</sup>	65.2	65.0	54.2	50.0
Current ratio <sup>(2)</sup>	0.26	0.18	1.07	1.65
Quick ratio <sup>(3)</sup>	0.22	0.12	1.00	1.55

*Notes:*

- (1) Gross profit margin is calculated by dividing gross profit by our revenue for the period indicated.
- (2) Current ratio is calculated by dividing current assets by current liabilities as of the date indicated.
- (3) Quick ratio is calculated by dividing current assets less inventories by current liabilities as of the date indicated.

See “Financial Information—Key Financial Ratios” for details.

### PATH TO PROFITABILITY

We have experienced strong revenue growth during the Track Record Period, demonstrating our ability to successfully commercialize our products and solutions. Our revenue increased by 34.8% from RMB126.1 million in 2021 to RMB170.0 million in 2022, and further increased by 50.8% from RMB170.0 million in 2022 to RMB256.3 million in 2023. Our revenue increased by 12.3% from RMB29.6 million for the six months ended June 30, 2023 to RMB33.2 million for the six months ended June 30, 2024. According to Frost & Sullivan, the global digital twin solution market size grew from US\$2.6 billion in 2019 to US\$8.5 billion by 2023, at a CAGR of 34.2% from 2019 to 2023, and it is projected to grow further and reach US\$45.1 billion by 2028, at a CAGR of 39.4% from 2023 to 2028. With further penetration and development of the digital twin solution market, and by launching new products and solutions and upgrading existing products and solutions, we expect that we will capture the trend of industry growth and realize further increase of our revenue.

We recorded gross profit of RMB82.2 million, RMB110.4 million, RMB139.0 million, RMB17.1 million and RMB16.6 million, and gross profit margin of 65.2%, 65.0%, 54.2%, 57.7% and 50.0% for the years ended December 31, 2021, 2022, and 2023 and the six months ended June 30, 2023 and 2024, respectively.

We had a net loss of RMB146.4 million, RMB189.8 million, RMB87.1 million, RMB100.2 million and RMB65.1 million in 2021, 2022 and 2023 and for the six months ended June 30, 2023 and 2024, respectively. Eliminating impact of items including (i) changes in carrying amount of financial instruments issued to investors, (ii) share-based payment and (iii) [REDACTED] expenses, we generated an adjusted net loss (non-IFRS measure) of RMB114.2 million, RMB132.4 million, RMB68.1 million, RMB84.5 million, and RMB60.3 million in 2021, 2022 and 2023 and for the six months ended June 30, 2023 and 2024, respectively. See “Financial Information—Description of Major Components of Our Results of Operations—Non-IFRS Measure.” Our adjusted net losses (non-IFRS measure) were primarily due to the significant amounts of selling expenses, general and administrative expenses and research and development costs incurred during the Track Record Period. Historically, we have made significant investments in our R&D activities and selling efforts as we continued to develop and commercialize our products and solutions and expand our brand influence. However, as we expand the scale and scope of our business, we expect to make continuous improvement to our operational efficiency.

## SUMMARY

We may continue to incur net losses in the near future, primarily due to the expected substantial operating costs and expenses. In the future, we aim to improve profitability through: (i) enriching our business models, products and solutions, (ii) expanding customer base, and (iii) enhancing our operational efficiency.

### OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

As of the Latest Practicable Date, Mr. Li held approximately 12.5% direct interest in our Company. Separately, our Company was held as to approximately 12.3% by Starcraft Technology, which was in turn held as to 92.7% by Mr. Li, and together with the Shares held directly by Mr. Li, Mr. Li was interested in approximately 24.7% in our Company.

Immediately following the completion of the [REDACTED] and assuming that no new Shares are issued under the [REDACTED], no new Shares are issued under our [REDACTED] Share Option Scheme and no other changes are made to the issued share capital of the Company between the Latest Practicable Date and [REDACTED], Mr. Li will directly and indirectly hold an aggregate of approximately [REDACTED] of the issued share capital of our Company. Accordingly, Mr. Li and Starcraft Technology will be our Single Largest Group of Shareholders immediately upon the [REDACTED].

For further details about our Single Largest Group of Shareholders, please see the section headed “Relationship with our Single Largest Group of Shareholders”.

### [REDACTED] STATISTICS

The statistics in the following table are based on the assumptions that (i) the [REDACTED] has been completed and [REDACTED] H Shares are newly issued in the [REDACTED], (ii) the [REDACTED] for the [REDACTED] is not exercised, and (iii) [REDACTED] Shares are issued and outstanding following the completion of the [REDACTED]:

	Based on an [REDACTED] of [REDACTED] per H Share	Based on an [REDACTED] of [REDACTED] per H Share
Market capitalization of our Shares <sup>(1)</sup> . . . . .	[REDACTED]	[REDACTED]
Unaudited [REDACTED] adjusted net tangible assets per Share <sup>(2)</sup> . . . . .	[REDACTED]	[REDACTED]

*Notes:*

- (1) The calculation of market capitalization is based on [REDACTED] Shares expected to be in issue immediately upon completion of the [REDACTED].
- (2) The unaudited [REDACTED] adjusted net tangible asset per Share as of June 30, 2024 is calculated after making the adjustments referred to in Appendix II and on the basis that [REDACTED] Shares are expected to be in issue immediately upon completion of the [REDACTED].

For the calculation of the unaudited [REDACTED] adjusted net tangible assets per Share, see the section headed “Unaudited [REDACTED] Financial Information” in Appendix II to this document.

### FUTURE PLANS AND [REDACTED]

Assuming an [REDACTED] of [REDACTED] per H Share (being the mid-point of the [REDACTED] range of between [REDACTED] and [REDACTED] per H Share), we estimate that we will receive net [REDACTED] of approximately [REDACTED] from the [REDACTED] after deducting the [REDACTED] commissions and other estimated expenses paid and payable by us in connection with the

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## SUMMARY

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[REDACTED] and assuming that the [REDACTED] is not exercised. In line with our strategies, we intend to use our [REDACTED] from the [REDACTED] for the purposes and in the amounts set forth below:

- approximately [REDACTED] of the net [REDACTED], or approximately [REDACTED], is expected to be used for our research and development initiatives. More specifically:
  - o approximately [REDACTED] of the net [REDACTED], or approximately [REDACTED], is expected to be used for the research and development of 51Aes;
  - o approximately [REDACTED] of the net [REDACTED], or approximately [REDACTED], is expected to be used for the research and development of 51Sim; and
  - o approximately [REDACTED] of the net [REDACTED], or approximately [REDACTED], is expected to be used for the research and development of 51Earth;
- approximately [REDACTED] of the net [REDACTED], or approximately [REDACTED], is expected to be used to improve our commercialization capabilities; and
- approximately [REDACTED] of the net [REDACTED], or approximately [REDACTED], is expected to be used for working capital and general corporate purposes.

For more details, see “Future Plans and [REDACTED].”

## DIVIDEND

We are a holding company incorporated under PRC laws. During the Track Record Period, we did not declare or pay any dividends. Pursuant to our Articles of Association, our Board will formulate the dividends distribution plan after taking into account our future operations and earnings, capital requirements and surplus, general financial condition, contractual restriction and other factors which our Directors consider relevant. Any declaration and payment as well as the amount of dividends will be subject to our Articles of Association, applicable PRC law and approval by our Shareholders. Our Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. As advised by our PRC Legal Advisor, no dividend shall be declared or payable, unless we have profits and reserves lawfully available for distribution. Any future net profit that we make will have to be first applied to make up for our historically accumulated losses, after which we will be obliged to allocate 10% of our net profit to our statutory common reserve fund until such fund has reached more than 50% of our registered capital.

## [REDACTED] EXPENSES

Our [REDACTED] expenses mainly include [REDACTED] fees and commissions and professional fees paid to legal, accounting and other advisors for their services rendered in relation to the [REDACTED] and the [REDACTED]. Assuming full payment of the discretionary incentive fee, the estimated total [REDACTED] expenses (based on the mid-point of the [REDACTED] Range and assuming that the [REDACTED] is not exercised) for the [REDACTED] will be approximately [REDACTED] (including (i) [REDACTED] commission of approximately [REDACTED], and (ii) non-[REDACTED] related expenses of approximately [REDACTED], which consist of fees and expenses of legal advisors and Reporting Accountants of [REDACTED] and other fees and expenses of approximately [REDACTED]), accounting for approximately of [REDACTED] of our gross [REDACTED]. An estimated amount of [REDACTED] for our [REDACTED] expenses, accounting for approximately [REDACTED] of our gross [REDACTED], has been expensed or is expected to be expensed through profit or loss

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## SUMMARY

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and the remaining amount of [REDACTED] is expected to be recognized directly as a deduction from equity upon the [REDACTED]. We incurred [REDACTED] expenses of approximately [REDACTED] (equivalent to [REDACTED]) by June 30, 2024.

### OUR INCENTIVE SCHEMES

We adopted the [REDACTED] Share Incentive Scheme on June 28, 2023 which was further amended on August 9, 2024, and adopted the [REDACTED] Share Option Scheme on August 9, 2024. The terms of the [REDACTED] Share Incentive Scheme and the [REDACTED] Share Option Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as they do not involve any grant of options or Shares by our Company after our [REDACTED].

For further details about the [REDACTED] Share Incentive Scheme and the [REDACTED] Share Option Scheme, please see the section headed “Appendix VI—Statutory and General Information—4. Our Incentive Schemes”.

### RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

On November 11, 2024, we established Chengdu Sanjian World Software Technology Co., Ltd. (成都三見世界軟體科技有限公司) to further explore the realm of virtual tourism and cultural experience through *See3* under 51Earth. For further details of *See3*, see “Business—Our products and solutions—51Earth.” Chengdu Sanjian World Software Technology Co., Ltd. is owned as to 51% by 51Earth Cloning Technology (Beijing) Co., Ltd. and 49% by Chengdu Suojiansuode Media Group Co., Ltd. (成都所見所得傳媒集團有限公司). Chengdu Suojiansuode Media Group Co., Ltd. is a comprehensive tourism industry service provider whose businesses include multi-channel network (MCN) with strong focus on cultural tourism, and ticketing operations and tourism services for various major tourist attractions.

For additional information in relation to our properties, see “Business—Properties”.

Our Directors have confirmed that up to the date of this document there has been no material adverse change in our financial, trading position or prospects since June 30, 2024, being the end date of our latest audited financial statements, and there has been no event since June 30, 2024 that would materially affect the information shown in the Accountants’ 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 forth below. Certain technical terms are explained in “Glossary of Technical Terms” in this document.*

<b>“Accountants’ Report”</b>	the accountants’ report of our Group for the Track Record Period, the text of which is set out in Appendix I
<b>“affiliate(s)”</b>	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
<b>“AFRC”</b>	the Accounting and Financial Reporting Council of Hong Kong
<b>“Articles” or “Articles of Association”</b>	the articles of association of our Company, as amended, which shall become effective on the [REDACTED], a summary of which is set out in Appendix V to this document
<b>“associate(s)”</b>	has the meaning ascribed thereto under the Listing Rules
<b>“Beijing 51Sim”</b>	Beijing 51Sim Technology Co., Ltd. (萬物鏡像(北京)計算機系統有限公司), a limited liability company established under PRC laws on June 1, 2015 and a direct non-wholly owned subsidiary of our Company
<b>“Beijing 51Sim Stock Option Scheme”</b>	the stock option scheme of Beijing 51Sim adopted on August 3, 2023
<b>“Board” or “Board of Directors”</b>	the board of Directors of the Company
<b>“business day”</b>	a day on which banks in Hong Kong are generally open to the public for normal banking business and which is not a Saturday, Sunday or public holiday in Hong Kong
<b>“CAGR”</b>	compound annual growth rate

[REDACTED]

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## DEFINITIONS

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<b>“China” or “the PRC”</b>	the People’s Republic of China, and, unless the context requires otherwise and solely for the purpose of this document such as describing legal or tax matters, authorities, entities, or persons, excluding Hong Kong Special Administrative Region, Macao Special Administrative Region, and Taiwan region of the People’s Republic of China
<b>“close associate(s)”</b>	has the meaning ascribed to it under the Listing Rules
<b>“Commercial Company”</b>	has the meaning ascribed to it under Chapter 18C of the Listing Rules
<b>“Companies Ordinance”</b>	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
<b>“Companies (Winding Up and Miscellaneous Provisions) Ordinance” or “CWUMPO”</b>	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
<b>“Company”, “our Company”, or “the Company”</b>	Beijing 51WORLD Digital Twin Technology Co., Ltd. (北京五一視界數字孿生科技股份有限公司), whose predecessor was Host Mobile Green Internet Technology Group Co., Ltd. (當家移動綠色互聯網技術集團有限公司), formerly known as Host Mobile Green Land Internet Technology (Beijing) Co., Ltd. (當家移動綠色置地互聯網技術(北京)有限公司), a limited liability company established under PRC laws on February 16, 2015. On December 1, 2020, Host Mobile Green Internet Technology Group Co., Ltd. (當家移動綠色互聯網技術集團有限公司) was converted into a joint stock limited liability company and renamed Beijing 51WORLD Digital Twin Technology Co., Ltd. (北京五一視界數字孿生科技股份有限公司)
<b>“connected person(s)”</b>	has the meaning ascribed to it under the Listing Rules
<b>“connected transaction(s)”</b>	has the meaning ascribed to it under the Listing Rules
<b>“COVID-19”</b>	coronavirus disease 2019, a viral respiratory disease caused by the severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2 virus)
<b>“CSRC”</b>	the China Securities Regulatory Commission (中國證券監督管理委員會)
<b>“Director(s)”</b>	the director(s) of our Company



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## DEFINITIONS

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“EIT”	the enterprise income tax
“EIT Law”	the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), promulgated on March 16, 2007 and came into effect on January 1, 2008 and was most recently amended on December 29, 2018 which became effective on the same date
“Extreme Conditions”	the occurrence of “extreme conditions” as announced by any government authority of Hong Kong due to serious disruption of public transport services, extensive flooding, major landslides, large-scale power outage or any other adverse conditions before Typhoon Signal No. 8 or above is replaced with Typhoon Signal No. 3 or below
	[REDACTED]
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market research and consulting company
“Frost & Sullivan Report”	the report prepared by Frost & Sullivan and commissioned by us
	[REDACTED]
“Group”, “our Group”, “the Group”, “we”, “us”, or “our”	our Company and our subsidiaries from time to time, and where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“Guide for New Listing Applicants”	the Guide for New Listing Applicants issued by the Stock Exchange in December 2023, with effect from January 1, 2024, as amended and supplemented from time to time
“H Share(s)”	shares in the share capital of our Company with a nominal value of RMB1.00 each, to be [REDACTED] and [REDACTED] on the Hong Kong Stock Exchange
	[REDACTED]
“HK” or “Hong Kong”	the Hong Kong Special Administrative Region of the PRC

## DEFINITIONS

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**"HK\$", "HK dollars" or "Hong Kong dollars"**

Hong Kong dollars, the lawful currency of Hong Kong

[REDACTED]

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## DEFINITIONS

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[REDACTED]

**“Hong Kong Takeovers Code” or  
“Takeovers Code”**

Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC

[REDACTED]

**IFRS Accounting Standards**

IFRS Accounting Standards as issued by the International Accounting Standards Board

**“Independent Third Party(ies)”**

person(s) or company(ies), who/which, to the best of our Directors’ knowledge, information and belief, is/are not our connected persons

[REDACTED]

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## DEFINITIONS

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[REDACTED]

<b>“Joint Sponsors”, “[REDACTED]” or “Sponsor-[REDACTED]”</b>	China International Capital Corporation Hong Kong Securities Limited and Huatai Financial Holdings (Hong Kong) Limited
<b>“Latest Practicable Date”</b>	November 19, 2024, being the latest practicable date for ascertaining certain information in this document before its publication

[REDACTED]

<b>“Listing Rules” or “Hong Kong Listing Rules”</b>	the Rules Governing the Listing of Securities on The Hong Kong Stock Exchange of Hong Kong Limited
<b>“Main Board”</b>	the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange
<b>“MIIT”</b>	Ministry of Industry and Information Technology (中華人民共和國工業和信息化部)
<b>“Ministry of Finance” or “MOF”</b>	Ministry of Finance of the PRC (中華人民共和國財政部)
<b>“MOFCOM”</b>	Ministry of Commerce of the PRC (中華人民共和國商務部)
<b>“Mr. Li”</b>	Mr. Li Yi (李熠), an executive Director, chairman of the Board, general manager and a member of the Single Largest Group of Shareholders

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## DEFINITIONS

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“NDRC”	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“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]

“Pathfinder SII(s)”	has the meaning ascribed to it in Chapter 2.5 of the Guide for New Listing Applicants issued by the Stock Exchange
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of China
“PRC Company Law”	the Company Law of the PRC, as amended, modified and/or otherwise supplemented from time to time
“PRC GAAP”	generally accepted accounting principles in China
“PRC government” or “State”	the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them

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## DEFINITIONS

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“[REDACTED] Investment(s)”	the [REDACTED] investment(s) in our Company, the details of which are set out in “History, Reorganization and Corporate Structure—[REDACTED] Investments”
“[REDACTED] Investor(s)”	the investor(s) of the [REDACTED] Investment(s)
“[REDACTED] Share Incentive Scheme”	the [REDACTED] share incentive scheme adopted by the Company on June 28, 2023, which was further amended on August 9, 2024
“[REDACTED] Share Option Scheme”	the [REDACTED] share option scheme adopted by the Company on August 9, 2024

### [REDACTED]

“province”	a province or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC
“Regulation S”	Regulation S under the U.S. Securities Act
“RMB” or “Renminbi”	Renminbi, the lawful currency of China
“SAFE”	the State Administration for Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAIC”	the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), which has now been merged into the SAMR
“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 Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“Securities Law”	the Securities Law of the People’s Republic of China (中華人民共和國證券法), as amended, supplemented or otherwise modified from time to time

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## DEFINITIONS

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“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 share(s) in the share capital of our Company, with a nominal value of RMB1.00 each, comprising the Unlisted Shares and H Shares
“Shareholder(s)”	holder(s) of the Share(s)
“Single Largest Group of Shareholders”	refers to collectively Mr. Li and Starcraft Technology
“Sophisticated Independent Investor(s)” or “SII(s)”	has the meaning ascribed to it under Chapter 18C.05 of the Listing Rules and in Chapter 2.5 of the Guide for New Listing Applicants, and unless the context otherwise requires, refers to the [REDACTED] Investor(s) the details of which are set out in “History, Reorganization and Corporate Structure—[REDACTED] Investments—Information about the [REDACTED] Investors—Our Pathfinder SIIs and Other Sophisticated Independent Investors”
“Specialist Technology Company”	has the meaning ascribed to it under Chapter 18C of the Listing Rules
“Specialist Technology Industry”	has the meaning ascribed to it under Chapter 18C of the Listing Rules
“Specialist Technology Product(s)”	has the meaning ascribed to it under Chapter 18C of the Listing Rules
	[REDACTED]
“Starcraft Technology”	Starcraft Technology (Beijing) Co., Ltd. (星際宏圖科技 (北京) 有限公司), a limited liability company established under PRC laws on established on December 13, 2019 and a member of the Single Largest Group of Shareholders of our Company
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed to it in section 15 of the Companies Ordinance
“substantial shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“Supervisor(s)”	member(s) of Supervisory Committee

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## DEFINITIONS

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“Supervisory Committee”	supervisory committee of our Company
“Track Record Period”	the three years ended December 31, 2021, 2022 and 2023 and six months ended June 30, 2024
“Treasury Shares”	Shares repurchased and held by the Company in treasury (which include Shares repurchased by the Company and held or deposited in [REDACTED] for sale on the Stock Exchange) from time to time
“Trial Measures”	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》), promulgated by the CSRC on February 17, 2023
“U.S.”, “US” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdictions
“U.S. dollars”, “US dollars” or “US\$”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	the United States Securities Act of 1933 and the rules and regulations promulgated thereunder
	[REDACTED]
“Unlisted Share(s)”	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is/are not [REDACTED] on any stock exchange
“VAT”	value-added tax
“%”	per cent

Unless otherwise specified, in this document:

- (a) certain amounts and percentage figures have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them; and
- (b) for ease of reference, the names of PRC laws and regulations, governmental authorities, institutions, nature persons or other entities (including certain of our subsidiaries) have been included in this document in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail. English translations of company names and other terms from the Chinese language are provided for identification purposes only.



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## GLOSSARY OF TECHNICAL TERMS

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*This glossary of technical terms contains explanations of certain technical terms used in this document in connection with our Company and our business. Such terminology and meanings may not correspond to standard industry meanings or usages of those terms.*

<b>“3DGS”</b>	3D Gaussian Splatting for Real-Time Radiance Field Rendering, a scene reconstruction and rendering technique based on 3D Gaussian bodies. This technique represents the point cloud data in the scene by using a Gaussian distribution and converts these point cloud data into Gaussian bodies during the rendering process. The properties of Gaussian bodies make it possible to efficiently simulate light propagation and scattering in the scene for efficient real-time rendering
<b>“3DTiles”</b>	A format specifically designed for streaming and rendering massive 3D geospatial data
<b>“AI”</b>	artificial intelligence, a new technical science that studies and develops theories, methods, technologies and application systems for simulating, extending and expanding human intelligence
<b>“API”</b>	Application Programming Interface, also known as application program interface, is a contact for interfacing different components of a software system
<b>“BIM”</b>	building information modelling, a process that takes the relevant information data of the construction project as the basis of the model, to establish the building model, through the digital information simulation to simulate the real information of the building
<b>“builder(s)”</b>	our co-builder(s) in the creation of digital earth
<b>“CAD”</b>	computer aided design, a technology used by engineers, architects, and construction managers to digitally create 2D drawings and 3D models of real-world products
<b>“DaaS”</b>	Data as a Service, a data delivery model based on cloud computing technology. It provides data as a service to users and aims to use data as a business asset to improve the agility of business innovation
<b>“data middle platform”</b>	an integrated framework that centralizes and standardizes data management, processing, and analysis within an organization. It acts as a bridge between data sources and end-users by providing a unified infrastructure for data collection, storage, transformation, and distribution. This platform enables efficient data sharing, reduces

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## GLOSSARY OF TECHNICAL TERMS

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	redundancy, and ensures consistency across various business units. It supports real-time data processing, advanced analytics, and the development of data-driven applications, facilitating better decision-making and operational efficiency
<b>“developer(s)”</b>	developer(s) of consumer applications on our digital earth platform
<b>“distributed cloud simulation”</b>	a computational technique that leverages the resources of multiple cloud-based servers to execute and manage simulation tasks across a distributed network. This approach allows for the concurrent processing of complex simulations, enabling large-scale and highly detailed modeling that would be impractical on a single machine. By utilizing the scalability and flexibility of cloud computing, distributed cloud simulation supports real-time data analysis, enhances computational efficiency, and reduces the time required for simulation runs
<b>“event”</b>	entity that controls the simulation world or responds to it. Events are achieved by triggering actions and giving user-defined conditions
<b>“GIS”</b>	Geographic Information System, a technical system that collects, stores, manages, calculates, analyzes, displays and describes the geographical distribution data of the entire or part of the Earth’s surface (including the atmosphere) with the support of computer hardware and software systems
<b>“GUI”</b>	Graphical User Interface, based on WDP API, it helps developers to lower the threshold of digital twin application development and provides B/S development tools for rapid data access, building data panels and scene interaction
<b>“IoT”</b>	Internet of Things, refers to the collective network of connected devices and the technology that facilitates communication between devices and the cloud, as well as between the devices themselves
<b>“NeRF”</b>	Neural Radiance Field, a computer graphics technique used to generate realistic 3D scenes. It is based on a neural network model that learns information about the radiance of each point in the scene so that it can accurately predict the appearance of objects and lighting effects in the scene
<b>“OpenDRIVE”</b>	an open standard file format developed by Association for Standardization of Automation and Measuring Systems (ASAM) to describe the logical information of traffic roads, including lanes, intersections, traffic signs and signal lights. It enables simulation software to accurately reproduce the real-world traffic environment

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## GLOSSARY OF TECHNICAL TERMS

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<b>“OpenSCENARIO”</b>	an open standard developed by Association for Standardization of Automation and Measuring Systems (ASAM) for describing complex traffic scenarios and vehicle dynamics. It allows users to define vehicle behaviors and events in detail to support the development of traffic simulation and driving simulation
<b>“OpenSDK”</b>	Open Software Development Kit, an open development interface, which is one of the core modules of the TIM traffic information model platform independently developed by the Company
<b>“OSGB”</b>	Open Scene Graph Binary, a binary storage format with embedded linked texture data (.jpg), which is generally used to organise the data of commercially produced tilt models, especially the tilt-photographed 3D models processed by Smart3D
<b>“PGC”</b>	professionally-generated content
<b>“semantic data”</b>	information that is enriched with metadata to provide context and meaning, enabling a deeper understanding of the data’s content and relationships. This type of data is structured in a way that allows for more effective data integration, interoperability, and automated processing by machines. By using ontologies, taxonomies, and data models, semantic data facilitates the extraction of insights, improves search accuracy, and enhances the ability to perform complex queries. It is a key component in the development of intelligent systems, semantic web technologies, and data-driven applications
<b>“UGC”</b>	user-generated content
<b>“V2X”</b>	Vehicle-to-Everything, referring to the communication technology between vehicles and everything. It is a technology based on communication technologies such as vehicle-to-vehicle (V2V), vehicle-to-infrastructure (V2I), vehicle-to-pedestrian (V2P), and vehicle-to-network (V2N) to achieve mutual communication and information exchange between vehicles and the surrounding environment, other vehicles, transportation infrastructure, and networks
<b>“XIL (X-in-the-Loop) Simulation”</b>	a method used in engineering and testing where different parts of a system (like software, hardware, or models) are integrated into a loop for real-time simulation. “X” represents various types, such as Software-in-the-Loop (SIL), Hardware-in-the-Loop (HIL), and Model-in-the-Loop (MIL)

## GLOSSARY OF TECHNICAL TERMS

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“XR”

extended reality, an umbrella term to refer to augmented reality (AR), virtual reality (VR), and mixed reality (MR). The technology is intended to combine or mirror the physical world with a “digital twin world” able to interact with it, giving users an immersive experience by being in a virtual or augmented environment

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## FORWARD-LOOKING STATEMENTS

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Certain statements in this document are forward-looking statements that are, by their nature, subject to significant risks and uncertainties. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions, future events, or performance (often, but not always, through the use of words or phrases such as “aim”, “anticipate”, “aspire”, “believe”, “could”, “estimate”, “expect”, “goals”, “going forward”, “intend”, “may”, “objective”, “ought to”, “outlook”, “plan”, “project”, “projection”, “seek”, “schedules”, “should”, “target”, “vision”, “will”, “would”) are not historical facts, are forward-looking and may involve estimates and assumptions and are subject to risks (including but not limited to the risk factors detailed in this document), uncertainties and other factors some of which are beyond our Company’s control and which are difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about the businesses that we operate. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to:

- our mission, goals and strategies;
- our future business development, financial conditions and results of operations;
- the expected growth of the digital twin industry;
- our expectations regarding demand for and market acceptance of our products and solutions;
- our expectations regarding our relationships with customers, business partners, suppliers and other third parties;
- changes in the macro environment, regional and global economy, as well as industry trends related to our operations;
- our ability to adequately protect our reputation and brand image, as well as our intellectual property rights;
- our ability to obtain adequate capital resources to fund future development plans;
- our ability to control costs, as well as to achieve and maintain operational efficiency;
- our ability to attract and retain qualified personnel;
- competition in the industries and markets in which we operate or into which we intend to expand;
- our proposed use of [REDACTED];
- rapid developments in technology and our ability to successfully keep up with technological advancement;
- changes in currency exchange rates;
- relevant government policies and regulations relating to industries which we operate in; and
- all other risks and uncertainties described in “Risk Factors.”

## **FORWARD-LOOKING STATEMENTS**

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Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution investors against placing undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by the Listing Rules, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Statements of, or references to, our intentions or those of any of our Directors are made as of the date of this document. Any such intentions may change in light of future developments.

All forward-looking statements in this document are expressly qualified by reference to this cautionary statement.

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## RISK FACTORS

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*An [REDACTED] in our H Shares involves various risks. You should carefully consider all of the information in this document, including the following risk factors before making any [REDACTED] decision in relation to the H Shares. Our business, financial condition or results of operations could be materially and adversely affected by any of these risks. The [REDACTED] of the H Shares could fall significantly due to any of these risks, and you may lose all or part of your [REDACTED].*

We are in the early stage of commercialization. In addition, we have recorded operating loss in the past, and expect to continue incurring adjusted net loss (non-IFRS measure) and operating loss in the near future. We believe that there are certain risks involved in our operations, many of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our general operations and industry; (ii) risks relating to the commercialization of our products and solutions; (iii) risks relating to our intellectual property rights; (iv) risks relating to our financial condition and need for additional capital; (v) risks relating to government regulations; and (vi) risks relating to the [REDACTED]. Additional risks and uncertainties that are presently not known to us or not expressed or implied below or that we currently deem immaterial could also harm our business, financial condition and operating results. You should consider our business and prospects in light of the challenges we face, including the ones discussed in this section.

### RISKS RELATING TO OUR GENERAL OPERATIONS AND INDUSTRY

*If we are unable to introduce new solutions and products in a timely manner and at competitive prices, our business could be adversely affected.*

We compete in the rapidly evolving digital twin industry, which is characterized by iterative technology, evolving industry standards, and continuous improvements in features and functionality. To meet customer demand for our solutions and products, we must continue to introduce new solutions, products and technologies and enhance our existing solutions and products. There can be no assurance that the new solutions and products we are developing will be released in a timely manner to meet our customers’ needs or will be successfully commercialized at a reasonable cost.

Customer demand for our solutions and products may change from time to time and depends on a variety of factors, including general economic conditions, changes in public infrastructure, technological advances, public perception of digital twin solutions, the regulatory environment, and other factors beyond our control. Our success depends on our ability to anticipate, identify and respond to these trends in a timely manner.

The immaturity or high cost of the technology may result in a delay in market demand for related digital twin products and solutions. Our future success will depend on the maturity of the underlying technology, the overall market, and our ability to develop and introduce a variety of new features and innovations to our existing products and to introduce a variety of new products to meet changing market needs.

Our planned expansion is based on our assessment of the market outlook. There can be no assurance that our estimates will prove to be correct or that our investments will produce the expected returns. Even if we are successful in developing new products, there can be no assurance that the new solutions and products we are developing will be released in a timely manner or will achieve the expected level of market acceptance. Delays in introducing solutions and products, failure to properly

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## RISK FACTORS

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select technology alternatives, or failure to offer innovative products or features at competitive prices could have an adverse effect on our business, financial condition, and results of operations.

*Should our customers become more cautious about investing in new technologies as a result of macroeconomic impacts and their own business conditions, our business, results of operations, and financial condition will be adversely affected.*

The digital twin industry is a nascent sector that has given rise to a plethora of new technologies, products, and solutions. The market demand for new technologies and products is influenced by a number of factors, including customer spending power, user preferences, cost considerations, regulatory requirements, data security, the evolution of our customers’ businesses and the industries in which they operate. In the event of an economic downturn or financial pressures on customers, a more cautious approach to spending in new technologies, products and solutions may be observed. Should customers become more cautious in their demand for and purchase of new products and solutions as a result of macroeconomic factors, our business, results of operations, and financial condition could be adversely affected.

*We have made significant investments in research and development. It is not possible to guarantee that all of these activities will yield the anticipated benefits within a relatively short timeframe.*

To remain competitive, it is essential that we maintain a robust research and development program to develop new solutions and products and to enhance our existing solutions and products, while keeping pace with our competitors. Our research and development efforts are focused on three key technologies, including 3D graphics, simulation, and AI. These are ambitious initiatives, and there is no guarantee that all of these efforts will deliver the expected benefits in a relatively short period of time. It is essential that we invest in research and development based on our view of the most promising approaches to meet the needs of future customers in rapidly evolving markets. If our research and development efforts do not result in timely improvements in utility, accuracy, safety, cost, and operational efficiencies, our competitive position will be jeopardized.

Our long-term success in the competitive environment depends on our ability to continually develop and commercialize solutions and products. As a result, we have made significant investments in research and development. Our research and development expenses were RMB107.5 million, RMB134.2 million, RMB102.9 million, RMB54.9 million and RMB28.6 million in 2021, 2022, 2023 and for the six months ended June 30, 2023 and 2024, respectively. We plan to incur substantial, and potentially increasing, research and development expenses as part of our efforts to design, develop, manufacture and commercialize new solutions and products and enhance existing solutions and products. However, we cannot guarantee that our investments will increase our competitiveness, generate financial returns in the short term or contribute to our future results of operations for several years, or at all. The contributions of our research and development efforts at times may not meet our expectations or even cover the costs of such investments, which would adversely affect our business, results of operations and financial condition.

*Exploring new business models and developing new products and solutions involves risks and challenges.*

We have a track record of successfully exploring new business models and developing new products and solutions in the digital twin industry. We cannot assure you, however, that we will be able to maintain this momentum in the future. Expanding offering categories into new areas involves costs, risks



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and challenges. Exploration of new business models and development of new products and solutions may place significant strain on our management and resources and incur substantial R&D and other costs and expenses before generating any revenues. Our lack of familiarity with new business models may make it more difficult for us to keep pace with the evolving customer demands and preferences. In addition, there may be one or more existing market leaders in any market that we decide to expand into. Such companies may be able to compete more effectively than us by leveraging their experience in doing business in that market as well as their deeper industry insight and greater brand recognition among customers. We may need to comply with new laws and regulations applicable to these businesses.

***Our success depends largely on the continued service of our senior management and key R&D personnel and our ability to recruit, train or retain qualified personnel or sufficient workforce while controlling our labor costs.***

Much of our future success depends on the continued contributions of our senior management and other key employees, many of whom are difficult to replace. The loss of the services of any of our executive officers, our senior management team and other highly skilled employees could harm our business. Competition for qualified talent is intense. Our future success depends on our ability to attract a large number of qualified employees and retain existing key employees. If we are unable to do so, our business and growth may be materially and adversely affected.

We intend to hire additional qualified employees, particularly R&D personnel, to support our business operations and expansion. Our experienced mid-level managers also are instrumental in implementing our business strategies, executing our business plans and supporting our business operations and growth. The effective operation of our managerial and operating systems also depends on the hard work and quality performance of our management and employees. Since the industry we are in is characterized by high demand and intense competition for talent and labor, we can not provide any assurance that we will be able to attract or retain qualified staff or other highly skilled employees that we will need to achieve our strategic objectives. In addition, our ability to train and integrate new employees into our operations may also be limited and may not meet the demand for our business growth in a timely manner, or at all, and rapid expansion may impair our ability to maintain a collegial corporate culture.

***We may face numerous risks associated with conducting operations in global markets.***

We anticipate growth in international markets, increased international sales of our products and solutions, and enhanced international recognition. Despite our investment of resources and close collaboration with business partners outside of China to expand our international business and sales channels, these efforts may be subject to numerous risks, including related legal, regulatory, political, economic, commercial, and other risks. Any of these risks could have an adverse impact on the progress of our globalization, our financial condition, and other matters. These risks include the following:

- legal, regulatory, political, economic and commercial instability and uncertainty;
- changes in foreign tax rules, regulations and other requirements, such as changes in tax rates and statutory and judicial interpretations of tax laws;
- changes in international trade policies and regulations including those in relation to economic sanctions, export controls, and import restrictions, as well in trade barriers such as imposition of tariffs;

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- difficulty in coping with possible conflict of laws resulting from sanctions and import/export controls measures of different jurisdictions where we operate;
- changes in foreign country regulatory requirements, including data privacy laws;
- complexities relating to compliance with foreign anti-bribery, anti-corruption and anti-money laundering regulations and antitrust laws;
- difficulty in obtaining, or exercising and/or enforcing intellectual property rights;
- difficulty in enforcing agreements and collecting overdue receivables through local legal systems;
- changes in geopolitical situations especially those in jurisdictions where we do business;
- foreign currency exchange rate fluctuations;
- strict foreign exchange controls and cash repatriation restrictions;
- inflation or deflation, and changes in interest rates;
- trade customer insolvency and the inability to collect accounts receivable;
- misconduct by our customers beyond our control, including but not limited to breaching the agreements with them, policies that we require them to adhere to, and laws and regulations of various jurisdictions that are applicable to them;
- labor disputes and work stoppages at our operations and suppliers; and
- increased costs associated with maintaining the ability to understand local markets and follow their trends, as well as develop and maintain an effective marketing presence.

*The size of our addressable markets and the demand for our products and solutions may not increase as rapidly as we anticipate due to a variety of factors, which would materially and adversely affect our business, results of operations, financial condition and prospects.*

We are pursuing opportunities in markets that are undergoing rapid changes, including technological and regulatory changes, and it is difficult to predict the timing and size of the opportunities for each of our products and solutions. See “—Risks Relating to Our General Operations and Industry—We operate in highly competitive markets and some market participants may have substantially greater resources. We compete with a large number of both established competitors and new market entrants.”

This document contains estimates and forecasts concerning our industries, including estimates of the addressable markets of our current and anticipated future products and solutions, that are based on industry publications and reports or other publicly available information. These estimates and forecasts involve a number of assumptions and limitations, and are subject to significant uncertainty, and you are cautioned not to give them undue weight. Industry surveys and publications generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy and completeness of the included information. We have not independently verified this third-party information. Similarly, our internal estimates and forecasts are based on a variety of assumptions, including the manner in which those new and rapidly evolving markets will develop. While we believe our assumptions and the data underlying our estimates and forecasts are reasonable, these assumptions and estimates may not be correct and the conditions supporting our assumptions or estimates may change at any time, thereby reducing the predictive

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accuracy of these underlying factors. As a result, our estimates and forecasts may prove to be incorrect. If third-party or internally generated data prove to be inaccurate or we make errors in our assumptions based on that data, the addressable markets for our products and solutions may be smaller than we have estimated, our future growth opportunities and sales growth may be smaller than we estimate, and our future business, results of operations and financial condition may be materially and adversely affected.

Our future financial performance will depend on our ability to make timely investments in the correct market opportunities. If one or more of these markets experience a shift in customer or prospective customer demand, then our products and solutions may not compete as effectively, if at all, and they may not be incorporated into commercialized end customer products. Given the evolving nature of the markets in which we operate, it is difficult to predict customer demand or adoption rates for our products and solutions or the future growth of the markets in which we operate. There is also no guarantee that our business will be successful simply because of the future addressable markets of our products and solutions, or because of the trends of the addressable markets of our products and solutions. If demand does not develop or if we cannot accurately forecast customer demand, then the size of our markets, results of operations and financial condition would be adversely affected.

*We operate in highly competitive markets and some market participants may have substantially greater resources. We compete with a large number of both established competitors and new market entrants.*

The digital twin industry is highly competitive, and we expect that it will become even more competitive in the future. Our future success will depend on, among other things, our ability to continue developing superior advanced technologies to remain competitive with our existing and any new competitors. Competition is based on, among other things, cost efficiency, reliability, the ability to develop and deploy increasingly complex technologies that provide accurate and real-time digital replicas of physical assets, compliance with existing and future regulations, the ability to gather or access large datasets to train and validate digital twin models, the ability to cost-effectively deploy software solutions, the ability to integrate technologies with existing systems and processes, adoption by key industries, and the ability to develop and maintain strategic relationships with our current and potential business partners in various sectors, among others.

Some established and new technology companies have entered, or are reported to have plans to enter, the market for digital twin solutions and products. Some of our competitors may have significantly greater or better-established resources than we do to devote to the design, development, manufacturing, distribution, promotion, sale, and support of their products. Companies that seek to develop their own in-house digital twin solutions may also become indirect competitors. Some current users of our solutions and products may decide to design in-house solutions to replace our solutions and products that they currently implement. Additional competitors that could emerge include large technology companies that are resource-rich and able to deploy such resources to compete.

Additionally, increased competition may result in pricing pressure and reduced margins and may impede our ability to increase the sales of our solutions and products or cause us to lose market share, any of which will adversely affect our business, financial condition, and results of operations.

*Our business and results of operations are subject to seasonal fluctuations.*

We experience seasonality in our business, primarily because of seasonal fluctuations in customer procurement demands. During the Track Record Period, we generally recorded higher

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revenues for our products and solutions in the fourth quarter of the year, primarily because certain of our customers tend to complete their inspection and accept our products and solutions in the fourth quarter, which cause us to recognize revenue in the fourth quarter according to relevant revenue recognition policy.

We expect the impact of seasonality on our business to continue in the future. However, due to our limited operating history, the seasonal trends that we have experienced in the past may not apply to, or be indicative of, our future operating results. Fluctuations due to seasonality may materially and adversely affect the predictability of our results of operations.

***Defects in our products and solutions could cause us to incur significant expenses to remediate, which can damage our reputation and cause us to lose market share.***

Our products and solutions are complex. They may contain defects or security vulnerabilities or experience failures or unsatisfactory performance due to any number of issues. These risks may increase as our products are introduced into new markets, technologies and applications or as new versions are released. Software products we or our partners offer rely on training data that may originate from third parties and new training methods, and the resulting products may contain unknown or undetected defects and errors, or reflect unintended bias. Some failures in our products or solutions may in the future be only discovered after a product or solution has been used. Undiscovered vulnerabilities in our products or solutions could result in loss of data or intangible property, or expose our customers to unscrupulous third parties who develop and deploy malicious software programs that could attack our products or services. Defects or failure of our offerings to perform to specifications could lead to substantial damage to the products in which our offerings have been integrated by integrators, and to the user of such end product. Any such defect may cause us to incur significant warranty, support and repair or replacement costs, write-off the value of related inventory, and divert the attention of our engineering and management personnel from our product development efforts to find and correct the issue. Our efforts to remedy these issues may not be timely or satisfactory to our customers. An error or defect in new products, releases or related software drivers after commencement of commercial delivery could result in failure to achieve market acceptance, temporary or permanent withdrawal from a product or market and harm to our relationships with existing and prospective customers and partners and consumers’ perceptions of our brand, which would in turn negatively impact our business operations, gross margin, revenue and/or financial results. We may be required to reimburse our customers, partners or consumers, or pay fines imposed by regulatory agencies.

***AI technologies are constantly evolving. Any flaws or inappropriate usage of AI technologies, whether actual or perceived, whether intended or inadvertent, whether committed by us or by other third parties, could have negative impact on our business, reputation and the general acceptance of AI solutions by the society.***

AI technologies are still at a preliminary stage of development and will continue to evolve. Flaws or deficiencies in AI technologies could undermine the accuracy and thoroughness of the analysis and decisions made by our solutions. There can be no assurance that we will be able to detect and remedy such flaws or deficiencies in a timely manner, or at all. If the recommendations, forecasts or analysis that our AI solutions assist in producing are deficient or inaccurate, we could be subjected to competitive harm, potential legal liability, and ethical or reputational harm. Any flaws or deficiencies in our AI technologies and solutions, whether actual or perceived, could materially and adversely affect our business, reputation, results of operations and prospects.

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Similar to many disruptive innovations, AI technologies present risks and challenges that could affect user perception and public opinion. Any inappropriate, abusive or premature usage of AI technologies, whether actual or perceived, whether intended or inadvertent, and whether by us or by third parties, may dissuade prospective users from adopting AI solutions, may impair the general acceptance of AI solutions by the society, attract negative publicity and adversely impact our reputation. It may even violate applicable laws and regulations in China and other jurisdictions and subject us to legal or administrative proceedings, pressures from activists and/or other organizations and heightened scrutiny by regulators. Each of the foregoing events may in turn materially and adversely affect our business, financial condition and results of operations.

***If the data used by our users are out of date, inaccurate or lacking credible information, the performance of our solutions will be adversely affected, which could adversely impact our business.***

Low quality or inaccurate data could materially affect the performance of our solutions. We cannot ensure the accuracy and timeliness of the various sources of data that our users use in utilizing our solutions for various reasons. For example, the information available to our users may be limited. As a result, the data labels may be out of date, inaccurate or lacking credible information. In such events, our solutions may not be able to generate satisfactory results. Consequently, there may be negative conceptions about our solutions and services, which could adversely affect our reputation, business operations and financial performance.

***Establishing, maintaining and strengthening our trusted brand image is critical to our success, and any failure to do so could severely damage our reputation and brand, which would have a material adverse effect on our business, financial condition and results of operations.***

We believe that maintaining and enhancing our brand is essential for the success of our business. Our operational and financial performance is highly dependent on the strength and market perception of our brand. Our brand is critical in building long-term relationships with our customers and suppliers. Maintaining and enhancing our brand and brand name depends largely on our ability to provide high-quality and reliable solutions and products and maintain market leadership in China, which we cannot assure you we will do successfully. Errors, defects, disruptions or other performance issues with our solutions and products may harm our reputation and brand, and we may introduce new solutions and products which might be poorly received by our customers and the market. For example, our brands, reputation and sales could be harmed if our solutions and products fail to meet expectations of our customers or contain defects. Additionally, if our customers have a negative experience using our solutions and products, such an encounter may affect our brand and reputation within the industry.

Further, our success in maintaining and improving our brand image depends on our ability to adapt to a rapidly changing media ecosystem, including our increasing reliance on social media and online dissemination of advertising campaigns. Negative posts or comments about us on social networking platforms and other websites that spread rapidly through such forums, even if it is factually incorrect, could seriously damage our reputation and brand image. Allegations, directly or indirectly against us, may be posted online by anyone, whether or not related to us, on an anonymous basis. Our shareholders, directors, officers, employees, associates and business partners may also be subject to negative media coverage and publicity. Negative publicity may come from malicious harassment or unfair competition acts by third parties. We may be subject to government or regulatory investigation as a result of such third-party conduct and may be required to expend significant time and incur substantial costs to address such third-party conduct. We cannot assure you that we will be able to defuse such negative press coverage to the satisfaction of our investors, marketers, online media

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platforms and strategic partners. The availability of information on social media is virtually immediate, as is its impact. Social media immediately publish the content their subscribers and participants post, often without filters or checks on the accuracy of the content posted. Information posted may be inaccurate and adverse to us, and it may harm our reputation, business operations and financial performance. The harm may be immediate without affording us an opportunity for redress or correction. Our reputation may be negatively affected as a result of the public dissemination of anonymous allegations or malicious statements about our business, which in turn may cause us to lose market share, customers and revenues.

*Investment in new business strategies, acquisitions and other forms of business integration could disrupt our ongoing business and present risks not originally contemplated, and we may be unable to realize the anticipated benefits, synergies, cost savings or efficiencies from acquisitions.*

We may in the future enter into strategic alliances, including joint ventures or minority equity investments, with various third parties to further our business purpose from time to time. These alliances could subject us to a number of risks, including risks associated with sharing proprietary information, non-performance by third parties, and increases in expenses in establishing new strategic alliances, any of which may materially and adversely affect our business. We may have limited ability to monitor or control the actions of these third parties and, to the extent any of these third parties suffers negative publicity or harm to their reputation from events relating to their businesses, we may also suffer negative publicity or harm to our reputation by virtue of our association with any such third party.

In addition, if appropriate opportunities arise, we may acquire additional assets, products, technologies, or businesses that are complementary to our existing business. In addition to possible shareholder approval, we may have to obtain approvals and licenses from relevant government authorities for the acquisitions and to comply with any applicable laws and regulations of China or other jurisdictions, which could result in increasing delay and costs, and may derail our business strategy if we fail to do so. Acquisitions and the subsequent integration of new assets and businesses into our own require significant attention from our management and could result in a diversion of resources from our existing business, which in turn could have an adverse effect on our operations. Furthermore, we may incur significant acquisition, administrative and other costs in connection with such transactions, including costs related to the integration of acquired businesses. These costs may include unanticipated costs or expenses, including post-closing asset impairment charges, legal, regulatory and contractual costs, and expenses associated with eliminating duplicate facilities. In addition, upon completion of an investment or acquisition, we may allocate significant resources to the integration of new business into our existing business to realize synergetic benefits. The integration process involves certain risks and uncertainties, some of which are outside our control, and there can be no assurance that we will be able to realize the anticipated benefits, synergies, cost savings or efficiencies. We may also experience difficulties integrating any investments, acquisitions and/or partnerships into our existing business and operations. There is no assurance that we will be able to successfully implement these initiatives or that we will be able to identify successful initiatives in the future.

These acquisitions and business initiatives may also expose us to potential risks, including risks associated with:

- the integration of new business lines, operations and personnel;
- cultural integration;

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- compliance with the laws, regulations and policies that are applicable to the acquired businesses and local business practices;
- failure to achieve the anticipated synergies, cost savings or revenues, enhancing opportunities resulting from the acquisition of new businesses and operating those businesses at a level of profitability acceptable to us;
- difficulty exercising control and supervision over the newly acquired operations, including failure to implement our risk management procedures;
- the potential loss of, or harm to, relationships with our stakeholders; and
- unforeseen or hidden liabilities.

There can be no assurance that we will be able to identify and acquire, on reasonable terms, if at all, suitable acquisition candidates or investment opportunities. We could be faced with increasing competition for attractive acquisition candidates. Compliance with antitrust, foreign investment review, or any other regulations may delay proposed acquisitions or prevent us from closing such acquisitions or investments in the manner proposed, if at all. Such delay or failure to close proposed acquisitions could impair our ability to achieve our strategic objectives. Failure to successfully identify or undertake future investments, acquisitions, partnerships and new business lines and strategies may have a material adverse effect on our business, financial condition and results of operations.

***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 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 services, solutions and products in the future, the diversification of our service and product 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.

***Failure to deal effectively with fraudulent or illegal activities 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

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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 perceptions 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 customers away from us, and materially and adversely affect our business, financial condition and results of operations.

***We are subject to various risks relating to third-party payment.***

During the Track Record Period, certain of our customers settled their payments with us through the accounts of third parties designated by these customers. No individual customer related to third-party payment had made material contribution to our revenue during the Track Record Period. We were subject to various risks relating to such third-party payment arrangement during the Track Record Period, such as (i) possible claims from third-party payors for return of funds as they were not contractually indebted to us and possible claims from liquidators of third-party payors and (ii) potential money laundering risks as we have limited knowledge about the source and purpose of the funds utilized by the third-party payors. In the event of any claims from third-party payors or their liquidators, or legal proceedings (whether civil or criminal) instituted or brought against us to demand return of the relevant payment or for violation or noncompliance of laws and regulations, we will have to spend significant financial and managerial resources to defend against such claims and legal proceedings, and we may be forced to comply with the court ruling and return the payment for the products that we sold and services that we provided.

***It may be difficult to effect service of process upon us or our management or to enforce against them or us any judgments obtained from foreign courts.***

We are a company incorporated under PRC law and a majority of our assets are located in mainland China. In addition, most of our Directors, Supervisors and senior management reside in mainland China. As a result, it may be difficult for investors to effect service of process outside of mainland China upon us, our Directors, Supervisors or senior management or to enforce judgments obtained against us in courts outside mainland China. A judgment of a court of another jurisdiction may be reciprocally recognized or enforced in mainland China only if the jurisdiction has a treaty with mainland China or if the jurisdiction has been otherwise deemed by the courts of mainland China to satisfy the requirements for reciprocal recognition, subject to the satisfaction of other requirements. However, mainland China is not a party to treaties providing for the reciprocal enforcement of judgments of courts with certain foreign countries such as the United States, and enforcement in mainland China of judgments of a court in these jurisdictions may consequently be difficult or impossible. On July 14, 2006, the Supreme People’s Court of the People’s Republic of China and the Government of the Hong Kong Special Administrative Region signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region pursuant to Choice of Court Agreements between Parties Concerned (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 “**2008 Arrangement**”). Under the 2008 Arrangement, where any designated court of mainland China or Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement, the party concerned may apply to the relevant court of mainland China or Hong Kong court for recognition and enforcement of the judgment. The 2008 Arrangement took effect on August 1, 2008,



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but the effectiveness of any action brought under the arrangement remains uncertain. On January 18, 2019, the Supreme People’s Court of the People’s Republic of China and the Department of Justice of Hong Kong signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the 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 “2019 Arrangement”). The 2019 Arrangement regulates, among others, the scope and particulars of judgments, the procedures and methods of the application for recognition or enforcement, the review of the jurisdiction of the court that issued the original judgment, the circumstances where the recognition and enforcement of a judgment shall be refused, and the approaches towards remedies for the reciprocal recognition and enforcement of judgments in civil and commercial matters between the courts in mainland China and those in Hong Kong. The 2019 Arrangement became effective on January 29, 2024, both in mainland China and in Hong Kong and replaced the 2008 Arrangement. Under the 2019 Arrangement, any party concerned may apply to the relevant court of mainland China or Hong Kong for recognition and enforcement of the effective judgments in civil and commercial cases subject to the conditions set forth in the 2019 Arrangement. Although the effectiveness of the 2019 Arrangement will greatly enhance the convenience for mutual recognition and enforcement of judgments made by courts in the two places, we cannot guarantee the outcome and effectiveness of any action brought under the 2019 Arrangement. We cannot assure you that an effective judgment that complies with the 2019 Arrangement can be recognized and enforced in a mainland China court.

***We may not have sufficient insurance coverage which could expose us to significant costs and business disruption.***

We maintain limited insurance policies required under PRC laws and regulations, as well as based on our assessment of our operational needs and risks and in line with the standard commercial practice in our industry. See “Business—Insurance” for more details on our insurance policies. We do not, however, carry insurance in respect of certain risks that we believe are not insured under customary industry practice in China, or which are uninsurable on commercially acceptable terms, if at all, such as those caused by war, nuclear contamination, tsunami, pollution, acts of terrorism and civil disorder. Accordingly, there may be circumstances in which we will not be covered or compensated, in part or at all, for specific losses, damages and liabilities. We cannot guarantee that our insurance coverage is sufficient to cover potential losses.

In addition, we are subject to the risks of losses arising from the misappropriation of cash or other assets by our employees or third parties, which losses may not be sufficiently covered by our insurance policies. Any risk that is not adequately covered by insurance may have an adverse effect on our business, results of operations and financial condition.

***We may from time to time be subject to claims, disputes, other legal and administrative proceedings that could materially adversely affect our business and financial condition.***

We are or may in the future become subject to a variety of litigation and legal compliance risks. Results of legal and regulatory proceedings cannot be predicted with certainty and for some matters, such as class actions, no insurance is cost-effectively available. Regardless of merit, legal and regulatory proceedings may be both time-consuming and disruptive to our operations and could divert the attention of our management and key personnel from our business operations. Such proceedings could also generate significant adverse publicity and have a negative impact on our reputation and brand image, regardless of the existence or amount of liability. In addition, we may have to pay legal

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costs associated with such disputes, including fees relating to appraisal, auction, execution and legal advisory services. Litigation and other disputes may lead to inquiries, investigations and proceedings by regulatory authorities and other governmental agencies. The disruption of our business due to judgment, arbitration and legal proceedings against us or adverse adjudications in proceedings against our Directors, senior management or key employees may materially and adversely affect our reputation, business, results of operations, financial condition and prospects.

***Increased scrutiny and changing expectations from stakeholders with respect to our ESG practices may result in additional costs or risks.***

There is an increasing focus from certain investors, customers and other parties in society concerning corporate responsibility, specifically related to ESG factors. Accordingly, there is an increased emphasis on corporate responsibility ratings and a number of third parties provide reports on companies in order to measure and assess ESG performance, which pose reputational, regulatory and other risks on us. We believe that it is our responsibility to devote substantial time and resources to develop technology and products designed to reduce carbon footprint. In the meantime, given the nature of our businesses and the industries we serve, we must anticipate and respond to market, technological, regulatory and other changes driven by broader trends related to decarbonization efforts in response to climate change, and these changes present both risks and opportunities for our businesses. Our success in advancing decarbonization objectives in our operations will depend in part on the actions of governments, regulators and other market participants to invest in infrastructure, create appropriate market incentives and to otherwise support the development of new technologies.

In addition, the ESG factors by which companies' corporate responsibility practices are assessed may change, which could result in greater expectations of us and cause us to undertake costly initiatives to satisfy such new criteria. Alternatively, if we are unable to satisfy such new criteria or we are unable to respond or perceived to be inadequately responding to sustainability concerns, investors may conclude that our policies with respect to corporate responsibility are inadequate and choose to purchase solutions and products from a competitor of us. We risk damage to our brands and our reputation in the event that our corporate responsibility procedures or standards do not meet the standards set by various third parties. In addition, if we communicate certain initiatives and goals regarding ESG matters, we could fail, or be perceived to fail, in our achievement of such initiatives or goals, or we could be criticized for the scope of such initiatives or goals. Any of these circumstances could cause negative publicity and material and adverse effect on our business, financial condition and results of operations. Moreover, not all of our competitors may seek to establish climate or other ESG targets and goals, or at a comparable level to ours, which could result in our competitors achieving competitive advantages through lower costs in supply chain or operation, which could adversely affect our business, results of operations, financial condition and prospects.

We are subject to a broad range of increasingly strict laws and regulations relating to, among other areas, occupational health and safety and labor practices. Compliance with these applicable laws and regulations is costly, and failure to comply could subject us to, among other things, legal liability, fines, suspension of production, a loss of license to operate certain facilities and other sanctions, unexpected interruptions to operations, securities litigation and a general loss of investor confidence, any one of which could have a material adverse impact on our business prospects, financial condition and results of operations as well as the market value of our H Shares. Furthermore, future developments such as new and more restrictive or changes to existing laws and regulations relating to, among other areas, the environmental, occupational health and safety and labor practices, more

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aggressive enforcement of existing laws and regulations or the discovery of presently unknown environmental conditions may require us to make material changes to our offerings and operations or require additional expenditures, which could have an adverse effect on our business, financial condition and results of operations.

***Non-compliance with law by any third parties with which we conduct business could disrupt our business 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 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, results of operations and financial condition.

***Failure to renew our current leases or locate desirable alternatives for our leased properties could materially and adversely affect our business.***

We lease properties for our offices. We may not be able to successfully extend or renew such leases upon expiration of the current term on commercially reasonable terms or at all, and may therefore be forced to relocate our affected operations. This could disrupt our operations and result in significant relocation expenses, which could adversely affect our business, financial condition and results of operations. In addition, we compete with other businesses for premises at certain locations or of desirable sizes. As a result, even though we could extend or renew our leases, rental payments may significantly increase as a result of the high demand for the leased properties. In addition, we may not be able to locate desirable alternative sites for our current leased properties as our business continues to grow and failure in relocating our affected operations could adversely affect our business and operations.

***Our leasehold interests in leased properties have not been registered with the relevant PRC governmental authorities as required by relevant PRC laws. The failure to register leasehold interests may expose us to potential fines.***

We have not registered a portion of our lease agreements with the relevant government authorities. Under the relevant PRC laws and regulations, we may be required to register and file with the relevant government authority executed leases. The failure to register the lease agreements for our leased properties will not affect the validity of these lease agreements, but the competent housing

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authorities may order us to register the lease agreements in a prescribed period of time and impose a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease if we fail to complete the registration within the prescribed time frame.

***We are subject to cybersecurity risks related to information technology systems and user data processed by us or third-party service providers. Any material failure, weakness, interruption, cyber event, incident or breach of security could prevent us from effectively operating our business.***

We may be subject to information technology system failures, interruptions, outages and breaches or network disruptions caused by natural disasters, accidents, power disruptions, telecommunications failures, acts of terrorism or war, computer viruses, physical or electronic break-ins, or other events or disruptions. System redundancy and other continuity measures may be ineffective or inadequate, and our business continuity and disaster recovery planning may not be sufficient for all eventualities. Such failures or disruptions could materially disrupt our operational systems; result in loss of intellectual property, trade secrets or other proprietary or competitively sensitive information; compromise certain operational data; jeopardize the security of our facilities; or affect the performance of in-product technologies in our products. These events could materially and adversely affect our reputation, financial condition and operating results.

Our information technology systems may also be subject to computer viruses or other malicious codes, unauthorized access attempts, phishing and other cyberattacks. However, because the techniques used in these cyberattacks change frequently and may be difficult to detect for periods of time, we may face difficulties in anticipating and implementing adequate preventative measures. In addition, we cannot guarantee that our security efforts will prevent breaches or breakdowns to our or our third-party providers’ databases or systems. Moreover, there are inherent risks associated with developing, improving, expanding and updating current systems, including the disruption of our data management, procurement, production execution, finance, supply chain and sales and service processes. These risks may affect our ability to manage our data, procure components or supplies or produce, sell, deliver and service our solutions and products, adequately protect our intellectual property or achieve and maintain compliance with, or realize available benefits under, applicable laws, regulations and contracts. If the information technology systems, networks or service providers we rely upon fail to function properly or if we or one of our third-party providers suffer a loss, significant unavailability of or leakage of our business or stakeholder information and our business continuity plans do not effectively address these failures on a timely basis, we may be exposed to reputational, competitive and business harm as well as litigation and regulatory action, including administrative fines. The costs and operational consequences of responding to breaches and implementing remediation measures could be significant.

***Geopolitical tensions resulting in worsening relationship between countries and regions may persist, which may negatively affect our business 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 products and solutions, adversely affect our ability to source certain components of our products, impact the competitive position of our products, or prevent us from being able to sell products in certain countries or regions. If any new tariffs, legislation, or regulations are implemented (including those imposing economic or trade sanctions, export control restrictions, or outbound investments restrictions), or if existing trade agreements are renegotiated, such changes could adversely affect our business, financial condition, and results of operations.

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In recent years, there has been heightened complexity in international relations. These tensions could reduce levels of international trade, investment, technological exchange, and other economic activities, which would have a material adverse effect on global economic conditions and the stability of global financial markets. These circumstances could in turn have a material adverse effect on our and our customers' business, prospects, financial condition, and results of operations. In addition, economic sanctions and trade restriction measures (including tariffs) taken by government authorities or other trade tensions or unfavorable trade policies may affect the costs or marketability of our products.

*Our business may be impacted by political events, war, terrorism, public health issues, natural disasters and other business interruptions.*

War, terrorism, geopolitical uncertainties, public health issues and other business interruptions could cause damage or disruption to international commerce and the global economy, and thus could have a material adverse effect on us, our suppliers, business partners and customers. Our business operations are subject to interruption by, among others, natural disasters, fire, power shortages and other industrial accidents, terrorist attacks and other hostile acts, labor disputes, public health issues, demonstrations or strikes, and other events beyond our control. Such events could decrease demand for our solutions and products, make it difficult or impossible for us to solutions services and products to our customers, or to receive components from our suppliers, and create delays and inefficiencies in our supply chain. In the event of a natural disaster or major public health issue, we could incur significant losses, require substantial recovery time and experience significant expenditures in order to resume operations.

### RISKS RELATING TO THE COMMERCIALIZATION OF OUR PRODUCTS AND SOLUTIONS

*We have a limited track record in commercialization of some of our products and solutions. If we are unable to manage our growth or execute our strategies effectively, our business and prospects may be materially and adversely affected.*

We have a limited track record in launching, commercializing, sales and marketing some of our products and solutions. Our ability to successfully commercialize our solutions and products may involve more inherent risks, take longer, and cost more than it would if we were a company with longer track record in launching and marketing. Since our inception, we have rapidly grown our business, and as we ramp up our project development and sales, further expansion will be required. Our future results of operations and the success of the commercialization of our solutions and products depend, to a large extent, on our ability to manage our growth and execute our business strategies successfully. Risks that we face in undertaking business expansions and executing business strategies include, among others:

- retaining and growing our customer network;
- controlling expenses and investments in anticipation of expanded operations;
- managing a larger organization with a greater number of employees in different divisions and across different geographic regions;
- recruiting and retaining talents in the fields of 3D graphics, simulation AI, engineering, cloud services and sales;

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- improving our operational, financial and management controls, compliance programs and reporting systems; and
- addressing new markets and potentially unforeseen challenges as they arise.

Any failure to manage our growth effectively could materially and adversely affect our business, financial condition, results of operations, and prospects.

*If we fail to grow or retain our customer base, or if customer satisfaction declines, our business and operating results may be materially and adversely affected.*

The size of our customer base and the level of satisfaction are critical to our success. Our business has been depending on and will continue to significantly depend on our customers and their loyalty in and level of satisfaction with our solutions and products. If customers no longer view our solutions and products as useful and attractive as compared to competing offerings, we may not be able to increase or maintain our customer base and the level of satisfaction. A number of factors could negatively affect customer retention, satisfaction and growth, including:

- our ability to identify and meet customers’ evolving demands before our competitors;
- our ability to offer solutions and products more timely and cost-effectively to address the needs of our customers at competitive prices;
- our ability to update existing technology or develop new technology in time to stay ahead or abreast of market advances;
- the strength of our technologies and the effectiveness of our sales and marketing efforts;
- our ability to continue to successfully drive organic growth of customer base through our trusted brand and market recognition of our existing solutions and products;
- our ability to prevent or cope with inappropriate use of our technologies, solutions and products, which may lead to negative public perception of us and damage our brand or reputation;
- our ability to timely resolve technical or other problems that prevent our solutions and products from operating in a smooth and reliable manner or otherwise adversely affect customer experience; and
- our ability to upgrade or otherwise modify our solutions and products to address requirements imposed by legislation, regulations, government policies or requests from government authorities in manners that may compromise user experience.

We cannot guarantee that our existing customers will continue to procure products and solutions from us or will maintain their partnerships with us for our ongoing projects or future projects. If we fail to retain existing customers or attract new customers, we may not be able to grow our revenue as quickly as we anticipate, or at all.

As our customer base grows and diversifies, we may be unable to provide customers with solutions and products that meet the specific demand of such customers, and we may be unable to provide quality customer support, which could result in customer dissatisfaction, decreased overall demand for our solutions and products and loss of expected revenue. In addition, our inability to meet customer service expectations may damage our reputation and could consequently limit our ability to retain existing customers and attract new customers, which would materially and adversely affect our business and results of operations.

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*We face risks associated with having a long selling and implementation cycle for certain of our products and solutions that require us to make significant resource commitments prior to realizing revenues for those solutions and services.*

We may experience a long selling cycle for certain of our products and solutions. Before potential customers commit to use our services, they require us to expend substantial time and resources educating them on the value of our services and our ability to meet their requirements. Therefore, our selling cycle is subject to many risks and delays over which we have little or no control, including our customers' decision to select another service provider or in-house resources to perform the services, the timing of our customers' budget cycles, and customer procurement and approval processes. If our sales cycle unexpectedly lengthens, it could negatively affect the timing of our revenues and our revenue growth. Consequently, the unexpected length of project cycle will also increase our trade and note receivables and cause our receivable turnover days to increase, which will impede the sufficiency of our working capital. In certain cases, we may begin work and incur costs prior to executing a contract, which may cause fluctuations in recognizing revenues between periods or jeopardize our ability to collect payment.

Implementing our solutions may also involve a significant commitment of resources over an extended period of time from both our customers and us. Our current and future customers may not be willing or able to invest the time and resources necessary to implement our solutions, and we may fail to close sales with potential customers despite significant time and resources devoted to them. Any significant failure to generate revenues or delays in recognizing revenues after incurring costs related to our sales or services processes could have a material adverse effect on our business.

### RISKS RELATING TO OUR INTELLECTUAL PROPERTY RIGHTS

*Our intellectual property rights are fundamental to our business. We may not be able to adequately protect our intellectual property rights or prevent others from unauthorized use of our intellectual property, which could harm our business and competitive position.*

We regard our patents, trademarks, copyrights, domain names, know-how, proprietary technologies, and similar intellectual property as critical to our success, and we rely on a combination of intellectual property laws and contractual arrangements, including confidentiality, invention assignment, non-disclosure and non-compete agreements or provisions, with our employees, consultants, contractors and other third parties, to protect our proprietary rights. We may become an attractive target to counterfeiting and intellectual property theft activity because of our brand recognition. Despite these measures, any of our intellectual property rights could be challenged, invalidated, circumvented or misappropriated, or such intellectual property may not be sufficient to provide us with competitive advantages. In addition, there can be no assurance that our patent applications will be approved in time or at all, that any issued patents will adequately protect our intellectual property, or that such patents will not be challenged by third parties or found by a judicial authority to be invalid or unenforceable. Because of the rapid pace of technological changes in our industry, parts of our business rely on technologies developed or licensed by third parties, and we may not be able to obtain or continue to obtain licenses and technologies from these third parties at all or on reasonable terms.

It is often difficult to register, maintain and enforce intellectual property rights. For example, failure to respond to official actions within prescribed time limits, non-payment of periodic maintenance fees, and failure to properly legalize and submit formal documents, can result in abandonment or lapse of a patent or patent application, leading to partial or complete loss of patent

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rights in the relevant jurisdiction and adversely affecting our competitive position. In addition, statutory laws and regulations are subject to judicial interpretation and enforcement and may not be applied consistently due to the lack of clear guidance on statutory interpretation. Confidentiality, invention assignment and non-compete agreements may be breached by counterparties, and there may not be adequate remedies available to us for any such breach. Accordingly, we may not be able to effectively protect our intellectual property rights or to enforce our contractual rights. Policing any unauthorized use of our intellectual property is difficult and costly and the steps we take may be inadequate to prevent the infringement or misappropriation of our intellectual property. In the event that we resort to litigation to enforce our intellectual property rights, such litigation could result in substantial costs and a diversion of our managerial and financial resources, and could put our intellectual property at risk of being invalidated or narrowed in scope. We can provide no assurance that we will prevail in such litigation, and even if we do prevail, we may not obtain a meaningful recovery. In addition, our trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors. For further details, see “—In addition to patented technology, we rely on our unpatented proprietary technology, trade secrets, processes and know-how.” Any failure in maintaining, protecting or enforcing our intellectual property rights could have a material adverse effect on our business, financial condition and results of operations.

Various other issues may arise with respect to our intellectual property portfolio. We may not have sufficient intellectual property rights in all countries and regions where unauthorized third-party copying or use of our proprietary technology may occur and the scope of our intellectual property might be more limited in certain countries and regions. Our existing and future patents, software copyrights and other intellectual property may not be sufficient to protect our solutions, products, services, technologies or designs or may not prevent others from developing competing solutions, products, services, technologies or designs. We cannot predict the validity and enforceability of our patents and other intellectual property with certainty.

***Claims by third parties that we are infringing their intellectual property and other litigation could adversely affect our business.***

Intellectual property rights, such as trademarks, copyrights, patents, domain names, know-how, and proprietary technologies protect brand images, product formulations and other valuable rights. Our competitors or other third parties may have intellectual property rights and interests which could potentially conflict with ours. If any patent, trademark or brand names infringement or other intellectual property claims against us are successful, we may not have a legal right to continue to use or sell solutions and products that are adjudicated to have infringed third parties’ intellectual property rights. Such a loss of intellectual property protection could materially and adversely affect our business and results of operations. In addition, we may be legally required to expend significant resources to review and revise our business and operations, including to redesign, reengineer or rebrand our solutions and products, so that they do not infringe third parties’ intellectual property rights, or we may be required to obtain relevant licenses to avoid further infringements. As confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, we did not have any instances of material infringement of third parties’ intellectual property rights. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, some of our confidential information could be compromised by disclosure during this type of litigation. Intellectual property litigation against us could significantly disrupt our business, damage our reputation, divert our management’s attention or consume much of our financial resources.



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***Patent terms may not be sufficient to effectively protect our technology, and products and solutions using our technology.***

In most countries in which we plan to file applications for patents, the term of an issued patent is generally 10 to 20 years from the earliest claimed filing date of a non-provisional patent application in the applicable country. Although various extensions may be available, the life of a patent and the protection it affords is limited. Even if patents covering our technology are obtained, we may be exposed to competition from other companies once our patent rights expire. Given the amount of time required for the development, testing and regulatory review of new technology and product candidates, patents protection for such technology and products and solutions using our technology might expire before or shortly after such technology and candidates are commercialized. As a result, our patent portfolio may not provide us with sufficient rights to exclude others from commercializing products or technology similar or identical to ours.

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

The scope of patent protection in various jurisdictions is uncertain. Changes in either the patent laws or their interpretation in relevant countries or regions 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 misappropriation or infringement by 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.

Even if patent applications 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.

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

We rely on proprietary information, such as trade secrets, know-how and confidential information, to protect intellectual property that may not be patentable and may not be subject to copyright, trademark, trade dress or service mark protection, or that we believe is best protected by means that do not require public disclosure. In particular, when researching and developing our digital twin solutions, we have accumulated a variety of trade secrets and know-how in connection with skills and methods achieving desired functions. Such trade secrets and know-how are one of our key competitive advantages that is extremely valuable for us to attain our current market position. Details of our intellectual property rights are set out in “Appendix VI—Statutory and General Information—Further Information about our Business.” However, such trade secrets and know-how are usually not patented, either because they do not meet the patentability criteria or because we intentionally do not apply for patent registration to avoid the possibility of disclosing material information to the public in complying with the patent registration procedures. The level of protection available to trade secrets and know-how generally differs from that of registered patents. As such, we cannot assure you that our current protection measures are adequately to prevent third parties from accessing and using our trade secrets and know-how without authorization.

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In addition, proprietary information may be disclosed to our licensors, suppliers or other third parties. We generally seek to protect this proprietary information by entering into confidentiality, invention assignment, non-disclosure and non-compete agreements or provisions, with our employees, consultants, contractors and other 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 suppliers 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 advisors and other third parties use intellectual property owned by others in their work for us, disputes may arise as to the rights in or related or resulting know-how and inventions. Costly and time-uncertain 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 may vary in terms of their scope and enforcement across different jurisdictions.

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 protect and enforce our intellectual property rights. The theft or unauthorized use or publication of our trade secrets and other confidential business information as a result of such an incident would affect our competitive position and adversely affect our business, results of operations and financial condition.

***We may not be able to protect our IP rights around the world.***

It would be prohibitively expensive and time-consuming to file, prosecute and defend patents on our technology in every country in the world. We may also encounter difficulties in protecting and defending such rights in foreign jurisdictions. As a result, we may not be able to prevent third parties from practicing our inventions in all countries outside the jurisdictions in which our intellectual property is registered. Competitors may use our technologies to develop their own products in jurisdictions where we have not obtained patent protection. Our patents or other intellectual property rights may not be effective or sufficient to prevent them from competing.

Many companies have experienced significant problems in protecting and defending their intellectual property rights in foreign jurisdictions. The legal systems of many other countries do not favor the enforcement of patents and other intellectual property rights, which could make it difficult for us to stop infringement of our patents in such countries.

Proceedings to enforce our patent rights in foreign jurisdictions could result in substantial costs and divert our efforts and attention from other aspects of our business, could expose us to the risk that our patents will be invalidated or narrowed and our patent applications will not issue, and could cause third parties to assert claims against us. We may not prevail in any litigation we bring, and the damages

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or other remedies awarded, if any, may not be commercially significant. Accordingly, our efforts to enforce our intellectual property rights around the world may not be sufficient to achieve a significant commercial advantage from the intellectual property that we develop or license.

### **RISKS RELATING TO OUR FINANCIAL CONDITION AND NEED FOR ADDITIONAL CAPITAL**

*We are in the ramp-up stage with a history of losses. We may not be able to achieve or subsequently maintain profitability in the near future. Our historical financial and results of operations may not be indicative of our future performance.*

We recorded net losses of RMB146.4 million, RMB189.8 million, RMB87.1 million, RMB100.2 million and RMB65.1 million in 2021, 2022, 2023 and for the six months ended June 30, 2023 and 2024, respectively, and recorded adjusted net loss (non-IFRS measure) of RMB114.2 million, RMB132.4 million, RMB68.1 million, RMB84.5 million, and RMB60.3 million during the same periods. Our relatively limited operating history makes it difficult to evaluate our current business, future prospects and the risks and challenges we may encounter. Risks and challenges we have faced or expect to face include our ability to:

- produce and deliver solutions and products of acceptable performance;
- attract new customers and retain existing customers;
- develop and protect intellectual property;
- comply with existing and new or modified laws and regulations applicable to our business;
- forecast our revenue and budget for and manage our expenses;
- plan for and manage capital expenditures for our current and future solutions and products;
- anticipate and respond to macroeconomic changes and changes in the markets in which we operate;
- maintain and enhance the value of our reputation and brand;
- effectively manage our growth and business operations;
- hire, integrate and retain talented personnel at all levels of our organization; and
- navigate a complex and evolving regulatory environment.

All these efforts will require significant managerial, financial and human resources. We expect to incur significant expenses, and we may continue to incur losses in the near future. Our revenue, costs, expenses and results of operations may vary from period to period in response to a variety of factors beyond our control, including general economic conditions, special events, government regulations or policies affecting our operations and industry and our ability to control costs and expenses. Our potential profitability is dependent upon a variety of factors, including the continued increase in customer needs for our solutions and products, our success in competing against other participants in the markets in which we operate and macroeconomic and regulatory environment. Our revenue may not grow sufficiently to offset the increase in our costs and expenses as we plan to:

- expand the portfolio of our solutions and products at a rapid pace;
- expand our business landscape globally; and
- continue to invest in the research and development of 3D graphics, simulation and AI.

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However, as the digital twin industry is relatively new and rapidly evolving and we have a short operating history and limited experience, we cannot assure you that our choices of technologies and products to focus on will prove correct. In the event that our new technologies and products fail to be adopted by the market, our business prospects and financial condition could be materially and adversely affected. In addition, our strategic initiatives may prove more expensive than we currently anticipate, and we may not succeed in increasing our revenue, if at all, in an amount sufficient to offset these higher costs and expenses and to achieve and maintain profitability.

If we fail to address the risks and difficulties that we face, including those associated with the challenges listed above as well as those described elsewhere in this “Risk Factors” section, our business, financial condition and results of operations could be adversely affected. Further, because we operate in a rapidly evolving market, any predictions about our future revenue and expenses may not be as accurate as they would be if we had a longer operating history or operated in a more predictable market. Some of the market opportunities we are pursuing are at an early stage of development, and it is difficult to accurately predict the size and growth rate of our target markets, customer demand for our solutions and products, commercialization timelines, developments in technology, the entry of competitive products or the success of existing competitive solutions and products. We have encountered in the past, and will encounter in the future, risks and uncertainties frequently experienced by growing companies in rapidly changing industries. If our assumptions regarding these risks and uncertainties, which we use to plan and operate our business, are incorrect or change, or if we do not address these risks successfully, our results of operations could differ materially from our expectations and our business, financial condition and results of operations could be adversely affected.

***We recorded net operating cash outflows historically and there can be no assurance that we will have net cash inflow from operating activities in the future.***

We recorded net cash outflow from operating activities of RMB114.1 million, RMB104.3 million, RMB132.9 million, RMB96.1 million and RMB50.0 million in 2021, 2022, 2023 and for the six months ended June 30, 2023 and 2024, respectively. See “Financial Information—Liquidity and Capital Resources—Net Cash Used in Operating Activities.” We cannot assure you that we will be able to generate positive cash flows from operating activities in the future. If we continue to record net operating cash outflows in the future, our working capital may be constrained, which may adversely affect our financial condition. Our future liquidity primarily depends on our ability to maintain adequate cash inflows from our operating activities and adequate external financing such as offering and issuing securities, or other sources such as external debt, which may not be available on terms favorable or commercially reasonable to us or at all. If we fail to obtain sufficient funding in a timely manner and on reasonable terms, or at all, we will be in default of our payment obligations and may not be able to expand our business. Thus, our business, results of operations and financial condition may be adversely affected.

***We recorded net current liabilities historically.***

We recorded net current liabilities of RMB1,150.1 million as of December 31, 2022 and net current liabilities of RMB825.6 million as of December 31, 2021, primarily due to financial instruments issued to investors. See Note 22 to the Accountants’ Report in Appendix I to this document for details.

We cannot assure you that we will not have net current liabilities in the future, which would expose us to liquidity risk. Our future liquidity and ability to make additional capital investments

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necessary for our operations and business expansion will depend primarily on our ability to maintain sufficient cash generated from operating activities. We may not have sufficient cash from operating activities or may need to obtain additional financing, which may not be available on commercially acceptable terms, or at all. Failure to manage such risks may materially and adversely affect our business, financial condition and results of operations.

***We may be subject to inventory obsolescence risk.***

Our business expansion requires us to manage inventory effectively. Our inventories increased from RMB38.3 million as of December 31, 2021 to RMB79.0 million as of December 31, 2022, then decreased to RMB19.6 million as of December 31, 2023, and increased to RMB30.3 million as of June 30, 2024. Our inventories primarily comprise purchased hardware and software and contract fulfilment cost. We recorded write-down of inventories of RMB1.9 million, RMB1.4 million, RMB2.5 million and RMB3.7 million as of December 31, 2021, 2022, and 2023 and June 30, 2024, respectively. Our inventory turnover days increased from 233 days in 2021 to 364 days in 2022, then decreased to 161 days in 2023, and further increased to 357 days in the six months ended June 30, 2024. We cannot guarantee that our inventories can be fully utilized within their shelf life. As our business expands, our inventory obsolescence risk may also increase commensurately with the increase in our inventories and our inventory turnover days. See “Financial Information—Discussion of certain key items of consolidated statements of financial position—Inventories” for details.

***The share of results of our associates may affect our investments accounted for using the equity method and our results of operations and financial condition.***

Our share of results of investments accounted for using the equity method is primarily related to our equity investment in our associates. Our share of losses of investments accounted for using the equity method in 2022, 2023 and the six months ended June 30, 2023 and 2024 amounted to RMB0.3 million, RMB1.3 million, RMB0.6 million and RMB0.7 million, respectively, while in 2021, we had share of profits of investments of RMB0.2 million in relation to our associates. If the performance of the associates deteriorates, the amount of our share of results of associates may decrease, and we may record share of losses of investments in associates, which may adversely affect our results of operations and financial condition.

In addition, our investments in associates are subject to liquidity risk. Our investments in associates are not as liquid as other investment products. If no dividend is declared by the associates we have investments in, even if profits are reported under the equity method, there is no cash flow until dividends from the associates are received. The illiquidity nature of our investment in such associates may significantly limit our ability to respond to adverse changes in the performance of such associates, which may also adversely affect our results of operations and financial condition.

***We may need additional capital, and financing may not be available on terms acceptable to us, or at all.***

We may require additional cash resources due to changed business conditions or other future developments, including any expansion into new business or geographic markets, marketing initiatives or investments we may decide to pursue. If we determine that our cash requirements exceed the amount of cash and cash equivalents we have on hand at the time, we may seek to issue additional equity or debt securities or obtain new or expanded credit facilities. Our ability to obtain external

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financing in the future is subject to a variety of uncertainties. Companies may be required to complete filings with the applicable regulatory authorities before the launch of any onshore or offshore debt issuance including filings required to be made with the CSRC. We are also subject to certain regulatory approval or filing procedures with local governmental authorities and other regulatory authorities for any future equity financing. These filing and approval procedures will take time, which may result in our missing the best market windows for debt or equity issuances in the future. In addition, incurring indebtedness would subject us to increased debt service obligations and could result in operating and financial covenants that would restrict our operations. If such financing is not available to us on satisfactory terms or in a timely manner, our ability to expand our offerings, enlarge our geographic landscape or to respond to competitive pressures could be harmed. Moreover, if we raise additional capital by issuing equity securities or securities convertible into equity securities, the ownership of our existing Shareholders may be diluted. The holders of new securities may also have rights, preferences or privileges which are senior to those of existing holders of ordinary shares. In addition, any indebtedness we incur may subject us to covenants that restrict our operations and our ability to effectuate certain corporate decisions for our business and will require interest and principal payments that could create additional cash demands and financial risk for us.

***We expect to incur significant R&D expenditures for our business operations, R&D and expansion plans, which may adversely affect our short-term cash flow, liquidity and plan to achieve profitability.***

Our R&D expenditures were RMB106.3 million, RMB132.5 million, and RMB103.8 million, in 2021, 2022, 2023, respectively. See “Financial Information—R&D Expenditure and Total Operating Expenditure.” We expect to incur significant R&D expenditures in the future, thus enhancing our market position. Inherent risk exists for such significant R&D expenditures as our investment may not succeed or generate the benefits that we expect, which could materially affect our business and our plan to achieve profitability. See “—Risks Relating to our General Operations and Industry—We have made significant investments in research and development. It is not possible to guarantee that all of these activities will yield the anticipated benefits within a relatively short timeframe.” Even if we achieve our goals for such investment, our short-term cash flow and liquidity may be adversely affected. While we intend to explore alternative arrangements to reduce the capital intensity of any future expansion, there is no assurance this will be successful.

***We are subject to credit risk related to delay in payment and defaults of customers, 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. As of December 31, 2021, 2022 and 2023 and June 30, 2024, our trade and other receivables amounted to RMB63.1 million, RMB76.3 million, RMB107.8 million and RMB95.6 million, respectively. As of December 31, 2021, 2022, and 2023 and June 30, 2024, we recorded loss allowance for impairment of trade receivables of RMB1.2 million, RMB5.0 million, RMB14.2 million, and RMB16.2 million, respectively. We may not be able to collect all such trade and other receivables due to a variety of factors that are beyond our control, including long payment cycle of certain customers, adverse operating condition or financial condition of customers, and customers’ inability to pay caused by their end users’ delay in payment.

If our customers 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. See “Financial Information—Discussion of certain key items of consolidated statements of financial position—Trade and other receivables” for details.

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

Our share incentive schemes were established for the benefit of our Directors, senior management and 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 share incentive schemes, see “Appendix VI—Statutory and General Information—Further Information about our Directors and Supervisors.” In 2021, 2022, 2023 and for the six months ended June 30, 2023 and 2024, we recorded an aggregate of RMB7.3 million, nil, RMB3.3 million, nil, and RMB2.8 million, respectively, in share-based payments.

To further incentivize our employees, we may incur additional share-based payment expenses 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 H Shares with respect to such share-based payments may dilute the shareholding of our Shareholders and could result in a decline in the [REDACTED] of our H Shares.

*Failure to obtain or maintain any of the government grants or preferential tax treatments could adversely affect our business, results of operations, financial condition and prospects.*

During the Track Record Period, we benefited from government grants, many of which are non-recurring in nature or are subject to periodic review. In 2021, 2022, 2023 and for the six months ended June 30, 2023 and 2024, the government grants we recognized as other income amounted to RMB6.6 million, RMB3.6 million, RMB3.0 million, RMB2.5 million and RMB1.4 million, respectively. In addition, we and a number of our subsidiaries enjoy various types of preferential tax treatment according to the prevailing PRC tax laws. For more details of the preferential tax treatments, see Note 7 to the Accountants’ Report in Appendix I to this document.

The PRC governmental authorities may decide to reduce or cancel such government grants or preferential tax treatment, or require us to repay part or all of the government grants we previously received at any time, which could adversely affect our business, results of operations, financial condition and prospects. As these government grants are provided typically on a one-off basis, there is no guarantee that we will continue receiving or benefiting from them in the future. In addition, we may not be able to successfully or timely obtain the government grants or preferential tax treatment that may become available to us in the future, and such failure could adversely affect our business, results of operations, financial condition and prospects.

### RISKS RELATING TO GOVERNMENT REGULATIONS

*We are subject to a variety of laws and regulations that are continually developing, which may affect our business, results of operations and financial condition.*

There are a variety of regulations that apply to digital technologies and data security that could affect the marketability of our solutions and products. Such regulations continue to rapidly change, which increases the likelihood of varying or conflicting regulations or may limit their global adoption, impact our strategy, or affect our long-term expectations for our investments in these areas.

Government regulations are subject to continual development based on a number of factors beyond our control, including new scientific or technological data, adverse publicity regarding the industry, data breaches, concerns regarding data privacy and security, incidents involving our solutions

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and products or those of our competitors, domestic and foreign political developments or considerations, and litigation relating to our solutions and products and our competitors’ solutions and products. Changes in government regulations could affect our business, results of operations, and financial condition.

In addition, we are also subject to laws and regulations worldwide that affect our operations and that differ among jurisdictions, including intellectual property and infringement laws, tax laws, import and export regulations, anti-corruption laws, foreign exchange controls and cash repatriation restrictions, data security laws, competition laws, advertising regulations, labour laws, product regulations, environmental laws, health and safety requirements, consumer laws and national security laws. Compliance with such requirements can be onerous and expensive, and may otherwise adversely affect our business, results of operations, and financial condition.

Although we have implemented policies and procedures to comply with these laws and regulations, a violation by our employees, contractors or agents could nevertheless occur. In some cases, compliance with the laws and regulations of one country could violate the laws and regulations of another country. Violations of these laws and regulations could materially and adversely affect our brand, overseas growth efforts and business. We may not be able to develop and implement policies and strategies that address these risks effectively in each location in which we conduct or intend to conduct business, and there can be no assurance that our exposure to such risks, which may become greater as we expand our operations, will not adversely affect our reputation, business, results of operations and financial condition or otherwise divert our resources in handling any lawsuits, legal proceedings or complaints.

Our employees, contractors, suppliers or agents may violate our policies, controls and procedures designed to help ensure compliance with applicable laws. There may also be laws and regulations that pose challenges to the functionality of our solutions and products or require us to adapt our solutions and products to retain functionality. Violations of these laws and regulations can result in fines, criminal sanctions against us, our officers or our employees, prohibitions on the conduct of our business or damage to our reputation. The digital twin and AI industries are subject to intense media, political, and regulatory scrutiny, which can increase our exposure to government investigations, legal actions, and penalties.

***Our business is subject to a variety of laws, rules, policies and other obligations regarding data protection. Any losses or unauthorized access to or releases of confidential information and personal data could subject us to significant reputational, financial, legal and operational consequences.***

The theft, loss, or misuse of the operational data or confidential information of our customers and employees collected, used, stored, or transferred by us to run our business could result in significantly increased business and security costs or costs related to defending legal claims may be required to expend significant resources to comply with data breach requirements if, for example, third parties improperly obtain and use the operational data, or we otherwise experience a data loss with respect to the operational data. A major breach of network security related regulations may result in fines, penalties, and damages, harm our reputation, and adversely affect our business, results of operations, and financial condition.

Data privacy is subject to evolving rules and regulations, which sometimes conflict among the various jurisdictions in which we conduct or intend to conduct operations. We are subject to a variety of local, national and international laws, directives, and regulations that apply to the collection, use,



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retention, protection, security, disclosure, transfer, and other processing of personal data in the different jurisdictions in which we operate (“**Data Protection Laws**”). Any failure by us or our vendors or other business partners to comply with such Data Protection Laws could result in regulatory or litigation-related actions against us, legal liability, fines, damages, ongoing audit requirements, and other significant costs. These laws continue to develop, and the interpretations thereof may be evolving. Complying with emerging and changing legal and regulatory requirements relating to data protection may cause us to incur substantial costs or require us to change our business practices. Any noncompliance could adversely affect our ability to collect, analyze, and store data, expose us to significant monetary penalties, damage to our reputation, result in suspension of online services or sites in certain countries, and even result in criminal sanctions. Even our inadvertent failure to comply with Data Protection Laws could result in audits, regulatory inquiries, or proceedings against us by governmental entities or other third parties. Any inability to adequately address data privacy or data protection, or other information security-related concerns, even if unfounded, to successfully negotiate privacy, data protection, or information security-related contractual terms with customers, or to comply with Data Protection Laws, could result in additional cost and liability to us, harm our reputation and brand, and could adversely affect our business, results of operations, and financial condition.

To ensure our compliance with these laws and regulations relating to the collection, use, retention, security and transfer of personal information, we have established relevant protocols and mechanisms with respect to how we collect, store, process and use user personal data and information. Any failure by us to comply with our protocols or with other local or overseas privacy-related or data protection laws and regulations could result in damages to our reputation or proceedings against us by governmental entities, among other potential consequences. We have implemented systems and processes intended to secure our information technology systems and prevent unauthorized access to or loss of sensitive data, including through the use of encryption and authentication technologies. As with all companies, these security measures may not be sufficient for all eventualities and may be vulnerable to hacking, employee error, malfeasance, system error, faulty password management or other irregularities.

*Any failure by us to comply with applicable laws or regulations, or to obtain, update or maintain necessary approvals, licenses and permits in a timely manner may adversely affect our business.*

We operate in regulated industries and we are required to comply with the applicable laws, rules and regulations applicable to our operations. Meanwhile, we are required to obtain and comply with various permits, licenses and approvals from administrative authorities. For details on the permits, licenses and approvals required, see “Business—Licenses, Permits and Approvals.” Each approval is dependent on the satisfaction of certain conditions and failure to obtain governmental approvals could have an adverse effect on our operations. We are also subject to inspections, examinations, inquiries and audits by governmental authorities as part of the process of maintaining or renewing our permits, licenses or certificates. There can be no assurance that we will be able to fulfil the pre-conditions necessary to obtain the required governmental approvals or that we will be able to adapt to new laws, regulations or policies that may come into effect from time to time with respect to our operations. Any failure to comply with any applicable laws, rules or regulations, or obtain or renew our licenses, permits and approvals could disrupt our operations and any fines or other penalties imposed by the PRC government could materially and adversely affect our business, financial conditions and results of operations.

In addition, the laws and regulations on digital twin, simulation, AI and the licensing and permit requirements pertaining to companies operating in these industries, are constantly evolving and

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subject to the interpretation of the competent authorities. As a result, we may be subject to more stringent regulatory requirements due to developments in the political or economic policies in the relevant jurisdictions or the periodic revisions in the interpretation of relevant laws and regulations. We cannot assure you that we will always be able to ensure full compliance with newly issued laws or regulations in time, or maintain our existing licenses or obtain new ones required for conducting our business in all jurisdictions where we operate or have business presence. Compliance with newly imposed requirements can be onerous and expensive, and may otherwise adversely affect our business, results of operations and financial condition. If any government considers that we are operating without the proper licenses or permits or promulgates new laws and regulations that require additional licenses or permits or imposes additional requirements on the operation of any part of our business, it has the power, among other things, to levy fines, confiscate our income, revoke our business licenses, and require us to discontinue our relevant business or impose restrictions on the affected portion of our business. Any of these actions by such government may have a material and adverse effect on our business, financial condition and results of operations.

*Existing and new anti-monopoly and anti-unfair competition laws and regulations may impose higher compliance cost on us and may affect our business, financial condition and results of operations.*

We are subject to applicable antitrust and competition laws in China and we may be subject to certain regulatory scrutiny, procedures and investigations, from time to time, by antitrust or competition regulatory authorities relating to claims of infringement of antitrust or competition laws, or civil lawsuits and criminal proceedings with respect to anticompetitive behaviors, in China or other jurisdictions in which we plan to operate. Such regulatory scrutiny, procedures and investigations may be carried out by the relevant antitrust or competition regulatory authorities on an individual entity or a group of entities within an industry or a segment of an industry and may relate to a range of activities including acquisitions, pricing and other behaviors. These investigations and scrutiny procedures may be carried out by antitrust or competition regulatory authorities in confidence and we may not become aware of the details of such scrutiny procedures or investigations until we are formally notified of the outcome. In addition, our competitors may resort to making allegations or complaints against us to regulators without our knowledge which may give rise to further scrutiny and investigations. Such scrutiny, procedures, investigations, lawsuits and proceedings may result in fines, civil liability or criminal liabilities or may result in a change in the way we operate. Further, there can be no assurance that our business, results of operations and financial condition will not be affected by the introduction of new antitrust or competition laws in the jurisdictions in which we operate, the interpretation of existing antitrust or competition laws, or the enforcement of existing antitrust or competition laws by competent regulatory authorities or civil antitrust litigation by private parties against us.

As we are a company incorporated under PRC law we are subject to anti-monopoly and anti-unfair competition laws and regulations of China. In March 2018, the SAMR was formed as a new governmental agency to take over, among other things, the anti-monopoly enforcement functions from the relevant departments under the State Administration of Industry and Commerce, the General Administration of Quality Supervision, Inspection and Quarantine, and the China Food and Drug Administration. Since its inception, the SAMR has continued strengthening enforcement under the PRC Anti-Monopoly Law and the Anti-unfair Competition Law. Pursuant to the PRC Anti-Monopoly Law, the relevant operators of a concentration of undertakings which reaches the standard for declaration shall make an advance declaration to the anti-monopoly law enforcement authority under the State Council. The PRC Anti-Monopoly Law has been amended in August 2022 which further strengthens supervision on concentration of undertakings and empower the anti-monopoly law

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enforcement authority of the State Council to require a declaration for a concentration of undertakings that does not reach the threshold of declaration as prescribed in certain circumstances. For more information on PRC Anti-Monopoly Law, see “Regulatory Overview—Anti-monopoly Law.” We endeavor to comply with the PRC Anti-monopoly Law and the Anti-unfair Competition Law. Nonetheless, we may be required by competent regulatory authorities to adjust our business practices or may be subject to penalties, such as confiscation of incomes or potential fines, if any of our past or future acquisitions or investments, or any other business practices involving us, is deemed to be non-compliant with the PRC Anti-monopoly Law or the Anti-unfair Competition Law. We may also be subject to claims from our competitors or users, which could affect our business and operations. The PRC authorities may keep supervising the competition compliance issues, and we may receive greater scrutiny and attention from regulators and more frequent and rigid investigations or reviews by regulators, which may increase our compliance costs and subject us to heightened risks and challenges. We may have to spend much more personnel cost and time evaluating and managing these risks and challenges in connection with our products and services as well as our investments in our ordinary business course to avoid any failure to comply with these laws and regulations.

***We are subject to certain regulatory requirements on the conversion and remittance of foreign currencies.***

A significant portion of our revenue and expenses are denominated in Renminbi, which is currently not freely convertible to other foreign currencies. Conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations, which affect exchange rates and our foreign exchange transactions. Under current PRC laws and regulations, payments of current account items, including profit distributions, interest payments and operation-related expenditures, may be made in foreign currencies without prior approval from SAFE but are subject to procedural requirements, including presenting relevant documentary evidence of such transactions and conducting such transactions at designated foreign exchange banks within China that have licenses to carry out foreign exchange business. Strict foreign exchange control continues to apply to capital account transactions. These transactions must be approved by or registered with SAFE, and repayment of loan principal, distribution of returns on direct capital investment and investment in negotiable instruments are also subject to restrictions. There is no assurance that we will be able to obtain such approval in a timely manner, or at all.

The policies regarding foreign exchange transactions under the current account and the capital account may not necessarily continue in the future. In addition, these foreign exchange policies may restrict our ability to obtain sufficient foreign exchange, which could have an adverse effect on our foreign exchange transactions and the fulfilment of our other foreign exchange requirements. If there are changes in the policies regarding the payment of dividends in foreign currencies to shareholders or other changes in foreign exchange policies resulting in insufficient foreign exchange, our payment of dividends in foreign currencies may be affected. If we fail to obtain approval from SAFE to convert Renminbi into any foreign currency for foreign exchange transactions, our business, financial condition and results of operations may be adversely affected.

***Failure to comply with the requirements for employee stock incentive plans may subject the Chinese plan participants or us to fines and other legal or administrative penalties.***

In February 2012, the SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas

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Publicly Listed Company (《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》, the “SAFE Circular 7”), which replaced the earlier rules promulgated by the SAFE in March 2007. Under the SAFE Circular 7 and other relevant requirements and regulations, Chinese residents who participate in stock incentive plans in an overseas publicly listed company are required to register with the SAFE or other branches and complete certain other procedures. The Chinese resident participants of stock incentive plans are required to retain a qualified Chinese agent, which could be the Chinese subsidiary of such overseas listing public company or other qualified institutions selected by Chinese subsidiary) to register with the SAFE and complete other procedures on behalf of such participants for stock incentive plans. The participants must also retain an overseas entrusted institution to complete matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the Chinese 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 Chinese agent or the overseas entrusted institution or other material changes. Also, the Notice of the State Administration of Foreign Exchange on Issues Relating to Foreign Exchange Control for Overseas Investment and Financing and Round-tripping by Chinese Residents through Special Purpose Vehicles (《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》, the “SAFE Circular 37”) stipulates the Chinese 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 exercise the share options. We and our Chinese employees who have been granted RSUs will be subject to these regulations. Failure of our Chinese share option holders or restricted shareholders to complete their SAFE registrations may subject these Chinese residents to fines of up to RMB300,000 for entities and up to RMB50,000 for individuals, and legal sanctions may also limit our ability to contribute additional capital into our Chinese subsidiary, limit our Chinese subsidiary’s ability to distribute dividends to us, or otherwise materially adversely affect our businesses.

The SAT has also issued relevant rules and regulations concerning employee share incentives. Under these rules and regulations, our employees working in China will be subject to Chinese individual income tax upon exercise of the share options or grant of the restricted shares. Our China subsidiaries have obligations to file documents with respect to the granted share options or restricted shares with relevant tax authorities and to withhold individual income taxes for their employees upon exercise of the share options or grant of the restricted shares. If our employees fail to pay or we fail to withhold their individual income taxes according to relevant rules and regulations, we may face sanctions imposed by the competent governmental authorities.

*Failure for us, our employees, affiliates and business partners such as suppliers and customers to comply with anti-corruption laws and regulations and our anti-corruption policies and procedures could severely damage our reputation, and materially and adversely affect our business, financial condition, results of operations and prospects.*

We are subject to risks in relation to actions taken by us, our employees, affiliates and business partners such as suppliers that constitute violations of the anti-corruption laws and regulations. While we have adopted anti-corruption policies, these policies may not be followed at all times or effectively detect and prevent all violations by us or our employees, affiliates or business partners. While we adopt strict internal procedures and work closely with relevant government agencies to ensure compliance with relevant laws and regulations, our efforts may not be sufficient to ensure that we, our employees, affiliates and business partners comply with relevant laws and regulations at all times. If we, our employees, affiliates and business partners violate these laws, rules or regulations, we could be subject

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to fines or other penalties and our reputation, corporate image and business operations may be materially and adversely affected. Actions by PRC regulatory authorities or the courts to provide an interpretation of PRC laws and regulations that differs from our interpretation or to adopt additional anti-bribery or anti-corruption related regulations could also require us to make changes to our operations. Our reputation, corporate image, and business operations may be materially and adversely affected if we fail to comply with these measures or become the target of any negative publicity as a result of actions taken by us, our employees, affiliates and business partners, which may in turn have a material adverse effect on our business, financial condition, results of operations and prospects.

***We are a mainland China enterprise, and we are subject to mainland China tax on our global income and any gains on the sales of H Shares and dividends on the H Shares may be subject to mainland China income taxes.***

Under the EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between the mainland China and a non-mainland China investor’s jurisdiction of residence that provides for a different income tax arrangement, mainland China withholding tax at the rate of 10% is normally applicable to dividends from mainland China sources payable to investors that are non-mainland China resident enterprises, which do not have an establishment or place of business in mainland China, or which have an establishment or place of business in mainland China if the relevant income is not effectively connected with such establishment or place of business. Any gains realized on the transfer of shares by such investors are subject to a 10% mainland China income tax rate if such gains are regarded as income from sources within mainland China unless a treaty or similar arrangement provides otherwise.

Under the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》) and its implementation rules, dividends from sources within mainland China paid to foreign individual investors who are not mainland China residents are generally subject to a mainland China withholding tax at a rate of 20% and gains from mainland China sources realized by such investors on the transfer of shares are generally subject to a 20% mainland China income tax rate, in each case, subject to any reduction or exemption set forth in applicable tax treaties and laws in mainland China. Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (Guo Shui Han [2011] No. 348) (國稅函[2011]348號) dated June 28, 2011, issued by the SAT, dividends paid to non-mainland China resident individual holders of H Shares are generally subject to individual income tax of mainland China at the withholding tax rate of 10%, depending on whether there is any applicable tax treaty between mainland China and the jurisdiction in which the non-mainland China resident individual holder of H Shares resides as well as the tax arrangement between mainland China and Hong Kong. Non-mainland China resident individual holders who reside in jurisdictions that have not entered into tax treaties with mainland China are subject to a 20% withholding tax on dividends received from us. However, pursuant to the Circular Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the MOF of mainland China and the SAT on March 30, 1998, gains of individuals derived from the transfer of listed shares of enterprises may be exempt from individual income tax. In addition, on December 31, 2009, the MOF, the SAT and the CSRC jointly issued the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) (Cai Shui [2009] No. 167) which states that individuals’ income from the transfer of listed shares on

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certain domestic exchanges shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restrictions as defined in the Supplementary Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of the Listed Shares Subject to Sales Limitations (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) (Cai Shui [2010] No. 70). As of the Latest Practicable Date, the aforesaid provision has not expressly provided that individual income tax shall be collected from non-mainland China resident individuals on the sale of shares of mainland China resident enterprises listed on overseas stock exchanges. To our knowledge, in practice, the tax authorities in mainland China have not sought to collect individual income tax from non-mainland China resident individuals on gains from the transfer of listed shares of mainland China resident enterprises on overseas stock exchanges. However, there is no assurance as to whether further implemented laws, regulations, or practices in the future would result in levying income tax on non-mainland China resident individuals on gains from the sale of H shares.

If mainland China income tax is imposed on gains realized from the transfer of our H Shares or on dividends paid to our non-mainland China resident investors, the value of your **[REDACTED]** in our H Shares may be affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with mainland China may not qualify for benefits under such tax treaties or arrangements.

*We and our customers could be subject to changes in our tax rates, the adoption of new local or overseas tax legislation or exposure to additional tax liabilities.*

The PRC EIT Law imposes a tax rate of 25% on business enterprises. Some of our subsidiaries are entitled to preferential tax treatment. See “Financial Information—Taxation.” There is no assurance that we will continue to enjoy preferential tax rates or be entitled to government grants in the future. To the extent there are any changes in the laws and regulations governing preferential tax treatment, or increases in our effective tax rate due to any other reasons, our tax liability would increase correspondingly. In addition, the PRC authorities may amend or restate regulations on income, withholding, value-added, and other taxes. Non-compliance with China tax laws and regulations may also result in penalties or fines imposed by relevant tax authorities. Adjustments or changes to China tax laws and regulations and tax penalties or fines could affect our businesses, financial condition and results of operations.

*Failure to make adequate contributions to various employee benefit plans as required by PRC regulations may subject us to penalties.*

Companies operating in China are required to participate in various employee benefit plans, including certain social insurance, housing funds, unemployment insurance, health insurance plans and other welfare oriented payment obligations, and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of our employees up a maximum amount specified by the local government from time to time at locations where we operate our businesses. The requirement of employee benefit plans has not been implemented consistently by the local governments in China given the different levels of economic development in different locations. During the Track Record Period, there were shortfalls in our contributions to social insurance and housing funds for our China-based employees, and we have made provisions in connection with such shortfalls. As of the Latest Practicable Date, we had not received any notice for payment of penalties of social insurance premium and housing provident funds from the competent authorities. In addition,

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Mr. Li has agreed to indemnify the Company for any losses the Company may suffer as a result of the shortfall in the contribution. As advised by our PRC Legal Advisor, the likelihood of us receiving any notice of penalties from the competent authorities is relatively low, provided that we pay the outstanding contribution, and late fee (if any), for social insurance and house provident funds in full amount within the prescribed period after receiving notices to rectify such non-compliance from the competent authorities. However, there is no assurance that the competent government authorities will not require us to settle the outstanding amount within the specified time limit or impose late payment penalties on us, or any of our employees would not make complaints or demand for payment for any outstanding contribution. Pursuant to the Urgent Notice on Enforcing the Requirement of the General Meeting of the State Council and Stabilizing the Levy of Social Insurance Payment (《關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) promulgated on September 21, 2018 by the Ministry of Human Resources and Social Security, administrative enforcement authorities are prohibited from organizing and conducting aggregated collection of enterprises’ historical social insurance arrears. As advised by our PRC Legal Advisor, if we receive notices from the competent authorities requiring us to rectify such non-compliance, and we pay such outstanding amounts and late fees (if any) within the required period, the likelihood of us being required to pay penalties is remote. However, there is still a risk of future changes in social insurance policies, being required to correct such violations, or individual employees demanding us to make up for social insurance payments.

Furthermore, during the Track Record Period, we engaged third-party agencies to make such contributions on our behalf for certain employees, which was not in strict compliance with applicable PRC laws and regulations. We implemented such arrangements primarily because these employees were located in cities where we did not have any registered operating entities. As advised by our PRC Legal Advisor, if the validity of such arrangements is challenged by competent PRC authorities, we might be subject to additional contributions, late payment fees and/or penalties required by relevant PRC laws and regulations for failing to discharge our obligations in relation to payment of social insurance and housing provident funds as an employer or be ordered to rectify such practice. We cannot assure you that relevant competent government authorities will not take the view that such third-party agency arrangements do not satisfy the requirements under the relevant PRC laws and regulations. We might also be subject to labor disputes arising from such arrangements with the relevant employees.

***We may be subject to additional regulatory requirements under new laws and regulations on overseas [REDACTED] and [REDACTED] issued by PRC government authorities.***

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.

On February 17, 2023, 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》) and related guidelines (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

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listing is submitted. We will file with the CSRC within the 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, the MOF, the National Administration of State Secrets Protection of China, and the National Archives Administration of China 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. Given that the Overseas Listing Trial Measures and the Archives Rules were recently promulgated, their interpretation, application and enforcement are still evolving and subject to change. Failure to comply with them could have a material and adverse impact on our business, results of operations and financial condition.

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

We cannot assure you that any new rules or regulations promulgated in the future will not impose additional requirements or restrictions on us or our financing activities. If it is determined in the future that approval from or filing with the CSRC or other regulatory authorities or other procedures are required, we may fail to obtain such approval, perform such filing procedures or meet such other requirements in a timely manner or at all. We may face sanctions by the CSRC or other PRC regulatory authorities for failure to seek CSRC approval or other government authorization, or perform filing procedures, for this [REDACTED] or our future financing activities, 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 and adverse impact on our future prospects, business, results of operations and financial condition.

*You should assess the legal protections you are entitled to under legal system in China.*

The legal system in China is a civil law system based on written statutes. Unlike common law systems, it is a system in which decided legal cases may be cited for reference but have limited precedential value. The laws and regulations in China is subject to further revisions or interpretations from time to time. New laws, regulations, guidelines and interpretations that are promulgated in the future may affect the rights and obligations of the parties involved. Therefore, you should assess the legal protections you are entitled to under legal system in China.

*Export control and economic or trade restrictions that were imposed on our customers may affect our business, financial conditions and results of operations.*

In recent years, the United States has increased 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, which includes a list of foreign persons on which



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certain trade restrictions are imposed, including businesses, research institutions, government and private organizations, individuals and other types of legal persons (the “**Entity List**”). Where a foreign person is included on the Entity List, the export, re-export and/or transfer (in-country) of items which are subject to the EAR generally is prohibited unless the specified license requirements are met. Certain of our customers and shareholders are listed on the Entity List. These sanctions can limit their operational capabilities and affect these customers’ demands for our products and solutions. As a result, our revenue from these customers may be adversely impacted. Besides, we cannot be certain what additional export control actions the U.S. government may take that could impact our customers. The aforementioned restrictions, and similar or more expansive restrictions or sanctions, including sanctions currently imposed or may be imposed in the future by the Office of Foreign Assets Control of the United States or other relevant authorities in other jurisdictions, may materially and adversely affect our customers’ ability to acquire or use technologies, systems, software, devices or components that may be critical to their products, service offerings and business operations, which in turn may adversely affect our business, results of operations and financial condition.

### **RISKS RELATING TO THE [REDACTED]**

*There has been no prior [REDACTED] for our H Shares, and an active [REDACTED] for our H Shares may not develop or be sustained.*

Prior to the [REDACTED], there was no [REDACTED] for our H Shares. We cannot assure you that a [REDACTED] for our H Shares with adequate liquidity and [REDACTED] will develop and be sustained following the completion of the [REDACTED]. In addition, the [REDACTED] of our H Shares is expected to be fixed by agreement between the [REDACTED] (for themselves and on behalf of the [REDACTED]) and us, and may not be an indication of the [REDACTED] of our H Shares following the completion of the [REDACTED]. If an active [REDACTED] for our H Shares does not develop following the completion of the [REDACTED], the [REDACTED] and [REDACTED] of our H Shares may be materially and adversely affected.

*The [REDACTED] and [REDACTED] of our H Shares may be volatile, which could lead to substantial losses to investors.*

The [REDACTED] and [REDACTED] of our H Shares may be subject to significant volatility in response to various factors beyond our control, including the general market conditions of the securities in Hong Kong and elsewhere in the world. The Hong Kong Stock Exchange and other securities markets have, from time to time, experienced significant price and trading volume volatility that are not related to the operating performance of any particular company. The business and performance and the market price of the shares of other companies engaging in similar business may also affect the [REDACTED] and [REDACTED] of our H Shares. In addition to market and industry factors, the [REDACTED] and [REDACTED] of our H Shares may be highly volatile for specific business reasons, such as fluctuations in our revenue, earnings, cash flows, investments, expenditures, regulatory developments, relationships with our suppliers, movements or activities of key personnel, or actions taken by competitors. Moreover, shares of other companies listed on the Hong Kong Stock Exchange have experienced price volatility in the past, and it is possible that our H Shares may be subject to changes in price not directly related to our performance.

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## RISK FACTORS

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*Future sales or perceived sales of substantial amounts of our H Shares in the [REDACTED] could have a material adverse effect on the prevailing [REDACTED] of our H Shares and our ability to raise additional capital in the future, or may result in dilution of your shareholding.*

The [REDACTED] of our H Shares and our ability to raise equity capital in the future at a time and price that we deem appropriate could be negatively impacted as a result of future sales of a substantial number of our H Shares or other securities relating to our H Shares in the public market, especially by our Directors and executive officers, or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. In addition, our Shareholders may experience dilution in their holdings if we issue more securities in the future. Furthermore, we may issue Shares pursuant to any existing or future share option incentive schemes, which would further dilute our Shareholders’ interests in our Company. New shares or shares-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the H Shares. The Shares held by our existing Shareholders are subject to certain lock-up periods beginning on the date on which [REDACTED] in our Shares commences on the Hong Kong Stock Exchange. While we currently are not aware of any intention of such persons to dispose of significant amounts of their Shares after the expiry of the lock-up periods, we cannot assure you that they will not dispose of any Shares they may own now or in the future. Market sale of Shares by such Shareholders and the availability of these Shares for future sale may have a negative impact on the [REDACTED] of our H Shares.

In addition, while investors subscribing shares in the [REDACTED] are not subject to any restrictions on the disposal of the H Shares they subscribed typically they may have existing arrangements or agreement to dispose part or all of the H Shares they hold immediately or within certain period upon completion of the [REDACTED] for legal and regulatory, business and market, or other reasons. Such disposal may occur within a short period or any time or period after the [REDACTED]. Any sale of the H Shares subscribed by such investors pursuant to such arrangement or agreement could adversely affect the [REDACTED] of our H Shares and any sizeable sale could have a material and adverse effect on the [REDACTED] of our H Shares and could cause substantial volatility in the [REDACTED] of our H Shares.

*Because the [REDACTED] of our H Shares is substantially higher than the consolidated net tangible book value per share, purchasers of our H Shares in the [REDACTED] may experience immediate dilution upon such purchases.*

As the [REDACTED] of our H Shares is higher than the consolidated net tangible assets per share immediately prior to the [REDACTED], purchasers of our H Shares in the [REDACTED] will experience an immediate dilution. Our existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per share of their shares. In addition, holders of our H Shares may experience further dilution of their interest if the [REDACTED] exercise the [REDACTED] or if we issue additional shares in the future to raise additional capital.

*You will experience immediate dilution and may experience further dilution if we issue additional H Shares or [REDACTED] Unlisted Shares into H Shares under the H Share full circulation.*

Potential investors will pay a price per H Share that substantially exceeds the per Share value of our Company’s tangible assets after subtracting our Company’s total liabilities and will therefore experience immediate dilution when purchasing the H Shares [REDACTED] in the [REDACTED]. As a result, if our Company were to distribute its net tangible assets to our Shareholders immediately following the [REDACTED], potential investors would receive less than the amount they paid for

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their H Shares. In addition, if we issue additional H Shares or equity-linked securities at a price lower than the net tangible asset value per Share at the time of issuance, you and other purchasers of our H Shares may experience further dilution in the net tangible asset value per Share. Given the promotion of H Share full circulation by the CSRC in November 2019, we may be allowed to [REDACTED] certain of our Unlisted Shares into H Shares after the [REDACTED] if we are qualified pursuant to the relevant CSRC requirements.

***There can be no assurance whether and when we will pay dividends in the future.***

Since our inception, we have not declared or paid any dividends on our Shares. We expect to continue to invest in technology and innovation to implement our growth strategies, which we believe will contribute to the value creation for customers, employees and Shareholders. Our Board of Directors regularly review our dividend policy by taking into consideration a number of factors, including our evolving strategies, results of operations, financial condition, operating and capital investment requirements and other factors it may deem relevant. Any declaration and payment, as well as the amount of the dividends, will be subject to our Articles and the relevant PRC laws and regulations. In addition, as a holding company, we rely on dividends and other distributions on equity from our subsidiaries for our cash requirements to pay dividends. Our ability to pay dividends may be adversely affected if our subsidiaries fail to adequately pay dividends and other distributions to us in a timely manner due to their respective capital needs. As a result, there can be no assurance whether, when and in which form we will pay dividends in the future or that we will pay dividends in accordance with our dividend policy.

***You should read the entire document carefully and only rely on the information included in this document to make your [REDACTED] decision, and we strongly caution you not to rely on any information contained in press articles or other media coverage relating to us, our H Shares or the [REDACTED].***

We strongly caution our investors not to rely on any information contained in press articles or other media regarding us, our H Shares and the [REDACTED]. Prior to the publication of this document, there may be press and media coverage regarding the [REDACTED] and us. Such press and media coverage may include references to certain information that does not appear in this document, including certain operating and financial information and projections, valuations and other information. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this document, we disclaim responsibility for it and our investors should not rely on such information.

***If securities or industry analysts do not publish research reports about our business, or if they adversely change their recommendations regarding our Shares, the [REDACTED] and [REDACTED] of our H Shares may decline.***

The [REDACTED] 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 [REDACTED] of our H Shares may 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 [REDACTED] or [REDACTED] to decline.

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## RISK FACTORS

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*Certain facts, forecast and other statistics in this document obtained from publicly available sources have not been independently verified and may not be reliable.*

Certain facts, forecast and other statistics in this document are derived from various government and official resources. However, our Directors cannot guarantee the quality or reliability of such source materials. We believe that the sources of the said information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Nevertheless, such information has not been independently verified by us, the Joint Sponsors, [REDACTED] or any of their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics. Further, we cannot assure our investors that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, our investors should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.

*Forward-looking statements contained in this document are subject to risks and uncertainties.*

This document contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, growth opportunities for existing operations, plans and objectives of management, certain pro forma information and other matters. The words “aim”, “anticipate”, “believe”, “could”, “predict”, “potential”, “continue”, “expect”, “intend”, “may”, “might”, “plan”, “seek”, “will”, “would”, “should” and the negative of these terms and other similar expressions identify a number of these forward-looking statements. These forward looking statements, including, amongst others, those relating to our future business prospects, capital expenditure, cash flows, working capital, liquidity and capital resources are necessarily estimates reflecting the best judgment of our Directors and management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. As a consequence, these forward-looking statements should be considered in light of various important factors, including those set out in this section. Accordingly, such statements are not a guarantee of future performance and investors should not place undue reliance.

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## WAIVERS AND EXEMPTIONS

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In preparation for the [REDACTED], we have sought the following waivers from strict compliance with the Listing Rules and exemptions from the CWUMPO.

### MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rules 8.12 and 19A.15 of the Listing Rules, an issuer must have sufficient management presence in Hong Kong. This will normally mean that at least two of its executive directors must be ordinarily resident in Hong Kong. We do not have sufficient management presence in Hong Kong for the purposes of Rule 8.12 and Rule 19A.15 of the Listing Rules.

Given that (i) our Group’s management headquarters, senior management, business operations and assets are primarily based in the PRC; (ii) our executive Directors and members of the senior management team principally reside in the PRC; and (iii) the management and operations of the Company have been mainly under the supervision and guidance of our executive Directors and senior management team, who are principally responsible for the overall management, corporate strategy, planning, business development and control of the Group’s businesses and it is important for them to remain in close proximity to the Group’s operations located in the PRC, the Directors consider that the appointment of executive directors who will be ordinarily resident in Hong Kong would not be beneficial to, or appropriate for, our Group and therefore would not be in the best interests of our Company or the Shareholders as a whole. Therefore, our Company does not, and 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 the Listing Rules.

Accordingly, we have applied for[, and the Stock Exchange has granted,] a waiver from strict compliance with Rules 8.12 and 19A.15 of the Listing Rules. We will ensure that there is an effective channel of communication between the Stock Exchange and us by way of the following arrangements:

- (a) pursuant to Rule 3.05 of the Listing Rules, we have appointed and will continue to maintain two authorised representatives who shall act at all times as the principal channel of communication with the Stock Exchange. Each of our authorised representatives will be readily contactable by the Stock Exchange by telephone, facsimile and/or e-mail to deal promptly with enquiries from the Stock Exchange and will be able to meet with the Stock Exchange within a reasonable time frame on request. Both of our authorised representatives are authorised to communicate on our behalf with the Stock Exchange. Our Company will also inform the Stock Exchange promptly in respect of any change in our authorized representatives. At present, our two authorized representatives are Ms. Zhang Yuwei, our executive Director, and Ms. Chu Cheuk Ting (“**Ms. Chu**”) of TMF Hong Kong Limited), one of our joint company secretaries;
- (b) pursuant to Rule 3.20 of the Listing Rules, each Director will provide her contact information (including telephone number, mobile phone number, facsimile number (if available), email address (if available), residential address and contact address (if different from the residential address)) to the Stock Exchange and to the authorised representatives. This will ensure that the Stock Exchange and the authorised representatives should have means for contacting all Directors promptly at all times as and when required;
- (c) we will endeavour to ensure that each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period; and

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## WAIVERS AND EXEMPTIONS

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- (d) pursuant to Rule 3A.19 of the Listing Rules, we have retained the services of Somerley Capital Limited as compliance adviser (the “**Compliance Adviser**”), who will act as an additional channel of communication with the Stock Exchange from the [REDACTED] to the date when our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year immediately following the [REDACTED]. The Compliance Adviser will maintain constant contact with the authorized representatives, Directors and senior management of our Company through various means, including regular meetings and telephone discussions whenever necessary. Our authorized representatives, Directors and other members of the senior management of our Company will promptly provide such information and assistance as the Compliance Adviser may reasonably require in connection with the performance of the Compliance Adviser’s duties as set forth in Chapter 3A of the Listing Rules; and
- (e) meetings between the Stock Exchange and our Directors will be arranged through the authorized representatives or the Compliance Adviser, or directly with our Directors within a reasonable time frame. We will inform the Stock Exchange promptly in respect of any change in our authorized representatives and/or our Compliance Adviser.

### JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the company secretary must be an individual who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary.

Pursuant to Note 1 to Rule 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

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

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

- (a) length of employment with the issuer and other issuers and the roles they played;
- (b) familiarity with the Listing Rules and other relevant laws and regulations including the Securities and Futures Ordinance, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;
- (c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (d) professional qualifications in other jurisdictions.

Pursuant to Chapter 3.10 under the Guide for New Listing Applicants published by the Stock Exchange, the Stock Exchange will consider a waiver application by an issuer in relation to Rules 3.28

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## WAIVERS AND EXEMPTIONS

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and 8.17 of the Listing Rules based on the specific facts and circumstances. Factors that will be considered by the Stock Exchange include:

- (a) whether the issuer has principal business activities primarily outside Hong Kong;
- (b) whether the issuer was able to demonstrate the need to appoint a person who does not have the Acceptable Qualification nor Relevant Experience (both as defined under paragraph 11 of Chapter 3.10 under the Guide for New Listing Applicants) as a company secretary; and
- (c) why the directors consider the individual to be suitable to act as the issuer’s company secretary.

Further, pursuant to paragraph 13 of Chapter 3.10 under the Guide for New Listing Applicants, such waiver, if granted, will be for a fixed period of time (the “**Waiver Period**”) and on the following conditions:

- (a) 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
- (b) the waiver can be revoked if there are material breaches of the Listing Rules by the issuer.

Our Company has appointed Ms. Du Jinyan (“**Ms. Du**”) as one of our joint company secretaries which would be effective upon [REDACTED]. She has extensive experience in board and corporate management matters 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 fulfil the requirements of the Listing Rules. Therefore, we have appointed Ms. Chu, an associate member of both The Chartered Governance Institute in the United Kingdom and The Hong Kong Chartered Governance Institute, 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 and to provide assistance to Ms. Du for an initial period of three years from the [REDACTED] to enable Ms. Du 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.

Given Ms. Chu’s professional qualification and experience, she will be able to explain to both Ms. Du and us the relevant requirements under the Listing Rules and other applicable Hong Kong laws and regulations. Ms. Chu will also assist Ms. Du 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. Du is expected to work closely with Ms. Chu and will maintain regular contact with Ms. Chu. In addition, Ms. Du will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules to enhance her knowledge of the Listing Rules during the three-year period from the [REDACTED]. She will also be assisted by our compliance adviser and our legal advisers as to the Hong Kong laws on matters in relation to our ongoing compliance with the Listing Rules and the applicable laws and regulations.

Since Ms. Du does not possess the formal qualifications required of a company secretary under Rule 3.28 of the Listing Rules, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules as such Ms. Du may be appointed as a joint company secretary of our Company. The waiver is valid for an initial period of three years from the [REDACTED] on the conditions that (a) Ms. Du must be assisted by Ms. Chu who possesses the qualifications and experience required

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## WAIVERS AND EXEMPTIONS

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under Rule 3.28 of the Listing Rules; and (b) the waiver will be revoked immediately if and when Ms. Chu ceases to provide assistance to Ms. Du as a joint company secretary or if there are material breaches of the Listing Rules by our Company.

Before the end of the three-year period, our Company must demonstrate and seek for the Stock Exchange's confirmation that Ms. Du, having had the benefits from Ms. Chu's assistance during the three-year period, has attained the relevant experience under Note 2 to Rule 3.28 of the Listing Rules and is capable of discharging the function of a company secretary, so that any extension of the waiver will not be necessary.

### **WAIVER AND EXEMPTION IN RESPECT OF STRICT COMPLIANCE WITH RULE 4.04(1) OF THE LISTING RULES AND EXEMPTION FROM STRICT COMPLIANCE WITH SECTION 342(1) IN RELATION TO PARAGRAPH 27 OF PART I AND PARAGRAPH 31 OF PART II OF THE THIRD SCHEDULE TO THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

According to Section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, this document shall state the matters specified in Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance and set out the reports specified in Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

According to paragraph 27 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, our Company is required to include in this document a statement as to the gross trading income or sales turnover (as may be appropriate) of our Company during each of the three financial years immediately preceding the issue of this document as well as an explanation of the method used for the computation of such income or turnover and a reasonable breakdown of the more important trading activities.

According to paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, our Company is required to include in this document a report by our auditors with respect to profits and losses and assets and liabilities of our Group in respect of each of the three financial years immediately preceding the issue of this document.

According to section 342A(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate of exemption from compliance with the relevant requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interest of the investing public and compliance with the relevant requirements would be irrelevant or unduly burdensome, or is otherwise unnecessary or inappropriate.

According to Rule 4.04(1) of the Listing Rules, the Accountants' Report contained in Appendix I to this document must include the consolidated results of our Group in respect of each of the three financial years immediately preceding the issue of this document or such shorter period as may be acceptable to the Stock Exchange. According to Rule 13.49(1) of the Listing Rules, our Company is required to publish preliminary financial results not later than three months after the end of each financial year.



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## WAIVERS AND EXEMPTIONS

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Pursuant to Chapter 1.1A of the Guide for New Listing Applicants published by the Stock Exchange, in view of the shortened deadline for releasing preliminary results announcements and to enable potential investors to have adequate and timely information, where an applicant issues its listing document within three months after the latest financial year end, the Stock Exchange has provided the conditions for granting a waiver from strict compliance with Rule 4.04(1) of the Listing Rules as follows:

1. the applicant must **[REDACTED]** on the Stock Exchange within three months after the latest financial year end;
2. the applicant must obtain a certificate of exemption from the SFC on compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance requirements; and
3. the **[REDACTED]** document must include the financial information for the latest financial year and a commentary on the results of the year. Such financial information to be included in the **[REDACTED]** document must (i) follow the same content requirements as for a preliminary results announcement under Rule 13.49 of the Listing Rules; and (ii) be agreed with the reporting accountants following their work under Practice Note 730 “Guidance for Auditors Regarding Preliminary Announcements of Annual Results” issued by the HKICPA.

The financial year of our Company ends on December 31. The Accountants’ Report for each of the three years ended December 31, 2021, 2022, 2023 and the [●] months ended [●], 2024 has been prepared and set out in Appendix I to this document.

Pursuant to the relevant requirements set out above, our Group is required to produce audited consolidated financial statements for the three years ended December 31, 2022, 2023 and 2024.

Therefore, we have applied for, and the Stock Exchange [has granted] us, a waiver from strict compliance with Rule 4.04(1) of the Listing Rules, on the conditions that:

- (a) this document will be issued on or before **[REDACTED]** and H Shares of our Company must be **[REDACTED]** on the Stock Exchange on or before **[REDACTED]** (i.e. three months after the latest financial year end of our Company);
- (b) our Company obtains a certificate of exemption from the SFC on strict compliance with requirements under section 342(1) in relation to paragraphs 27 and 31 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
- (c) this document contains preliminary unaudited financial information for the year ended December 31, 2024 and a commentary on the results of the same year (in compliance with Rule 13.49 of the Listing Rules); and
- (d) our Company is not in breach of our constitutional documents or laws and regulations of the PRC or other regulatory requirements regarding our obligation to publish preliminary results announcements.

An application has also been made to the SFC for a certificate of exemption from strict compliance with the requirements under section 342A in relation to paragraphs 27 and 31 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance and a certificate of exemption [has been granted] by the SFC under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the conditions that: [(i) the particulars of the exemption are set out in this document; (ii) this document will be issued on or before **[REDACTED]**; and

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## WAIVERS AND EXEMPTIONS

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(iii) H Shares of our Company will be [REDACTED] on the Stock Exchange on or before [REDACTED] (i.e. three months after the latest financial year end of our Company).]

The applications to the Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of the Listing Rules and to the SFC for a certificate of exemption from strict compliance with the requirements under paragraphs 27 and 31 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance were made on the grounds, among others, that strict compliance with the above requirements would be unduly burdensome and the exemption would not prejudice the interest of the investing public as:

- (a) there would not be sufficient time for our Company and our Reporting Accountants to finalize the audited consolidated financial statements of our Group for the year ended December 31, 2024 for inclusion in this document. If the audited consolidated financial information for the year ended December 31, 2024 is required to be audited, our Company and the Reporting Accountants would have to undertake substantial work to prepare, update and finalize the Accountants’ Report and this document and the relevant sections of this document will need to be updated to cover such additional period within a short period of time, therefore will lead to a delay of the current [REDACTED] timetable and be unduly burdensome for our Company and the Reporting Accountants;
- (b) our Company has included in this document (i) the Accountants’ Report covering the three financial years ended December 31, 2021, 2022, 2023 and the [●] months ended [●], 2024; (ii) the unaudited preliminary financial information of our Group for the year ended December 31, 2024 and a commentary on the results of the year, which has been agreed with the Group’s Reporting Accountants, following their work under Practice Note 730 “Guidance for Auditors Regarding Preliminary Announcements of Annual Results” issued by the HKICPA, and such disclosure is no less than the content requirements for a preliminary results announcement under Rule 13.49 of the Listing Rules; and (iii) the information regarding the recent development of our Group subsequent to the Track Record Period and up to the Latest Practicable Date;
- (c) our Company is of the view that the Accountants’ Report covering the three financial years ended December 31, 2021, 2022, 2023 and the [●] months ended [●], 2024 as set out in Appendix I to this document, the unaudited [REDACTED] financial information as set out in Appendix II to this document, the unaudited preliminary financial information for the year ended December 31, 2024 as set out in Appendix III to this document, together with other disclosure included in this document, have already provided the potential investors with adequate and reasonably up-to-date information of the circumstances to form a view on the track record and earnings trend of our Company; and our Directors and the Joint Sponsors confirm that all information which is necessary for the investing public to make an informed assessment of our activities, assets and liabilities, financial position, trading position, management and prospects has been included in this document. Therefore, the waiver and exemption would not prejudice the interest of the investing public;
- (d) our Company will not be in breach of the Articles of Associations or laws and regulations of the PRC or other regulatory requirements as a result of not publishing our preliminary results announcement for the year ended December 31, 2024 in accordance with Rule 13.49(1) of the Listing Rules. Pursuant to the Note to Rule 13.49(1) of the Listing Rules, our Company will publish an announcement after the completion of the

## WAIVERS AND EXEMPTIONS

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[REDACTED] and no later than March 31, 2025 stating that the relevant financial information has been included in this document; and

- (e) our Company will comply with the requirements under Rule 13.46 of the Listing Rules in respect of the publication of our annual report. We currently expect to issue our annual report for the financial year ended December 31, 2024 on or before April 30, 2025. In this regard, our Directors consider that the Shareholders, the investing public, as well as potential investors of our Company, will be kept informed of the financial results of our Group for the financial year ended December 31, 2024.

**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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[REDACTED]

THIS DOCUMENT IS IN DRAFT FORM. THE INFORMATION CONTAINED HEREIN IS INCOMPLETE AND IS SUBJECT TO CHANGE. THIS DOCUMENT MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED "WARNING" ON THE COVER OF THIS DOCUMENT.

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**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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[REDACTED]

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**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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[REDACTED]

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**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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[REDACTED]

## DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE [REDACTED]

### DIRECTORS

#### Executive Directors

Name	Address	Nationality
Mr. Li Yi (李熠)	No. 2908, 5/F, 1 Xiangheyuan Street, Dongcheng District, Beijing, PRC	Chinese
Mr. Wang Chenkang (王辰康)	Room 502, Unit C, Building 6, Libaodi Garden, Tianning District, Changzhou City, Jiangsu Province, Changzhou, Jiangsu, PRC	Chinese
Ms. Zhang Yuwei (張雨薇)	No. 401, Unit 1, 4/F, Building 2, Xinyuan Street, Chaoyang District, Beijing, PRC	Chinese
Ms. Tong Shan (佟珊)	Room 12/F, Building 7, Courtyard No.66, Xiaguangli, Chaoyang District, Beijing, PRC	Chinese
Ms. Pu Ge (蒲鵠)	No. 604, Door 2, Building 5, Zuojiazhuang Dongli, Chaoyang District, Beijing, PRC	Chinese

#### Non-executive Director

Name	Address	Nationality
Mr. Lyu Jinrong (呂金榮)	No. 401, Door 1, Building 19, Meiyuelanyuan, No. 136, Wushui Road, Hexi District, Tianjin, PRC	Chinese

#### Independent non-executive Directors

Name	Address	Nationality
Mr. Li Pan (李攀)	15/F, Shen Mao Commercial Centre, No. 59 Xin Wen Road, Futian District, Shenzhen, Guangdong, PRC	Chinese
Mr. Lin Chen (林晨)	Room A, 11/F, BLK 1 Tam Towers, 25 Sha Wan Drive Victoria Road, Pokfulam, Hong Kong	Chinese
Mr. Zhang Lening (張樂寧)	6825 Rockhold Ave, San Gabriel, CA91775-1033, America	American

### SUPERVISORS

Name	Address	Nationality
Mr. Kuang Peng (匡鵬)	No. 1, 4th Floor, Door 1, 307th Floor, Huizhongli, Chaoyang District, Beijing, PRC	Chinese
Mr. Hou Tao (侯濤)	Flat 101, No.61, Donghang Longhuayuan, Xuhui District, Shanghai, PRC	Chinese
Ms. Hou Jingjing (侯靜靜)	1208, Building 9, Xiangheyuan Zhongli, Chaoyang District, Beijing, PRC	Chinese

See “Directors, Supervisors and Senior Management” for further details.



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**DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE [REDACTED]**

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**PARTIES INVOLVED IN THE [REDACTED]**

**Joint Sponsors and [REDACTED]**

**China International Capital Corporation**

**Hong Kong Securities Limited**

29/F, One International Finance Centre

1 Harbour View Street

Central

Hong Kong

**Huatai Financial Holdings (Hong Kong) Limited**

62/F, The Center

99 Queen's Road Central

Central, Hong Kong

[REDACTED]

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**DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE [REDACTED]**

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**Legal advisors to our Company**

*As to Hong Kong law*

**Han Kun Law Offices LLP**

Rooms 4301-10, 43/F,  
Gloucester Tower, The Landmark,  
15 Queen’s Road Central,  
Hong Kong

*As to PRC law*

**Zhong Lun Law Firm**

22–31/F, South Tower of CP Center  
20 Jin He East Avenue  
Chaoyang District  
Beijing 100020  
China

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

*As to Hong Kong law*

**King & Wood Mallesons**

13/F, Gloucester Tower  
The Landmark  
15 Queen’s Road Central  
Hong Kong

*As to PRC law*

**King & Wood Mallesons**

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

**Independent Auditors and  
Reporting Accountants**

**KPMG**

*Certified Public Accountants*  
8<sup>th</sup> Floor, Prince’s Building  
10 Chater Road  
Central  
Hong Kong

**Industry Consultant**

**Frost & Sullivan (Beijing) Inc.,  
Shanghai Branch Co.**

Room 2504, Wheelock Square  
1717 West Nanjing Road  
Jing’an District  
Shanghai  
China

**[REDACTED]**

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## CORPORATE INFORMATION

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<b>Registered Office in China</b>	Room 301, 3/F, Building No.1 19, Shangdi Xinxu Road Haidian District Beijing China
<b>Headquarters and Principal Place of Business in China</b>	No.1 Xiangheyuan Road Dongcheng District Beijing China
<b>Principal Place of Business in Hong Kong</b>	31/F., Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong
<b>Company Website</b>	<a href="https://51world.com.cn/">https://51world.com.cn/</a> <i>(the information contained on this website does not form part of this document)</i>
<b>Joint Company Secretaries</b>	<b>Ms. Du Jinyan (杜金艷)</b> No.1 Xiangheyuan Road Dongcheng District Beijing China  <b>Ms. Chu Cheuk Ting (朱卓婷)</b> <i>(an associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom)</i> 31/F., Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong
<b>Authorized Representatives</b>	<b>Ms. Zhang Yuwei (張雨薇)</b> No.1 Xiangheyuan Road Dongcheng District Beijing China  <b>Ms. Chu Cheuk Ting (朱卓婷)</b> <i>(an associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom)</i> 31/F., Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong

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## CORPORATE INFORMATION

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### Strategy Committee

Mr. Li Yi (*Chairman*)  
Mr. Lin Chen  
Mr. Wang Chenkang

### Audit Committee

Mr. Zhang Lening (*Chairman*)  
Mr. Li Pan  
Mr. Lyu Jinrong

### Remuneration Committee

Mr. Zhang Lening (*Chairman*)  
Mr. Lin Chen  
Ms. Zhang Yuwei

### Nomination Committee

Mr. Li Yi (*Chairman*)  
Mr. Lin Chen  
Mr. Li Pan

[REDACTED]

### Compliance Adviser

**Somerley Capital Limited**  
20th Floor  
China Building  
29 Queen’s Road Central  
Hong Kong

### Principal Banks

**China Merchants Bank**  
**Beijing Branch**  
International Financial Centre A  
156 Fuxingmen Nei Street  
Xicheng District  
Beijing  
China

**Shanghai Pudong Development Bank**  
**Beijing Branch**  
1/F, Fortune Resource International Center  
No. 18, Taipingqiao Avenue  
Xicheng District  
Beijing  
China

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## INDUSTRY OVERVIEW

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*Certain information and statistics presented in this section and elsewhere in this document were derived from official government publications and other publicly available sources as well as from the Frost & Sullivan Report, a market research report prepared by Frost & Sullivan, an independent global consulting firm that was commissioned by us. We believe that the sources of the information in this section and elsewhere in this document are appropriate sources for such information and reasonable care has been taken in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any part has been omitted that would render such information false or misleading. The information from official sources has not been independently verified by us or any other parties involved in the [REDACTED], or any of our or their respective directors, officers, or representatives, and no representation is given as to its accuracy or completeness. Accordingly, you should not place undue reliance on such information and statistics.*

### OVERVIEW OF DIGITAL TWIN SOLUTION MARKET

#### WHAT IS A DIGITAL TWIN AND DIGITAL TWIN SOLUTION?

A digital twin refers to a virtual representation of a physical object, system or process that exists in the physical world, which is updated based on data collected from various sources such as IoT devices, and used to give a more intuitive, multifaceted and data-driven representation of the physical entity to improve better informed decision-making and better user experience across diverse scenarios.

A digital twin commonly has the following characteristics:

- **Multifaceted representation:** A digital twin can replicate various aspects of a physical object, system or process to represent a more intuitive look, and provide a more interactive user experience.
- **Data integration and two-way information flow:** Not only historical data, a digital twin also integrates real-time data from various sources such as different IoT devices in physical world at a specified frequency to ensure the digital counterpart is synchronized with the physical world. In addition, as data can flow from the physical entity to the digital twin, insights from the digital twin can also be applied back to the physical entity to achieve a two-way information flow.
- **Simulation and AI training:** By providing a comprehensive view of a physical entity, a digital twin can be used to simulate different scenarios to predict possible future outcomes to enable better-informed decision-making or validation of AI models, or to provide sufficient synthetic data to train AI models.

A digital twin solution refers to the implementation of digital twin through cutting edge technologies such as 3D graphics, simulation and AI for users to advance in design and operation optimization, AI training and validation, and user interaction and experience, thereby enhancing efficiency, capabilities and experience across diverse scenarios.

A comprehensive digital twin solution has four key components:

- **Modeling tools:** Providing digital tools to help developers transform all types of source data into model assets more accurately, faster and at a lower cost.
- **Model libraries:** Providing model assets with different types and accuracies that can be used for digital twin application development.

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## INDUSTRY OVERVIEW

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- **Application development platforms:** Providing development platforms for building digital twin applications, including cloud platform, data platform, rendering engine, open platform, core development platform, and simulation engine to empower application developers.
- **Applications:** Providing general or scenario-specific applications to customers in different scenarios to empower design and operation optimization, AI training and validation, and user interaction and experience.

### KEY TECHNOLOGIES UNDERLYING THE DIGITAL TWIN SOLUTION

The key technologies underlying digital twin solutions fall into three categories: 3D graphics, simulation, and AI.

#### 3D Graphics

- **3D modeling:** 3D graphics technology creates a three-dimensional representation of any object or surface using several basic techniques, including basic drawing and graphics transformations, fill and shading, image processing, lighting models, texture mapping, and others.
- **Animation:** 3D graphics technology can create the illusion of movement by displaying a sequence of frames.
- **Real-time rendering:** real-time rendering is crucial for applications that require immediate feedback, such as video games and interactive simulations.

#### Simulation

- **Simulation of physical characteristics:** Simulation technology leverages physics engines to replicate various physical properties and behaviors of objects and characters within virtual environments. The properties include gravity, inertia, pressure, and other forces that influence motion and interaction, along with advanced physical simulations such as sensor simulation, dynamics, and kinematics. By accurately simulating these physical characteristics, simulation technology allows for realistic and precise modeling of how objects and entities would behave in real-world scenarios.
- **Simulation of scenarios and behaviors:** This approach involves modeling complex, dynamic environments where multiple agents interact, such as in urban settings or industrial processes. By employing scenario-driven and agent-based techniques, the simulation replicates a variety of situations and behavioral patterns. These scenarios help uncover potential challenges and guide the development of strategies for managing diverse and changing conditions in real-world applications.
- **Product testing and optimization:** By simulating real-world conditions, simulation technology enables comprehensive testing of products in a virtual environment, which also reduces the need for physical prototypes, consequentially, significantly lowering costs, minimizing risks associated with physical testing, and accelerating the testing process.

#### AI

- **Modeling and data generation:** By leveraging generative AI technology, organizations can rapidly produce 3D models, simulation models, missing sensor data, simulation

## INDUSTRY OVERVIEW

parameters, and synthetic data, which significantly expedite the construction and operational efficiency of digital twins.

- **Real-time monitoring and feedback:** AI technology enhances digital twins with advanced real-time monitoring and feedback capabilities by processing incoming data instantaneously and then identifying anomalies and issuing alerts prompting.
- **Data Analysis and Prediction:** AI technology can learn from the data generated by digital twins, uncovering complex patterns and relationships behind the data, which allow the operation optimization across various scenarios as well as the AI training and validation.

### WHY DIGITAL TWINS MATTER?

The digital transformation of enterprises, the development of emerging technologies and the evolution of user interaction preferences are reshaping the trends of digital technology development and application. Specifically:

- Enterprises are adopting comprehensive digital transformation strategies to leverage digital technologies across various business areas through investment and application of digital technologies to achieve cost reduction and efficiency gains. In the past, enterprises focused on the construction of IT system applications for business processes while now they also emphasize on adopting digital technologies for physical infrastructure to anticipate enhanced efficiency and capability in the design and operation of physical infrastructure through the application of digital technologies.
- AI has become one of the most important digital technologies, and the capability of AI algorithms is undergoing a period of exponential growth. As AI algorithm capability improves, more and more devices and software applications will be empowered by AI in the future. During this process, it is essential for enterprises to train and validate AI algorithms effectively and efficiently, utilising the available resources and tools.
- Users prefer more realistic and interactive interactions. The interactive content form has evolved from traditional 2D text, images, and videos to the new generation of 3D content. The interactive carrier has also evolved, moving from smartphones to the next generation of immersive experience devices, such as VR, AR, and MR. To create 3D interactive experiences, enterprises and developers must utilize the latest technology platforms.

Organizations face the following pain points when dealing with the above industry trends, and digital twins can help organizations effectively address these challenges.

	<u>Pain Points</u>	<u>Value Propositions of Digital Twin</u>
Design and operation optimization	<ul style="list-style-type: none"> <li>• <b>Design Failure:</b> Traditionally, design work relies heavily on professional knowledge, personal experience, and precedents. With the increasing complexity of physical infrastructure design, organizations may face the risk of design failure, which means that the original design may not</li> </ul>	<ul style="list-style-type: none"> <li>• Digital twins allow organizations to replicate their designs in a digital world, and to test and verify their designs under different conditions to ensure that their designs meet real-world needs.</li> <li>• Digital twins provide digital, real-time, visualized, and automated monitoring capabilities for operations,</li> </ul>

## INDUSTRY OVERVIEW

	Pain Points	Value Propositions of Digital Twin
	<p>fit the changing conditions and requirements in the real world.</p> <ul style="list-style-type: none"> <li>• <b>High cost of operation:</b> Traditional operations are labor-intensive and dependent on manual operations, resulting in high costs and delays in feedback.</li> <li>• <b>Inability to prevent risks:</b> Organizations lack powerful digital tools to predict the risks that may affect the infrastructure or cause the damages in it, and hence cannot make action plans to prevent risks in advance.</li> </ul>	<p>which can significantly reduce labor and operational costs.</p> <ul style="list-style-type: none"> <li>• Digital twins provide simulation capabilities that allow organizations to cost-effectively simulate different scenarios in a digital world to gain insight into potential risks and create meaningful action plans.</li> </ul>
AI training and validation	<ul style="list-style-type: none"> <li>• <b>Lack of data:</b> Large, high-quality, and diverse data has become the key to AI development. However, traditional methods of collecting, cleaning, and tagging real-world data are costly and face the challenge of data scarcity.</li> <li>• <b>Unmet needs for AI validation:</b> AI algorithms or AI-enabled devices, such as autonomous vehicles and AI robots, need to be tested and validated before being deployed in the real world. Traditional validation approaches are real-world based, validating the AI algorithms or AI-enabled devices in real-world cases, which is time-consuming, costly, and difficult to address corner cases.</li> </ul>	<ul style="list-style-type: none"> <li>• Digital twins can cost-effectively generate large volumes of high-quality, diverse synthetic data to support AI training.</li> <li>• Digital twins can provide virtual simulation environments based on the real-world scenarios for validating AI algorithms or AI-enabled devices, thereby achieving lower validation costs, shorter validation periods, and comprehensive validations in more corner cases.</li> </ul>
User interaction and experience	<ul style="list-style-type: none"> <li>• <b>Lack of 3D model libraries:</b> Organizations typically lack sufficient data and off-the-shelf 3D model assets for agile development of interactive 3D environments, and must often collect or acquire data and then build their scenario-specific model assets from scratch, which is costly and time-consuming.</li> </ul>	<ul style="list-style-type: none"> <li>• Digital twins can provide abundant off-the-shelf 3D model assets to support the rapid development of various user interaction applications, such as virtual tourism or games, that are built on top of them.</li> </ul>



## INDUSTRY OVERVIEW

### Pain Points

- Legacy tool limitations:** Legacy tools used to build user interaction environments were not built for today’s digital age. Legacy tools are typically not cloud-native, lack AI capabilities, do not support real-time generation and collaboration in the cloud, and require technical expertise to use the tools.

### Value Propositions of Digital Twin

- Digital twin solutions can provide AI-driven, cloud-native, low-code or no-code, real-time application development platforms to help developers or organizations easily develop their user interaction applications.

## MARKET SIZE OF DIGITAL TWIN SOLUTIONS GLOBALLY AND IN CHINA

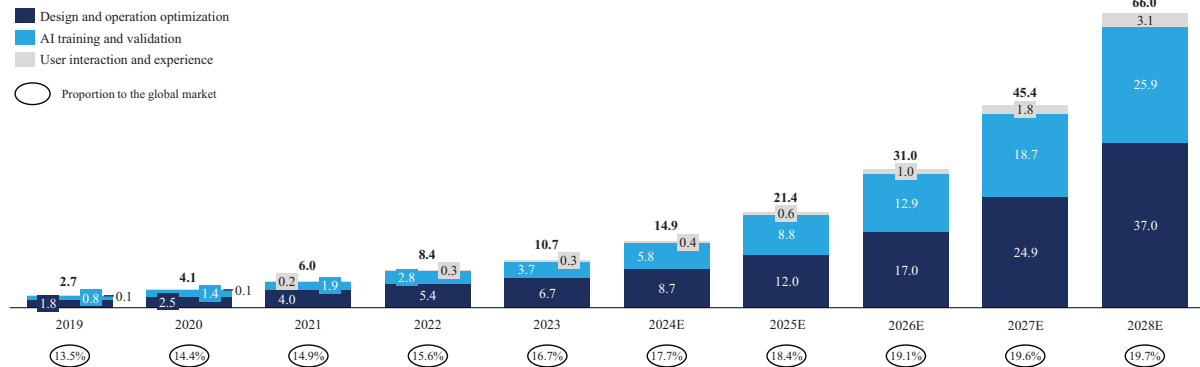
The total addressable market refers to the maximum potential demand for solutions within a given market. The total addressable market for digital twin solutions globally and in China reached US\$130.3 billion and RMB167.8 billion in 2023, respectively, and is expected to reach US\$377.8 billion and RMB544.0 billion in 2028, respectively.

The global digital twin solution market size grew from US\$2.8 billion in 2019 to US\$8.9 billion by 2023, at a CAGR of 33.4% from 2019 to 2023, and it is projected to grow further and reach US\$46.4 billion by 2028, at a CAGR of 39.2% from 2023 to 2028.

China’s digital twin solution market size grew from RMB2.7 billion in 2019 to RMB10.7 billion in 2023, with a CAGR of 40.8% from 2019 to 2023, reflecting a faster growth rate compared to the global market. It is expected that by 2028, China’s digital twin solution market size will continue to grow to RMB66.0 billion, with a CAGR of 43.8% from 2023 to 2028. By application scenarios, digital twin solutions can be subdivided into the following three categories: design and operation optimization, AI training and validation, and user interaction and experience.

Market size of China’s digital twin solution market, in terms of revenue  
RMB Billion, 2019-2028E

	CAGR	2019-2023	2023-2028E
<b>Total</b>		<b>40.8%</b>	<b>43.8%</b>
Design and operation optimization		38.8%	40.8%
AI training and validation		45.7%	47.3%
User interaction and experience		31.6%	59.2%



Source: Public information, Expert interview, Frost & Sullivan

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## INDUSTRY OVERVIEW

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### DRIVERS OF DIGITAL TWIN SOLUTION MARKET

The digital twin solution market is primarily driven by the following factors:

- **Demand for digital twin solutions:** There is a growing demand from businesses and individual users to create, operate, or participate in the digital world to meet three key needs: the need for real-time data collection and predictive analytics of the physical world, the need to train and validate AI algorithms, and the need for immersive, interactive experiences.
- **Technological advancement:** The gradual maturation of the development of emerging technologies such as AI, cloud services, and IoT, including the maturity of generative AI and 3D real-time modeling, as well as the rapid decline in costs, has facilitated the rapid deployment of digital world infrastructure and applications in various scenarios on the supply side.
- **Favorable government policies:** It is evident that favorable government policies on digital twins are in place in major global economies. For example, the State Council of China issued the “Outline of the Fourteenth Five-Year Plan for the National Economic and Social Development of the People’s Republic of China and the Visionary Goals for the Year 2035” in March 2023, which explicitly stated that it would explore the construction of digital twin cities. In addition, the UK HM Treasury launched The National Digital Twin Programme (NDTP) in July 2018 with the goal of building high-quality, secure data to collectively improve how our national infrastructure is built. These policies prioritize digital infrastructure development, provide regulatory support, fund research and development, and foster international collaboration. These policies demonstrate a global commitment to leveraging digital twin solutions for sustainable economic growth and innovation across a range of scenarios, creating a favorable environment for the digital twin solution market.

### GROWTH TRENDS OF DIGITAL TWIN SOLUTION MARKET

The digital twin solution market is expected to witness the following growth trends:

- **Expanded application scenarios:** The major application scenarios of the digital twin solution market in the initial stage focus on the design and operation management of cities, parks and buildings, water conservation and water affairs, among others. However, with the continuous innovation of technology and the growing demand of customers, the application scenarios will expand into various scenarios such as healthcare, education and other scenarios. At the same time, the application of AI training and validation and user interaction and experience will be further deepened to meet the diversified needs of customers.
- **Building digital twin ecosystems:** Leading digital twin solution providers will take the lead in focusing on the construction of the digital twin ecosystem, and play an important leading role in the construction of the digital twin ecosystem by cooperating with various partners and building a unified industry standard, so as to build a complete digital twin ecosystem and promote the healthy development of the digital twin solution market.
- **Further integration with generative AI technology:** As the technology and commercialization of generative AI continue to mature, digital twin solutions will be further combined with generative AI. Generative AI technology will accelerate the construction of digital twins, and at the same time, it will also enable people to interact with the digital twin world in the form of natural language.

## INDUSTRY OVERVIEW

### COMPETITIVE LANDSCAPE OF DIGITAL TWIN SOLUTION MARKET

#### KEY PLAYERS AND MARKET RANKINGS

China’s digital twin solution market is experiencing rapid growth, and the current competitive landscape is fragmented, with numerous types of players offering a diverse range of solutions.

Players in the China digital twin solution market can be categorized into two types: one-stop solution providers and point solution providers. One-stop solution providers are equipped to offer a comprehensive range of products and services, spanning model asset development tools to applications, and digital twin applications across multiple domains. In contrast, point solution providers specialize in certain specific types of product or service and offer digital twin applications within a single domain. One-stop solution providers have a number of significant advantages over point solution providers, including greater technical capabilities, technical comprehensiveness, industry knowledge, business model diversity, and growth potential.

The Company is the largest digital twin solution provider in China in terms of digital twin solution revenue in 2023 and the only one-stop solution provider among the leading players in the market.

#### Ranking of top digital twin solution providers in China, in terms of revenue in 2023

Ranking	Company	Type	Revenue of Digital Twin Solutions (RMB Million)	Market Share (%)
1	51WORLD	One-stop solution provider	256	2.4%
2	Company A <sup>(1)</sup>	Point solution provider	185	1.8%
3	Company B <sup>(2)</sup>	Point solution provider	180	1.7%
4	Company C <sup>(3)</sup>	Point solution provider	120	1.1%
5	Company D <sup>(4)</sup>	Point solution provider	101	1.0%

Source: Public information, Expert interview, Frost & Sullivan

*Notes:*

- (1) Company A is a private company focusing on the operation visualization, which primarily provides digital twin solutions and IoT related solutions.
- (2) Company B is a private company focusing on the data visualization, which primarily provides digital twin solutions especially large display screens.
- (3) Company C is a private company focusing on surveying and mapping, which primarily provides digital twin solutions and surveying and mapping services.
- (4) Company D is a private company focusing on AI simulation and validation, which primarily provides digital twin solutions especially AI training and validation.

## INDUSTRY OVERVIEW

### Comparison: Modules provided by leading players in digital twin solution market

	Modeling tools			Model libraries			Application development platforms			Applications		
	Data convergence	Object Modeling	Scene generation and editing	Standard model library	City model library	Earth model library	Basic development platform	Data platform	Simulation engine	Design and operation Optimization	AI training and validation	User interaction and experience
51WORLD	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Company A	✓	✓	✓	✓	—	—	✓	—	—	✓	—	—
Company B	✓	✓	✓	✓	—	—	✓	—	—	✓	—	—
Company C	✓	✓	✓	✓	—	—	✓	—	—	✓	—	—
Company D	✓	✓	✓	✓	—	—	✓	✓	✓	—	✓	—

Source: Public information, Expert interview, Frost & Sullivan

### Comparison: Technology capabilities of leading players in digital twin solution market

	3D graphics	Simulation	AI
51WORLD	●	●	●
Company A	●	◐	○
Company B	●	◐	○
Company C	●	◐	◐
Company D	◐	●	◐

● Strong capability and already at commercialization stage

◐ Relatively limited capability or at early stage of commercialization

○ No presence or very limited capability

Source: Public information, Expert interview, Frost & Sullivan

## KEY SUCCESS FACTORS IN CHINA DIGITAL TWIN SOLUTION MARKET

China’s digital twin solution market has the following key success factors:

- **Leading technological research and innovation capabilities:** Digital twin solution providers must have advanced research and development capabilities to stay at the forefront of technological innovations to ensure their digital twin solutions incorporate the latest advancements, delivering superior performance and functionality to their clients.
- **Comprehensive one-stop solution capability:** Offering a holistic, one-stop solution is crucial. Digital twin solution providers that can deliver a complete package—encompassing everything from initial consultation and design to implementation, integration, and ongoing support—can meet diverse client needs more effectively and provide seamless user experiences.
- **Deep industry-specific know-how:** A profound understanding of specific industries is essential. Digital twin solution providers with deep sector-specific expertise can tailor their

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## INDUSTRY OVERVIEW

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offerings to address the unique challenges and requirements of each industry, enhancing their relevance and value to clients as different industries or application scenarios may have completely industry know-how required.

- **Widely recognized brand and reputation:** A strong, reputable brand is a significant asset to all digital twin solution providers. Providers with a well-known and respected brand are more likely to be trusted by clients, which can lead to increased adoption of their solutions. Positive word-of-mouth and industry recognition further solidify their market position.
- **Ecosystem linkage capability:** Building and maintaining strong connections within a technological ecosystem is vital. Providers that can effectively link with other technology providers, industry partners, and stakeholders can offer more integrated and comprehensive solutions. This collaborative approach enhances innovation and accelerates the development of more valuable digital twin solutions.

## DIGITAL TWIN SOLUTIONS FOR DESIGN AND OPERATION OPTIMIZATION

### WHAT IS A DIGITAL TWIN DESIGN AND OPERATION OPTIMIZATION SOLUTION

A digital twin design and operation optimization solution refers to the digital twin solution that leverages digital sensing, transmission and other cutting edge technologies to analyze massive data generated from the physical world, forming intelligent insights, then further feeding back into the physical world, thereby achieving continuous optimization and scientific decision-making on the physical world.

A digital twin design and operation optimization solution typically have the following functions, including:

- **Construction of a digital twin:** utilizing 3D graphics technology and simulation technology to construct a digital twin that reflects the realistic physical world;
- **Data collection and transmission:** utilizing various sensors and IoT devices to collect data from the physical world and transmitting the collected data to the digital twin ensuring the virtual representation is up-to-date with the current state of the physical entity; and
- **Operation optimization:** utilizing AI technology to analyze the vast amounts of data generated and result in actionable insights that can help decision maker better understand the performance and potential risks of the physical entity so that they can make the most informed and optimal decisions throughout the business operation.

In design and operation optimization, digital twins enable real-time data collection and predictive analysis of the physical world, thus improving management efficiency and optimizing management costs in the physical world.

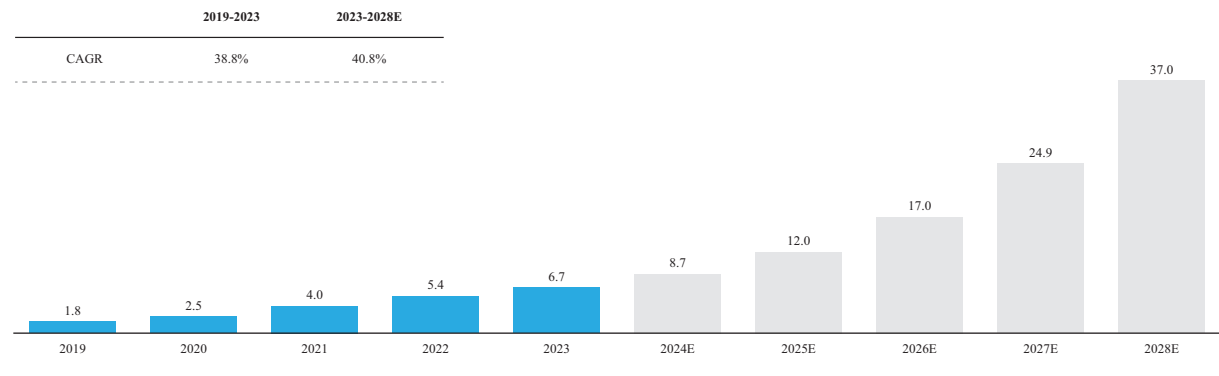
### MARKET SIZE OF DIGITAL TWIN DESIGN & OPERATIONS OPTIMIZATION SOLUTION MARKET

The global digital twin design and operation optimization solution market size grew from US\$2.1 billion in 2019 to US\$6.7 billion in 2023, at a CAGR of 34.4% from 2019 to 2023. The global digital twin design and operation optimization solution market size is projected to continue to grow to US\$34.5 billion by 2028, at a CAGR of 38.7% from 2023 to 2028. China’s digital twin design and

## INDUSTRY OVERVIEW

operation optimization solution market size grew from RMB1.8 billion in 2019 to RMB6.7 billion in 2023, at a CAGR of 38.8% from 2019 to 2023. China’s digital twin design and operation optimization solution market size is projected to continue to grow to RMB37.0 billion by 2028, at a CAGR of 40.8% from 2023 to 2028.

Market size of China’s digital twin design and operation optimization solution market  
RMB Billion, 2019-2028E



Source: Public information, Expert interview, Frost & Sullivan

## DRIVERS AND TRENDS OF CHINA’S DIGITAL TWIN DESIGN AND OPERATION OPTIMIZATION SOLUTION MARKET

China’s digital twin design and operation optimization solution market is primarily driven by the following factors:

- **Rising demand from enterprise-level customers:** As the business environment becomes increasingly competitive, the demand from enterprise-level customers to optimize operational efficiency through digital twin technology is rising. Digital twin technology can create virtual models of physical assets, processes and systems, and monitor and optimize actual operations through real-time data and simulation, which not only improves the operational efficiency of enterprises, but also reduces costs and risks, and improves the accuracy and timeliness of decision-making.
- **Expanding application scenarios:** The application scenarios of digital twin design and operation optimization solutions will continue to expand from urban, industrial manufacturing, and water utility scenarios to a variety of application scenarios such as retail, energy, and healthcare, which will further drive the growth opportunities in the market.
- **Continuous improvement of the ecosystem:** As more enterprises join the digital twin ecosystem, collaboration between partners will be further deepened to jointly promote technological innovation and application expansion. For example, in a huge smart city construction project, different enterprises and government departments can share city operation data through a unified digital twin platform to optimize resource allocation and city management.

## COMPETITIVE LANDSCAPE OF THE DIGITAL TWIN DESIGN AND OPERATION OPTIMIZATION SOLUTION MARKET IN CHINA

We are the largest digital twin design and operation optimization solution provider in China in terms of digital twin design and operation optimization solution revenues in 2023, and the only one-stop solution provider among the leading players.

## INDUSTRY OVERVIEW

### Ranking of top digital twin design and operation optimization solution providers in China, in terms of revenue in 2023

Ranking	Company	Type	Revenue of Digital Twin Design and Operation Optimization Solutions (RMB Million)	Market Share (%)
1	51WORLD	One-stop solution provider	205	3.1%
2	Company A	Point solution provider	185	2.8%
3	Company B	Point solution provider	180	2.7%
4	Company C	Point solution provider	120	1.8%
5	Company E <sup>(1)</sup>	Point solution provider	85	1.3%

Source: Public information, Expert interview, Frost & Sullivan

Notes:

(1) Company E is a private company which primarily provides digital twin solutions especially SaaS services.

### Comparison: Modules provided by leading players in digital twin design and operation optimization solution market

	Modeling tools			Model libraries			Application development platforms		
	Data convergence	Object Modeling	Scene generation and editing	Standard model library	City model library	Earth model library	Basic development platform	Data platform	Simulation engine
51WORLD	✓	✓	✓	✓	✓	✓	✓	✓	✓
Company A	✓	✓	✓	✓	—	—	✓	—	—
Company B	✓	✓	✓	✓	—	—	✓	—	—
Company C	✓	✓	✓	✓	—	—	✓	—	—
Company E	✓	✓	✓	✓	—	—	✓	—	—

Source: Public information, Expert interview, Frost & Sullivan

## DIGITAL TWIN SOLUTIONS FOR AI TRAINING AND VALIDATION

### WHAT IS A DIGITAL TWIN AI TRAINING AND VALIDATION SOLUTION?

A digital twin AI training and validation solution refers to the digital twin solution that uses digital twins to create a simulation system for exploring, analyzing, and validating AI algorithms without the need for a physical system, and to generate synthetic data for AI algorithm training.

A digital twin AI training and validation solution creates the virtual model and virtual environment of the physical system that replicates the system’s behavior and interactions with the environment, integrated with technologies such as AI technology, cloud computing technology, and others to provide a precise and scalable platform, increasing the accuracy of AI training and validation. With digital twin AI training and validation solutions, enterprises can develop and refine AI algorithms within the digital twin environment to ensure that they are rigorously tested against various scenarios and conditions within the simulation, so that the final products can meet the specific performance criteria before real-world deployment. In addition, the digital twin AI training and validation solutions can help generate large

## INDUSTRY OVERVIEW

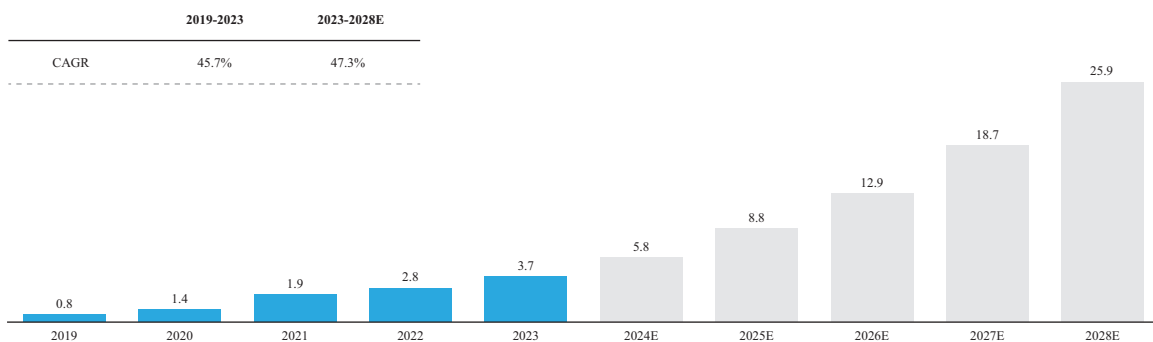
volumes of synthetic data that replicate real-world conditions and scenarios when real-world data is scarce, expensive, or difficult to obtain.

In terms of AI training and validation, the rapid development of AI-enabled devices, such as self-driving cars and robots, has driven the demand for training and validation of AI algorithms using digital twins, and the digital twin-based simulation system greatly enhances the efficiency of AI research and development and improves its ability to quickly adapt to real-world scenarios.

### MARKET SIZE OF DIGITAL TWIN AI TRAINING AND VALIDATION SOLUTION MARKET

The global digital twin AI training and validation solution market size grew from US\$0.6 billion in 2019 to US\$1.8 billion in 2023, at a CAGR of 32.3% from 2019 to 2023. The global digital twin AI training and validation solution market size is projected to continue to grow to US\$9.8 billion by 2028, at a CAGR of 41.0% from 2023 to 2028. China’s digital twin AI training and validation solution market size grew from RMB0.8 billion in 2019 to RMB3.7 billion in 2023, at a CAGR of 45.7% from 2019 to 2023. China’s digital twin AI training and validation solution market size is expected to continue to grow to RMB25.9 billion by 2028, at a CAGR of 47.3% from 2023 to 2028.

Market size of China’s digital twin AI training and validation solution market  
RMB Billion, 2019-2028E



Source: Public information, Expert interview, Frost & Sullivan

### DRIVERS AND TRENDS OF CHINA’S DIGITAL TWIN AI TRAINING AND VALIDATION SOLUTION MARKET

China’s digital twin AI training and validation solution market is primarily driven by the following factors:

- Rising demand for intelligent driving simulation and testing:** China’s intelligent driving technology is still in a rapid development stage. Vehicles equipped with ADAS have reached commercialized, large-scale production, and ICVs equipped with L3 driving technology will begin operating on demonstration roads in 2024. Vehicles equipped with L4 and L5 self-driving technology will be able to operate in specific test and demonstration scenarios. The continuous development of intelligent driving has created a growing demand among automotive manufacturers for digital twin AI training and validation solutions.
- Rising demand for synthetic data:** Synthetic data can provide a large amount of high-quality data support for enterprises and research institutes by simulating real-world data generation, which is of increasing importance especially in the environment of increasingly stringent



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requirements for privacy protection and data security. Therefore, the demand for synthetic data is expected to continue to grow with the continuous advancement of technology and the expansion of application scenarios.

- **Rising demand for robot simulation testing:** With the continuous advancement of technology and the increasing demand for automation in various industries, the robotics market is experiencing rapid development and expanding in different application scenarios, and the advantages of simulation testing have led to the rising demand for robot simulation testing among robotics manufacturers.

### COMPETITIVE LANDSCAPE OF THE DIGITAL TWIN AI TRAINING AND VALIDATION SOLUTION MARKET IN CHINA

Players in the China digital twin AI training and validation solution market can be categorized into two types: one-stop solution providers and point solution providers. One-stop solution providers are equipped to offer a comprehensive range of products and services, including real data management and mining for AI training and validation, synthetic data services, and simulation training services for virtual environments and modeling algorithms. They provide applications across multiple domains. In contrast, point solution providers offer a limited selection of products or services and applications in a few domains.

We are one of the leading digital twin AI training and validation solution providers in terms of AI training and validation solution revenues in 2023, and is the only one that provides a full stack of digital twin AI training with easy-to-customize platforms provided to users.

#### Ranking of top digital twins AI training and validation solutions providers in China, in terms of revenue in 2023

Ranking	Company	Type	Revenue of Digital Twin AI Training and Validation Solutions (RMB Million)	Market Share (%)
1	Company D	Point solution provider	101	2.7%
2	Company F <sup>(1)</sup>	Point solution provider	95	2.5%
3	Company G <sup>(2)</sup>	Point solution provider	85	2.3%
4	51WORLD	One-stop solution provider	42	1.1%
5	Company H <sup>(3)</sup>	Point solution provider	38	1.0%

Source: Public information, Expert interview, Frost & Sullivan

Notes:

(1) Company F is a private company, which provides simulation solutions for the automotive, railroad, aerospace, mining, and farming industry.

(2) Company G is a private company, which provides simulation solutions for the automotive industry, and among others.

(3) Company H is a private company, which provides simulation solutions for automotive industry.

## INDUSTRY OVERVIEW

### Comparison: Modules provided by leading players in digital twin AI training and validation solution market

	Focus <sup>(1)(2)</sup>	Comprehensiveness of functions			Easiness for customization
		Data Collection and labelling	Synthetic data generation	Virtual environment and AI model simulation	
51WORLD	L3 or above	✓	✓	✓	✓
Company D	L3 or above	✓	—	✓	✓
Company F	ADAS	✓	—	✓	✓
Company G	ADAS	✓	—	✓	—
Company H	ADAS	✓	—	✓	—

Source: Public information, Expert interview, Frost & Sullivan

*Notes:*

- (1) L3 or above includes level 3, level 4 and level 5 of intelligent driving. Level 3 also refers to conditional automation, which allows vehicles to drive themselves under ideal conditions and with limitations, such as limited-access divided highways at a certain speed and parking lots. Drivers are still required behind the wheel whereas their hands are off the wheel. Level 4 also refers to high automation, which allows vehicles to drive themselves without human interactions but be restricted to known use cases or in most environments and road conditions. L5 also refers to full automation, which enables vehicles to monitor and manoeuvre through all road conditions and require no human interventions whatsoever, eliminating the need for a steering wheel and pedals.
- (2) ADAS is advanced driver-assistance systems, which are electronic systems developed to automate, adapt, and enhance vehicle systems for safety and better driving.

## DIGITAL TWIN SOLUTIONS FOR USER INTERACTION AND EXPERIENCE

### WHAT IS A DIGITAL TWIN USER INTERACTION AND EXPERIENCE SOLUTION?

Digital twin user interaction and experience solutions are designed to create engaging, realistic virtual environments and objects that mirror real-world features. These solutions enable users to engage in a range of activities across various sectors, including travel, social media, gaming, e-commerce, and education.

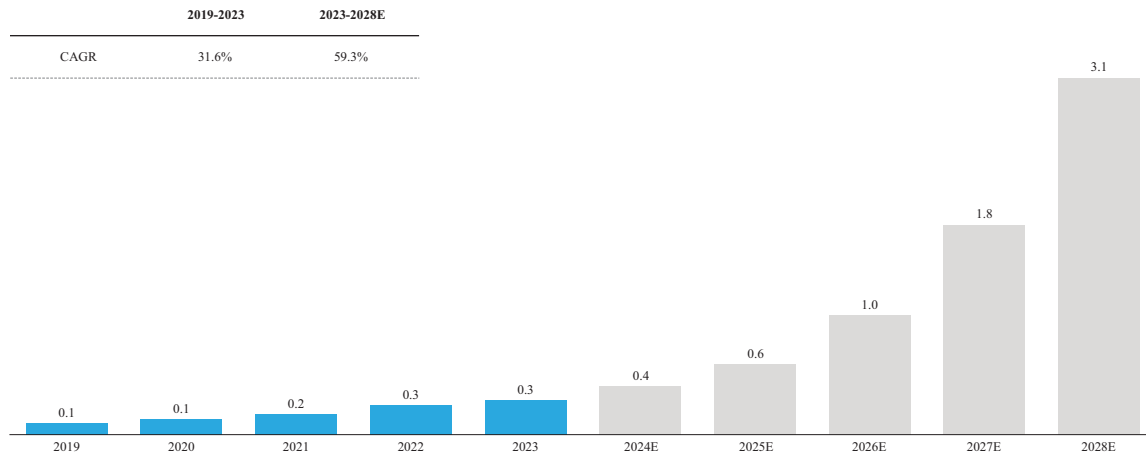
In terms of user interaction and experience, there is a growing demand from users for immersive experiences in culture, entertainment, and education. At the same time, there is an increasing demand for the realism of virtual space. Digital twins can significantly enhance the realism of user interaction and experience, for example, by enabling comparisons of the efficiency, cost, and capability of traditional and meta-universe touring methods. Furthermore, user demand for immersive experiences will gradually expand to encompass larger urban and planetary levels. Digital twins provide users with high-quality city-level scenarios and data-based, real-time generation of full-featured planetary scenarios.

### MARKET SIZE OF DIGITAL TWIN USER INTERACTION AND EXPERIENCE SOLUTION MARKET

The global digital twin user interaction and experience solution market size is projected to grow from US\$0.4 billion in 2023 to US\$2.1 billion by 2028, at a CAGR of 38.7% from 2023 to 2028. China’s digital twin user interaction and experience solution market size is expected to grow from RMB0.3 billion in 2023 to RMB3.1 billion by 2028, at a CAGR of 59.3% from 2023 to 2028.

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Market Size of China's digital twin user interaction and experience solution market  
RMB Billion, 2019-2028E



Source: Public information, Expert interview, Frost & Sullivan

## DRIVERS AND TRENDS OF CHINA'S DIGITAL TWIN USER INTERACTION AND EXPERIENCE SOLUTION MARKET

China's digital twin user interaction and experience solution market is primarily driven by the following factors:

- **Increased end-user demand for diverse and immersive interactions and experiences:** As technology advances and end-users become more enthusiastic about new and emerging things, they will continue to demand more diverse and immersive interactions and experiences compared to the past.
- **Further integration with generative AI:** Generative AI will provide users with more powerful natural language-based interaction modes, enabling complex operations and dialogues through simple natural language commands, and offering end-users of digital twins enhanced modes of interaction and experience.
- **Integration with AR/VR:** AR and VR technologies enable the presentation of complex digital twin models in a 3D, interactive format, allowing users to intuitively observe, manipulate, and analyze the virtual reflection of the physical world. The combination of digital twins and AR/VR will provide end users with more immersive interaction and experience modes.

## SOURCES OF INFORMATION

We commissioned Frost & Sullivan, an independent global consulting firm that offers industry research and market strategies and provides growth consulting and corporate training to conduct a detailed research on and analysis of the digital twin solution market. We have agreed to pay a fee of RMB510,000 to Frost & Sullivan in connection with the preparation of the Frost & Sullivan Report. We have extracted certain information from the Frost & Sullivan Report in this section, as well as in “Summary,” “Risk Factors,” “Business,” “Financial Information,” and elsewhere in this document to provide our potential investors with a more comprehensive presentation of the industries where we operate.

During the preparation of the Frost & Sullivan Report, Frost & Sullivan performed both primary and secondary research, and obtained knowledge, statistics, information, and industry insights

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on the industry trends of the target research markets. Primary research involved discussing the status of the market with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own database. Frost & Sullivan has independently verified the information, but the accuracy of the conclusions of its review largely relies on the accuracy of the information collected. Frost & Sullivan's research may be affected by the accuracy of assumptions used and the choice of primary and secondary sources.

The Frost & Sullivan Report was compiled based on the following assumptions: (i) the social, economic and political environments of the PRC, and other primary countries worldwide will remain stable during the forecast period, which will ensure a sustainable and steady development of defined markets, and (ii) there are no significant adverse material changes in government policies in respect of the defined markets.

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## REGULATORY OVERVIEW

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PRC regulations that have a material impact on our business operations are set forth below:

### REGULATIONS AND POLICIES ON THE DIGITAL TWIN INDUSTRY

Pursuant to the “2023 Government Work Report” (《2023年政府工作報告》), in recent years, the industrial policies of the Chinese government include: (1) promoting the deep integration of the digital economy and the real economy; (2) accelerating the digital transformation of traditional industries and small and medium-sized enterprises (“SMEs”), and focusing on improving the level of high-end, intelligent and green development; (3) vigorously developing the digital economy, improving the level of normalized regulation, and supporting the development of platform economy; and (4) supporting the development of industrial Internet, which have strongly promoted the digitalization and intellectualization of the manufacturing industry.

The CPC Central Committee and the State Council issued the “Overall Layout Plan for the Construction of Digital China” (《數字中國建設整體佈局規劃》) in 2023, which put forward the following planning targets: (1) comprehensively empowering socio-economic development, and improving the size, quality and position of digital economy; (2) cultivating and expanding core industries of digital economy, studying and formulating measures to promote the high-quality development of digital industry, and building digital industrial clusters with international competitiveness; (3) promoting the deep integration of digital technology and the real economy, and accelerating the innovation and application of digital technology in key areas such as agriculture, industry, finance, education, health care, transportation and energy; (4) promoting smart governance of the ecological environment, accelerating the building of a smart and efficient ecological environment information system, and utilizing digital technology to promote the integrated protection and systematic governance of mountains, water, forests, fields, lakes, grasslands and sands, improve the three-dimensional “map” of natural resources and the basic information platform for national land and space, and build a smart water conservancy system with digital twin basin as its core; and (5) accelerating the synergistic transformation of digitization and greenization, and advocating a green and smart lifestyle.

Pursuant to the “14th Five-Year Plan for the National Economic and Social Development of the People’s Republic of China and the Long-Range Objectives through the Year 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》) issued by the National People’s Congress on March 12, 2021, China will optimize the city information modeling (CIM) platform and the operation management service platform, build a city data resource system, promote the construction of a city data brain, and explore the construction of a digital twin city.

Pursuant to the “14th Five-Year Plan for National Informatization” (《「十四五」國家信息化規劃》) issued by the Office of the CPC Central Committee for Network Security and Informatization on December 27, 2021, China’s major tasks and key projects include “building an inclusive and convenient digital livelihood security system”, which involves: strengthening strategic research & layout and technological integration & innovation in key frontier fields such as artificial intelligence (AI), quantum information, integrated circuits, aerospace information, brain-like computing (BLC), neurochips, DNA storage, brain-computer interface (BCI), digital twins, new non-volatile storage, silicon-based photoelectrons, and non-silicon-based semiconductors; and steadily pushing forward the construction of the city data resource system and the data brain, building an interconnected, open, and empowered intelligent hub, optimizing the CIM platform and the operation management service platform, and exploring the construction of a digital twin city.

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Pursuant to the “14th Five-Year Plan for the Development of Digital Economy” (《「十四五」數字經濟發展規劃》) issued by the State Council on December 12, 2021, the overall requirements for the development of the national digital economy include “continuously improving” of digitization of public services, which calls for deepening the construction of new-type smart cities, promoting the integration and sharing of city data and business synergy, improving the capability of providing comprehensive urban management services, and optimizing the CIM platform and the operation management service platform, so as to construct digital twin cities based on local conditions.

The “14th Five-Year Plan for the Development of the Information and Communication Industry” (《「十四五」信息通信行業發展規劃》) issued by the Ministry of Industry and Information Technology (MIIT) on November 1, 2021 proposed to: (1) strengthen the research and development of key core technologies and products in the fields of cloud computing centers, the Internet of Things (IoT), the industrial Internet, and the Internet of Vehicles (IoV), and accelerate the deep integration and development of new technologies, such as AI, blockchain, digital twins, and virtual reality, with the traditional industries; (2) promote the establishment of a standard system for emerging fields of integrated development, and accelerate the formulation and promotion of common standards and key technology standards for digital infrastructure; (3) accelerate the construction of the CIM platform and the operation management service platform; (4) implement the renovation of intelligent municipal infrastructure, promote the application of intelligent perception facilities for water supply, drainage, gas, heat and other facilities, and improve facility operational efficiency and safety performance; (5) build an integrated perception system for urban roads, buildings, and public facilities, and synergize the development of smart cities and intelligent connected vehicles (ICVs); (6) build an intelligent property management service platform, promote the online and offline integration of property services, and build smart communities; and (7) promote the synergistic development of intelligent construction and building industrialization, implement the project for enhancing the capability for intelligent construction, cultivate intelligent construction industrial bases, and build a big data platform for the construction industry, so as to realize intelligent production, intelligent design, intelligent construction and intelligent operation and maintenance.

The “14th Five-Year Plan for the Development of Software and Information Technology Service Industry” (《「十四五」軟件和信息技術服務業發展規劃》) issued by the MIIT on November 15, 2021 proposed to support the innovation and application of software such as CIM, geographic information system (GIS), building information modeling (BIM), and building fire simulation, implement the project to enhance the capability for intelligent construction, and make breakthroughs in digitization, networking and intellectualization in the construction industry.

The “14th Five-Year Plan for the Development of In-depth Integration of Informatization and Industrialization” (《「十四五」資訊化和工業化深度融合發展規劃》) issued by the MIIT on November 17, 2021 proposed to: (1) build digital workshops and smart factories around key equipment fields such as machinery, automobiles, aviation, aerospace, ships, weapons, electronics, and electric power, build a digital twin system for the full life cycle of equipment, promote the scale application of model-based system engineering (MBSE), and realize predictive maintenance and health management of equipment relying on industrial Internet platforms; (2) establish a sound standard system for the deep integration of digitalization and industrialization, and formulate and revise national standards, industrial standards and group standards in key areas such as degrees of integration in digitalization and industrialization, integration and management system for digitalization and industrialization, digital transformation, industrial Internet, cyber-physical systems (CPS), digital twins, digital supply chain, equipment uploading to cloud, data dictionary, digital simulation of manufacturing industry, and

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industrial information security relying on the National Standardization Committee for Integration of Digitalization and Industrialization (TC573), scientific research institutions, alliance groups and other types of professional and technical organizations; (3) cultivate comprehensive, characteristic and specialized platforms, guide cross-industry and cross-field platforms to pool a wider range of production factor resources, build industry and regional characteristic platforms for key industries such as raw materials, equipment manufacturing, consumer goods, electronic information and industrial agglomerations, and build specialized platforms for technologies such as cloud simulation, digital twins, data processing, and more; (4) drive technological progress through integration and application, and build integrated platforms and common technology public service platforms for the industry, academia, research and application to carry out research on key cutting-edge technologies such as artificial intelligence, blockchain, digital twin, break through the bottleneck of core technologies such as core electronic components and basic software, and accelerate digital industrialization.

The “14th Five-Year Plan for the Development of Intelligent Manufacturing” (《「十四五」智能製造發展規劃》) issued by the MIIT, the National Development and Reform Commission (the “NDRC”), the Ministry of Education, the Ministry of Science and Technology, the Ministry of Finance, the Ministry of Human Resources and Social Security, the SAMR, and the State-owned Assets Supervision and Administration Commission of the State Council on December 21, 2021 put forward to: (1) make breakthroughs in common technologies such as multi-dimensional intelligent perception in industrial fields, production process optimization based on human-machine collaboration, digital twins of equipment and production processes, online precision testing for quality, lean management and control of production processes, equipment fault diagnosis and predictive maintenance, dynamic production planning and scheduling in complex environments, intelligent decision-making for the entire production process, and collaborative optimization of the supply chain; (2) deepen the application of new technologies such as digital twins, AI, 5G, big data, blockchain, Virtual Reality (VR)/Augmented Reality (AR)/Mixed Reality (MR) in the manufacturing process, and form a number of “Digital Twin +”, “Artificial Intelligence +”, “Virtual/Augmented/Mixed Reality (XR) +” and other intelligent scenarios; promote the innovative application of new technologies such as digital twins and AI, and develop a number of internationally advanced new intelligent manufacturing equipment; (3) research and develop intelligent industrial control systems that integrate digital twins, big data, AI, edge computing, VR/AR, 5G, BeiDou, satellite Internet and other new technologies, intelligent machine tools, cooperative robots, adaptive robots and other new equipment; and (4) formulate and revise standards for basic commonalities and key technologies such as digital twins, data dictionaries, human-machine collaboration, intelligent supply chains, system reliability, and integration of information security and functional safety, to meet the needs of technological evolution and industrial development and accelerate the development of industry application standards.

The “14th Five-Year Plan for the Development of Raw Material Industry” (《「十四五」原材料工業發展規劃》) issued by the MIIT, the Ministry of Science and Technology, and the Ministry of Natural Resources (the “MNR”) on December 21, 2021 proposed to improve the level of production intelligence; and build a digital twin model for major production scenarios, processes, and key core equipment.

The “14th Five-Year Plan for Green Development of Industry” (《「十四五」工業綠色發展規劃》) issued by the MIIT on November 15, 2021 proposed to integrate the development of digitization, intellectualization and greenization; deepen the digital application of product R&D and

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design, production and manufacturing, application and service, and recycling, and accelerate the application of AI, IoT, cloud computing, digital twins, blockchain and other information technologies in the field of green manufacturing to improve the efficiency and effectiveness of green transformation and development.

The “14th Five-Year Plan for the Development of the Construction Industry” (《「十四五」建築業發展規劃》) issued by the Ministry of Housing and Urban-Rural Development (the “MOHURD”) on January 19, 2022 proposed to: (1) accelerate the integrated application of the BIM technology in the whole life cycle of the project, improve data interaction and security standards, strengthen the digital synergy in all aspects of design, production, and construction, and promote the delivery and application of digitalized results in the whole process of engineering construction; (2) promote the integration and application of BIM technology, IoT, AI and other modern information technologies in engineering supervision; and (3) promote the application of BIM technology in the whole process of general contracting projects, and promote the in-depth integration of technology and management, as well as design and construction; and strengthen the role of construction drawing review, comprehensively promote digital review, and promote BIM review and AI review.

The “14th Five-Year Plan for Water Security Guarantee” (《「十四五」水安全保障規劃》) issued by the NDRC on January 11, 2022 proposed to: (1) promote the development of the digital basin. Taking the basin as a unit, digital terrain as the foundation, main and tributary water systems as the backbone, and water conservancy projects as important nodes, carry out a digital mapping of all elements of the physical river basin; strengthen the collection and processing of physical geography, economic society and other information, and deepen the organic combination of remote sensing technology and ground monitoring technology to establish a full-coverage basin monitoring that integrates aviation, aerospace and ground; and build digital images covering major river basins across the country, and carry out the construction of digital basins for the Yangtze River, the Yellow River, the Huaihe River, the Haihe River, the Pearl River, the Songliao River, Lake Taihu and other major rivers and lakes; and (2) promote the construction of digital twin basins. Integrate coupled hydrology, hydraulics, sediment dynamics, water resources, water engineering and other professional models and visualization models, and build the capabilities in digital twin basin simulation that integrate flood control and dispatching, water resources management and deployment, and water ecological process regulation; build simulation and analysis models for all-element water security forecasting, early warning, rehearsal, and planning, and strengthen capabilities in the simulation of visualization scenarios such as flood routing; and select the Huaihe River and the Haihe River basin to carry out pilot projects to develop digital twin basins in key flood control areas.

The “14th Five-Year Plan for National Emergency Response System” (《「十四五」國家應急體系規劃》) issued by the State Council on December 30, 2021 proposed to construct an information management platform for flood prevention and drainage based on CIM.

The “14th Five-Year Plan for Railway Science and Technology Innovation” (《「十四五」鐵路科技創新規劃》) issued by the State Railway Administration on December 13, 2021 proposed to: (1) study complete sets of 5G technologies, and promote the application of millimeter-wave communication, wireless big data, digital twins, cloud-edge-endpoint synergy, perception-communication-computing integration and other technologies in the field of railway communication and signaling; (2) focusing on the goal of full life cycle and full service integration, continue to strengthen the top-level planning research of intelligent railway, and build the system architecture for



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intelligent railway technology (version 2.0); and (3) deepen the technological innovation of intelligent construction, intelligent equipment, and intelligent operation, and carry out the R&D and application of the intelligent construction digital twin platform.

The “14th Five-Year Plan for the Development of Highways” (《公路「十四五」發展規劃》) issued by the Ministry of Transport of the People’s Republic of (MOT) in February 2022 proposed to build smart highways, promote the simultaneous planning and construction of BIM, highway perception network and highway infrastructure, accelerate the digital transformation of highway infrastructure, promote the development of all-element and full-cycle digital transformation of highway infrastructure, and strengthen the active security warning of key information of key infrastructures.

The “14th Five-Year Plan for the Development of Modern Integrated Transportation System” (《「十四五」現代綜合交通運輸體系發展規劃》) issued by the State Council on December 9, 2021 proposed to: (1) optimize the digital perception system (DPS) of facilities; (2) promote the digital transformation and upgrading of existing facilities, and strengthen the simultaneous planning and construction of new facilities and perception network; and (3) build a system for sensing the operational status of facilities, strengthen the digitalized sensing monitoring coverage of key channels and hubs, and enhance the all-weather and full-cycle operation status monitoring and capability in active early warning of key road sections and important nodes.

The “14th Five-Year Plan for the Construction of a National Standard System to Promote High-quality Development” (《「十四五」推動高質量發展的國家標準體系建設規劃》) issued by the Standardization Administration of China (the “SAC”), the Office of the CPC Central Committee for Network Security and Informatization, the Ministry of Science and Technology, the MIIT, the Ministry of Civil Affairs, the Ministry of Ecology and Environment, the MOHURD, the Ministry of Agriculture and Rural Affairs, the Ministry of Commerce, and the Ministry of Emergency Management on December 6, 2021 proposed to: (1) optimize the construction of standard system in terms of the graded and classified construction of smart city, intelligent transformation of infrastructure, utilization of urban digital resources, city data brain, innovative application of AI, and city digital twins, and accelerate the development of standards for typical fields such as smart emergency response, smart elderly care, smart community, and smart business districts; and (2) carry out standard experimental verification and application implementation, leading and supporting the construction of smart cities with standardization.

The “14th Five-Year Plan of Action for Electric Power Production Safety” (《電力安全生產「十四五」行動計劃》) issued by the National Energy Administration on December 8, 2021 proposed to build a new type of capacity for electric power production safety based on the industrial Internet, organize and carry out pilot applications of “Industrial Internet + Production Safety”, and promote the application and demonstration of new technologies and products such as 5G + Production Safety, edge computing, digital twins, smart screens, and safety chips.

The “14th Five-Year Plan to Support the High-quality Development of Demonstration Zones for Industrial Transformation and Upgrading in Old Industrial Cities and Resource-based Cities” (《「十四五」支持老工業城市和資源型城市產業轉型升級示範區高質量發展實施方案》) issued by the NDRC, the Ministry of Science and Technology, the MIIT, the MNR, and China Development Bank on November 19, 2021 proposed to: (1) accelerate the construction of a digital society, support the development of telecommuting, tele-education, telemedicine, smart buildings, smart communities and digital families; (2) accelerate the construction of smart cities, and promote the wide application of

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digital technology in the modernization of social governance in municipal areas; and (3) promote the large-scale deployment of 5G networks, and strive to cover all the cities in the demonstration zones by 2025.

Pursuant to the “Guidelines of the State Council on Strengthening the Construction of Digital Governments” (《國務院關於加強數字政府建設的指導意見》) issued by the State Council on June 6, 2022, China will lead the construction of a digital society that requires exploring the application of new technologies such as CIM and digital twins to enhance the scientific, refined and intelligent level of urban governance; and promote the development of digital villages with digitalization to support a modern rural governance system.

The “National Comprehensive Three-dimensional Transportation Network Planning Outline” (《國家綜合立體交通網規劃綱要》) issued by the CPC Central Committee and the State Council on February 24, 2021 proposed to: (1) promote the intelligent management of highway road networks and travel information services, and improve the road traffic monitoring equipment and supporting networks; and (2) promote the synergistic development of ICVs and smart cities, build an integrated perception system of urban roads, buildings, and utilities, and build a smart travel platform that bases on the CIM platform and integrates dynamic and static data of the city.

The “Guidelines for the Construction of a Comprehensive Standardization System for the Industrial Internet (2021 Edition)” (《工業互聯網綜合標準化體系建設指南(2021版)》) issued by the MIIT and the SAC on November 24, 2021 proposed the industrial digital twin standard, i.e. (1) the capacity requirement standards are designed to standardize the industrial digital twin architecture, technology and system, including the functional requirements for the reference architecture of industrial digital twins, and the development engines and management system, the performance requirements for the digital twins in terms of speed, precision, scale, breadth, security, reliability, and stability, as well as digital support technology, digital mainline, digital twin modeling and other standards; (2) development, operation and maintenance standards: mainly to standardize the industrial digital twin development, construction and operation and maintenance requirements, including products, equipment, production lines, factories, etc., industrial digital twin development process, development methods, construction guidelines, management, operation and maintenance, data interaction and interface and other standards; (3) application service standards: mainly to standardize the industrial digital twin application, service and evaluation requirements, including products, equipment, production lines, factories, etc., industrial digital twin application scenarios, digital simulation, application implementation, service mode, application maturity, management standards and other standards.

The “Plan of Action for the Innovative Development of Industrial Internet (2021-2023)” (《工業互聯網創新發展行動規劃(2021-2023年)》) issued by the MIIT on December 22, 2020 proposed to support the construction of specialized platforms for cloud simulation, digital twins, data processing, fault prediction and health management (PHM), etc. to accelerate the application of IT innovation ; promote research on the integration technologies of edge computing, digital twins, blockchain and other technologies with the industrial Internet, and strengthen the testing, validation and commercialization of integration products and their solutions; cultivate platform innovation solutions, strengthen the platform’s capabilities in industrial data integration management and industrial mechanism modeling for process, control, operation and maintenance, develop and build digital twin innovation tools to create a number of “platform + product”, “platform + model” and “platform + industry/region” innovation solutions. “platform + industry/region” innovative solutions; cultivate

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high-quality industrial APP, develop industrial intelligent solutions based on digital twin technology, support the construction of open source communities and developer communities, develop industrial APP stores, and promote the trading and circulation of industrial APP; expand the servicing, support equipment manufacturing enterprises to build product Internet and service platforms, carry out product model construction and data analysis based on digital twins, artificial intelligence, blockchain and other technologies, and create modes of predictive maintenance of equipment, optimization of energy efficiency of equipment, and derivation of product services.

Pursuant to the “Implementation Plan on Promoting the Action of ‘Implementing an Inclusive Cloud Service Support Policy Empowered by Big Data Integration’ to Cultivate the Development of New Economy” (《關於推進「上雲用數賦智」行動培育新經濟發展實施方案》) issued by the NDRC and the Office of the CPC Central Committee for Network Security and Informatization on April 7, 2020, the government will carry out the Digital Twin Innovation Initiative, encourage research institutions and industrial alliances to organize various forms of innovation activities, focus on solving the problems of enterprises’ digital transformation, such as digital infrastructure, common software and application scenarios, and focus on the difficulties and pain points in the specialized division of labor of digital twins to guide all parties to participate in proposing solutions for digital twins; accelerate the research, development and application of common and key technologies for digital transformation, and support the exploration of new-generation digital technology applications and integrated innovations, such as big data, artificial intelligence, cloud computing, digital twins, 5G, the Internet of Things, and blockchain in the scope of industry sectors and enterprises that are in a position to do so.

The “Plan of Special Action for Digital Empowerment of Small and Medium-sized Enterprises” (《中小企業數字化賦能專項行動方案》) issued by the MIIT on March 18, 2020 proposed to support the development of new types of data products and services, encourage the exploration of new business models such as specialized data collection, data cleansing, data exchange, and data annotation, and develop basic data-processing cloud services such as flexible distributed computing and data storage, and data analysis services such as online machine learning, natural language processing, image understanding, speech recognition, knowledge mapping, data visualization and digital twin to help SMEs to improve the level of data development and application.

The “Implementation Opinions on Promoting the In-depth Integration and Development of Advanced Manufacturing and Modern Service Industries” (《關於推動先進製造業和現代服務業深度融合發展的實施意見》) issued by the NDRC, the MIIT, the Office of the CPC Central Committee for Network Security and Informatization, the Ministry of Education, the Ministry of Finance, the Ministry of Human Resources and Social Security, the MNR, the Ministry of Commerce, the People’s Bank of China (the “PBOC”), the SAMR, the National Bureau of Statistics (the “NBS”), the National Copyright Administration, the former China Banking and Insurance Regulatory Commission, the CSRC, and the China National Intellectual Property Administration (the “CNIPA”) on November 10, 2019 proposed to: (1) make breakthroughs in key technologies such as industrial mechanism modeling, digital twins, and information-physical systems; (2) carry out in-depth implementation of the strategy for the innovation and development of the industrial Internet, speed up the construction of an identification analysis and security guarantee system, and develop a key industry- and region-oriented industrial Internet platform; and (3) promote the digital transformation of key industries, promote a number of industry system solutions, and promote the upgrading and transformation of enterprises’ internal and external networks.

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The “Implementation Opinions of the Ministry of Industry and Information Technology on Promoting Improvement of the Quality of Products and Services in the Manufacturing Industry” (《工業和信息化部關於促進製造業產品和服務質量提升的實施意見》) issued by the MIIT on August 29, 2019 proposed to promote the development and application of technologies such as digital twins, reliability design and simulation, and quality fluctuation analysis, and improve capabilities for product quality design and process control; and continue to promote the implementing standards for integration and management system for digitalization and intelligentization, apply cloud computing, big data, AI and other new-generation information technologies in quality management, establish quality information databases, develop quality management tools for online testing, process control and quality traceability, strengthen quality and data analysis, and promote enterprises to establish a whole-process quality management system based on digitalization, networking and intellectualization.

The “Circular on Accelerating the Digital Transformation of State-owned Enterprises” (《關於加快推進國有企業數字化轉型工作的通知》) issued by the State-owned Assets Supervision and Administration Commission of the State Council on August 21, 2020 proposed to accelerate breakthroughs in common digitalization technologies such as advanced sensing, new networks, and big data analysis, as well as cutting-edge technologies such as 5G, AI, blockchain, and digital twins based on the actual application scenarios of enterprises, and build up an internationally advanced, safe and controllable digital transformation technology system.

### REGULATIONS ON INTELLIGENT DRIVING SIMULATION AND TESTING INDUSTRY

The “14th Five-Year Plan for the Development of Digital Economy” (《「十四五」數字經濟發展規劃》) issued by the State Council on December 12, 2021 proposed to promote the orderly development of intelligent computing centers, create a new type of intelligent infrastructure that integrates intelligent computing power, general algorithms and development platforms, and provide systematic AI services for key emerging fields such as intelligent driving.

The “14th Five-year Plan for the Development of Modern Integrated Transportation System” (《「十四五」現代綜合交通運輸體系發展規劃》) issued by the State Council on December 9, 2021 proposed to strengthen the forward-looking and strategic technology research reserves in the field of transportation, and strengthen the research and development of technologies in the fields of ICVs, intelligent driving, vehicle-road collaboration, autonomous navigation of ships, and ship-shore collaboration.

The “14th Five-Year Plan for the Development of Digital Transportation” (《數字交通「十四五」發展規劃》) issued by the MOT on October 25, 2021 proposed to promote the construction of automatic driving test bases and pilot applications, and promote the application of automotive wireless communication technology; and promote the study and development of standards for vehicle-road collaboration and automatic driving, and enhance the holistic approach to relevant coordinate communication interfaces and protocols.

Pursuant to the “Management Specification for Road Testing and Demonstration Application of Intelligent Connected Vehicles (for Trial Implementation)” (《智能網聯汽車道路測試與示範應用管理規範(試行)》) issued by the MIIT, the Ministry of Public Security, and the MOT on July 27, 2021, the road test subject shall provide a self-declaration of road test safety of ICVs, which shall be confirmed by the relevant competent authorities of the provincial and municipal governments; and the self-declaration of road test safety accompanied by explanatory materials and other evidentiary materials of

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simulation test and test area (field) and other specific areas for real vehicles test conducted by the road test subject shall be submitted to the responsible provincial and municipal authorities.

Pursuant to the “Guidelines on Accelerating Scenario Innovation to Promote High-quality Economic Development with High-level Application of Artificial Intelligence” (《關於加快場景創新以人工智慧高水準應用促進經濟高質量發展的指導意見》) issued by the Ministry of Science and Technology, the Ministry of Education, the MIIT, the MOT, the Ministry of Agriculture and Rural Affairs, and the National Health Commission on July 29, 2022, AI infrastructure resources, such as computing power platforms, common technology platforms, industry training datasets, and simulation training platforms, will be encouraged to be shared to provide computing power and algorithmic resources for AI enterprises to carry out scenario innovation; and local governments will be encouraged to reduce the cost of infrastructure use for AI enterprises and enhance the computing power support for AI scenario innovation by means of sharing and opening up, service procurement and innovation vouchers.

Pursuant to the “Guidelines for the Administration of Intelligent Connected Vehicle Manufacturing Enterprises and Product Admission (for Trial Implementation)” (《智能網聯汽車生產企業及產品准入管理指南（試行）》) (draft for comments) issued by the MIIT on April 7, 2021, the test requirements for product admission mean that the ICV products applying for admission shall be subject to the requirements for simulation tests, closed site test, actual road test, vehicle network security test, software upgrade test and data storage test; and the software and hardware environment and tool chain for simulation test, the scenario library for driving automation function verification, as well as the vehicle dynamics, sensors and other models used and their key parameters shall be illustrated.

The “Guidelines on Promoting the Development and Application of Automatic Driving Technology for Road Traffic” (《關於促進道路交通自動駕駛技術發展和應用的指導意見》) issued by the MOT on December 20, 2020 proposed to: (1) perfect test and evaluation methods and test technology systems; (2) carry out theoretical research on automatic driving and vehicle-road collaboration testing, and improve relevant test and evaluation methods and management systems; and (3) encourage the construction of an automatic driving test scenario library, conduct researches on intelligent device testing technology, promote the independent R&D and manufacturing of testing equipment, data analysis software, virtual simulation systems and other testing tool chains, and improve the comprehensive testing and evaluation system that includes scenarios of closed sites, semi-open areas and open roads.

The “Strategy for the Innovative Development of Intelligent Vehicles” (《智能汽車創新發展戰略》) issued by the NDRC, the Office of the CPC Central Committee for Network Security and Informatization, the Ministry of Science and Technology, the MIIT, the Ministry of Public Security, the Ministry of Finance, the MNR, the MOHURD, the MOT, the Ministry of Commerce, and the SAMR on February 10, 2020 pointed out that it will focus on the research and development of virtual simulation, software and hardware combined simulation, real-vehicle road testing and other technologies and validation tools, as well as multi-level testing and evaluation systems; and promote the capacity building of enterprises, third-party technology testing and safety operation testing and evaluation institutions.

Pursuant to the “Management Specification for Road Testing and Pilot Application of Intelligent Connected Vehicles (for Trial Implementation)” (《智能網聯汽車道路測試與示範應用管理規範（試行）》) issued by the MIIT, the Ministry of Public Security, and the MOT on July 27, 2021,

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relevant competent authorities of the provincial and municipal governments may formulate implementation rules based on actual local situation according to this Specification, and specifically organize and carry out road testing and demonstration application for ICVs.

Pursuant to the “Guidelines of Beijing Municipality on Accelerating Scientific and Technological Innovation to Cultivate New Energy Intelligent Vehicle Industry” (《北京市加快科技創新培育新能源智慧汽車產業的指導意見》) issued by the Beijing Municipal Committee of the CPC and the People’s Government of Beijing Municipality on December 20, 2017, the government will vigorously promote the innovation of new energy intelligent vehicles; and closely integrate with AI and 5G technology, focus on the research and development of intelligent technologies such as environment perception, intelligent decision-making, and integrated control, overcome intelligent network driving technology, and break through key technologies of distributed chassis in terms of configuration design and general layout, simulation analysis, and electrical signal control.

The “Guidelines of Beijing Municipality on Accelerating the Work Related to Road Testing of Automatic Driving Vehicles (for Trial Implementation)” (《北京市關於加快推進自動駕駛車輛道路測試有關工作的指導意見（試行）》) issued by the Beijing Municipal Commission of Transport (BMCT), Beijing Traffic Management Bureau, and the former Beijing Municipal Commission of Economy and Information Technology on August 9, 2018 determined that the responsible subject shall be the domestic legal person applying for the test, established requirements and standards for the testing vehicle, the driver, and the test subject, and formulated the management process of the automatic driving test, as well as the principles for identification of accident liabilities.

## REGULATIONS ON NETWORK SECURITY AND DATA PROTECTION

### Laws and regulations on data protection

On November 7, 2016, the Standing Committee of the National People’s Congress of the People’s Republic of China (the “**NPC Standing Committee**”) promulgated the Cybersecurity Law of the People’s Republic of China (《中華人民共和國網絡安全法》), which entered into force on June 1, 2017. The “Cybersecurity Law” requires network operators to perform certain functions relating to cybersecurity protection and to enhance network information management. For example, network operators shall follow the principles of “legality, legitimacy and necessity” in the collection and use of personal information, disclose the rules for collection and use, make clear the purpose, manner and scope of collection and use of information, and obtain the consent of the person from whom the information is collected. Network operators shall not disclose, distort or damage the personal information they collected, and shall not provide personal information to others without the consent of the person whose information is collected. Except where it has been processed in such a manner that it is impossible to distinguish a particular individual and it cannot be retraced. Network operators shall take technical measures and other necessary measures to ensure the security of the personal information they have collected against the leakage, destruction or loss of information. In the event that leakage, destruction or loss of personal information occurs or is likely to occur, remedies shall be taken immediately, and users shall be informed in a timely manner in accordance with the provisions of the law and reported it to the competent authorities. Where an individual discovers that a network operator has collected or used his/her personal information in violation of the provisions of laws or administrative regulations or the agreement between the two parties, he/she shall have the right to request the network operator to delete his/her personal information; and where he/she discovers that his/her personal information has been collected or stored incorrectly by the network operator, he/she

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shall have the right to request the network operator to rectify it. The network operator shall take measures to delete or correct related information.

The “Civil Code of the People’s Republic of China” (《中華人民共和國民法典》) (the “**Civil Code**”) issued by the NPC on May 28, 2020 and entered into force on January 1, 2021 provided that the personal information of a natural person shall be protected by law. Any organization or individual that needs to obtain the personal information of others shall obtain it in accordance with the law and ensure the security of the information, and shall not unlawfully collect, use, process or transmit the personal information of others, or unlawfully trade in, provide or disclose the personal information of others. Personal information of a natural person is information recorded electronically or otherwise that can identify a specific natural person, either separately or in combination with other information, including the natural person’s name, date of birth, identity document number, biometric information, address, telephone number, email address, health information, whereabouts, and other information. The processing of personal information shall follow the principles of legality, legitimacy and necessity, shall not be excessive, and shall meet the following conditions: (i) it shall have the consent of the natural person or his/her guardian, except as otherwise provided by laws or administrative regulations; (ii) it shall make public the rules for the processing of information (iii) it shall expressly state the purpose, manner and scope of the processing of the information; and (iv) it shall not be in contravention of the provisions of the laws or administrative regulations or the agreement between the two parties.

The Data Security Law of the People’s Republic of China (《中華人民共和國數據安全法》) (the “**Data Security Law**”) was promulgated on June 10, 2021 and entered into force on September 1, 2021. A data classification and grading protection system shall be established based on the importance of data in economic and social development and the degree of harm to national security, public interests, or the legitimate rights and interests of individuals and organizations in the event of tampering, destroy, leakage or illegal obtaining and unlawful use. The National Coordination Mechanism for Data Security coordinates the efforts of the relevant departments to formulate a catalog of important data and strengthen the protection of important data. Data related to national security, lifeblood of the national economy, important people’s livelihoods, and major public interests are national core data, and a stricter management system shall be implemented. Pursuant to the Data Security Law, the State has set up the data security review system, which specifies that data processing activities that affect or may affect national security shall be subject to national security review. State export controls shall be imposed on data related to the safeguarding of national security and interests and the fulfillment of international obligations. In addition, the Data Security Law specifies that processors of important data shall specify the person in charge of data security and the management organization, and implement the responsibility for data security protection, and that such processors shall carry out regular risk assessments of their data processing activities and submit risk assessment reports to the relevant competent authorities. Violations of the Data Security Law may result in warnings, fines, suspension of operations, revocation of permits or business licenses, and/or criminal liability for the entities or individuals concerned. Pursuant to the Data Security Law, the maximum fine imposed for violation of the core data management system or illegal provision of important data outside the country is RMB10 million.

The “Information Security Technology - Personal Information Security Specification” (《信息安全技術—個人信息安全規範》) (GB/T35273-2020) (the “2020 Specification”) issued by the Standards Committee on March 6, 2020 and entered into force on October 1, 2020. 2020 Specification is a

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national standard for recommendation, which means that the Specification has no legal effect, but it explains and reinforces the provisions of the Cybersecurity Law to a certain extent. Pursuant to the 2020 Specification, an organization or individual that has the ability to determine the purpose or manner of processing personal information (the “**Personal Information**”) shall not force the natural person identified or associated with the personal information (the “**Personal Information Owner**”) to accept the business functions provided by the product or service. If the Personal Information Owner does not explicitly authorize or consent to the use of personal information for specific business functions, the personal information controller shall not require the Personal Information Owner to consent to the collection of personal information solely for the purpose of improving service quality, enhancing security, researching and developing new products, or enhancing the experience of using the product or service.

The Personal Information Protection Law of the People’s Republic of China (《中華人民共和國個人信息保護法》) (the “**Personal Information Protection Law**”) was promulgated by the NPC Standing Committee on August 20, 2021 and entered into force on November 1, 2021. The Personal Information Protection Law specifies that a personal information processor may process personal information under one of the following circumstances: (1) with the consent of the individual; (2) when it is necessary for the conclusion or fulfillment of a contract to which the individual is a party or for the implementation of human resources management in accordance with labor rules and regulations established in accordance with the law or a collective contract concluded in accordance with the law; (3) necessary for the performance of legal duties or obligations; (4) necessary for the response to a public health emergency or for the protection of the life, health, and property of the natural person in case of emergency; (5) within a reasonable range, necessary for the processing of personal information disclosed by individuals themselves or other legally disclosed personal information; (6) to process personal information for the purpose of news reporting, public opinion monitoring, and other acts in the public interest within a reasonable scope; or (7) under other circumstances stipulated by laws and regulations. The Law also imposes obligations on personal information processors. No organization or individual shall unlawfully collect, use, process, or transmit another person’s personal information, or unlawfully trade in, provide, or disclose another person’s personal information; and no organization or individual shall engage in personal information processing activities that jeopardize national security or the public interest. Any personal information processor that violates the provisions and requirements of the Personal Information Protection Law may be subject to penalties such as orders to correct, warnings, fines, suspension of related business, revocation of licenses, etc., and will be included in the relevant credit records in accordance with the law, and in serious cases, may be held criminally liable.

The Regulations on the Security Protection of Critical Information Infrastructure (《關鍵資訊基礎設施安全保護條例》) (the “**Regulations on Security Protection**”) was promulgated by the State Council on July 30, 2021 and entered into force on September 1, 2021. Pursuant to the Regulations on Security Protection, critical information infrastructure refers to the critical network facilities and information systems in the public communication and information services, energy, transportation, and other important industries and fields, as well as other critical network facilities and information systems which may seriously endanger national security, national livelihood and public interest once they are damaged or loss functions or their data is leaked. The Regulations on Security Protection makes specific requirements on the responsibilities and obligations of critical information infrastructure operators (the “**Operator**”): (1) the Operator shall establish and improve the network security protection system and responsibility system, and guarantee the investment of human, financial and material resources; (2) the Operator shall set up a specialized security management organization,



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and conduct security background investigation on the person in charge of the specialized security management organization and personnel in key position; (3) the Operator shall guarantee the operating funds of the specialized security management organization, and equip it with corresponding personnel; and decisions related to network security and informatization shall be carried out with the participation of personnel of the specialized security management organization; and (4) the Operator shall give priority to the procurement of secure and trusted network products and services; and procurement of network products and services that may affect national security shall be subject to security review in accordance with national network security regulations. The Regulations on Security Protection specifies measures, such as the imposition of fines, to deal with critical information infrastructure operators that fail to fulfill their security protection responsibilities.

On September 24, 2024, the Regulation on Network Data Security Management (《網絡數據安全管理條例》) (the “**Network Data Security Management**”) was promulgated by the State Council and will become effective as of January 1, 2025. The Regulation on Network Data Security Management restates and further specifies the legal requirements for personal information, important data, cross-border data transfer, network platform services and data security. Any failure to comply with such requirements may subject us to, among others, suspension of services, fines, revoking relevant business permits or business licenses and penalties.

The Measures for the Administration of Data Security in the Field of Industry and Information Technology (for Trial Implementation) (《工業和信息化領域數據安全管理辦法(試行)》) (the “**Administrative Measures**”) was issued by the MIIT on December 8, 2022 and entered into force on January 1, 2023. Pursuant to the Administrative Measures, data processors in the field of industry and telecommunications shall be responsible for the security of data processing activities and implement hierarchical protection measures for various types of data. Where different levels of data are processed at the same time and it is difficult to take protection measures separately, the protection shall be implemented in accordance with the requirements of the highest of such levels to ensure that the information remains under effective protection and legal utilization. The Administrative Measures also impose a number of obligations on data processors in the field of industry and telecommunications, which relate to, among other things, the implementation of a data security system, data collection, data storage, data use, data transmission, data provision, data disclosure, data destruction, and emergency response, etc.

The Measures for Security Evaluation for the Transfer of Data to Foreign Countries (《數據出境安全評估辦法》) was promulgated by the Cyberspace Administration of China (the “**CAC**”) on July 7, 2022 and entered into force on September 1, 2022 to further clarify the regulatory mechanism for transfer of data to foreign countries under the Cybersecurity Law, the Data Security Law, and the Personal Information Protection Law. The Measures clarifies the provisions and procedures for conducting security evaluation for the transfer of important data or personal information to foreign countries collected and generated within China. The Measures for Standard Contracts for the Transfer of Personal Information to Foreign Countries (《個人資訊出境標準合同辦法》) was issued by the CAC on February 22, 2023, which entered into force as of June 1, 2023, clarifying that the personal information processor who carries out personal information transfer activities by way of entering into standard contracts shall comply with certain conditions, and shall file the signed standard contracts with the local provincial-level Internet information department. The Provisions on Promoting and Regulating Cross-border Flow of Data (《促進和規範數據跨境流動規定》) (the “**Promoting Provisions**”) promulgated by the CAC on March 22, 2024 further adjusted the scope, exemption

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conditions and procedures applicable to the mechanism of security evaluation of data transfer to foreign countries and filing of standard contracts for personal information transfer to foreign countries, and thus China’s regulatory mechanism for data transfer to foreign countries has basically taken shape. Pursuant to the aforesaid measures and regulations, if a data processor provides data to foreign countries and meets one of the following conditions, he/she shall declare the security evaluation of data transfer to foreign countries to the CAC through the local provincial-level Internet information department: (1) the critical information infrastructure operator provides personal information or important data to foreign countries; and (2) a data processor other than the critical information infrastructure operator provides important data to foreign countries, or provides more than 1 million people’s personal information (excluding sensitive personal information) or more than 10,000 people’s sensitive personal information to foreign countries cumulatively from January 1 of the current year, provided that exemptions under Articles 3 to 6 of the Promoting Provisions are met.

In addition to the administrative supervision and civil protection of personal information, pursuant to Article 253 of the Criminal Law of the People’s Republic of China (《中華人民共和國刑法》), and the Circular of the Supreme People’s Court, the Supreme People’s Procuratorate and the Ministry of Public Security on the Punishment of Criminal Activities Infringing on Citizens’ Personal Information (《最高人民法院、最高人民檢察院、公安部關於依法懲處侵害公民個人信息犯罪活動的通知》) promulgated on April 23, 2013, and the Interpretation by the Supreme People’s Court and the Supreme People’s Procuratorate of Several Issues Concerning the Application of Laws to the Handling of Criminal Cases of Infringing on Citizens’ Personal Information (《最高人民法院、最高人民檢察院關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋》) promulgated on May 8, 2017 and entered into force on June 1, 2017, the following acts may constitute crimes of infringement of citizens’ personal information: (1) providing citizens’ personal information to specific persons or publishing citizens’ personal information through information networks or other means, in violation of the relevant state regulations; (2) providing others with lawfully collected information about citizens without their consent, except where the information has been processed in such a way as to make it impossible to identify a specific individual and cannot be recovered; (3) collecting citizens’ personal information in violation of applicable rules and regulations in the performance of duties or the provision of services; or (4) acquiring citizens’ personal information in violation of applicable rules and regulations through purchasing, receiving, or exchanging.

### Cybersecurity review

The Measures for Cybersecurity Review (《網絡安全審查辦法》) was jointly promulgated by the CAC and the NDRC on April 13, 2020 and entered into force on June 1, 2020. The Measures set out the basic framework for national security review of network products and services procured by critical information infrastructure operators and specify the main provisions for conducting cybersecurity review. The Measures for Cybersecurity Review (《網絡安全審查辦法》) (the “**Measures (2021)**”) was promulgated by the CAC on December 28, 2021, which provided that: (1) network platform operators holding personal information of more than one million users shall be subject to cybersecurity review by the Cybersecurity Review Office prior to listing abroad; (2) critical information infrastructure operators procuring network products and services that affect or may affect national security shall be subject to cybersecurity review; and (3) network platform operators carrying out data processing activities that affect or may affect national security shall be subject to cybersecurity review. Measures (2021) entered into force on February 15, 2022 and replaced the Measures on Cybersecurity Review (《網絡安全審查辦法》) promulgated on April 13, 2020.

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Additionally, the Network Data Security Regulations do not stipulate the specifics of cybersecurity reviews but clearly define if the network data processing activities have or may have impacts on national security, such activities shall be subject to national security review in accordance with relevant laws and regulations.

### LAWS AND REGULATIONS ON FOREIGN INVESTMENT

#### PRC Company Law

The Company Law of the People’s Republic of China (《中華人民共和國公司法》) (the “**Company Law**” or the “**PRC Company Law**”) was promulgated by the NPC Standing Committee on December 29, 1993, entered into force on July 1, 1994, and was amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and December 29, 2023, respectively, and the Company Law last amended entered into effect on July 1, 2024. Pursuant to the PRC Company Law, companies are generally categorized into limited liability companies and joint stock limited company. The PRC Company Law also applies to foreign-invested enterprises.

#### Foreign Investment Law

The Foreign Investment Law of the People’s Republic of China (《中華人民共和國外商投資法》) (the “**Foreign Investment Law**”) was promulgated by the NPC and entered into force on January 1, 2020. Since then, the Law of the People’s Republic of China on Sino-foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法》), the Law of the People’s Republic of China on Wholly Foreign-Owned Enterprises (《中華人民共和國外資企業法》) and the Law of the People’s Republic of China on Sino-foreign Cooperative Joint Ventures (《中華人民共和國中外合作經營企業法》) have been repealed and the Foreign Investment Law has become the foundational law regulating foreign investment enterprises that are wholly or partially invested by foreign investors. The provisions of laws such as the PRC Company Law shall apply to the organizational form, organizational structure and guidelines for activities of foreign-invested enterprises. China implements the management system of pre-establishment national treatment plus Negative List for foreign investment, and has canceled the original approval and filing management system for the establishment and change of foreign-invested enterprises. Pre-establishment national treatment refers to the treatment given to foreign investors and their investments at their pre-admission shall be no less favorable than that given to Chinese investors and their investments; while the Negative List refers to the special administrative measures for foreign investment access implemented according to the requirements of the state with respect of foreign investment in specific industries, and the national treatment will be given to foreign investments outside the Negative List. The currently implemented Negative List is the Special Administrative Measures for Foreign Investment Access (Negative List) (2021 Edition) (《外商投資准入特別管理措施（負面清單）（2021年版）》) (the “**Negative List**”) promulgated by the NDRC and the MOFCOM on December 27, 2021 and entered into force on January 1, 2022. The Negative List uniformly sets out special administrative measures for the admission of foreign investment in regulated industries, such as equity requirements and senior management requirements.

While strengthening investment promotion and protection, the Foreign Investment Law further regulates the administration of foreign investment and proposes to establish a foreign investment information reporting system to replace the existing MOFCOM approval and filing system for foreign investment enterprises. The foreign investment information reporting is governed by the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》), which was jointly

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formulated and implemented on January 1, 2020 by the MOFCOM and the SAMR. Pursuant to the Measures for the Reporting of Foreign Investment Information, foreign investors conducting investment activities directly or indirectly in the PRC shall submit investment information to the competent commerce authorities through the enterprise registration system and the national enterprise credit information publicity system, which shall include initial report, change of report, cancellation of report, and annual report, etc.

### Laws and Regulations on Overseas Investment

Pursuant to the Measures for the Administration of Overseas Investment (《境外投資管理辦法》) issued by the MOFCOM on March 16, 2009 and amended on September 6, 2014, the MOFCOM and the provincial commerce authorities have implemented the administration of filing and approval based on the different circumstances of the overseas investment of enterprises, respectively. Where an enterprise’s overseas investment involves sensitive countries and regions or sensitive industries, it shall be subject to examination and approval. Overseas investment of enterprises under other circumstances shall be subject to record.

Pursuant to the Measures for the Administration of Overseas Investment by Enterprises (《企業境外投資管理辦法》) issued by the NDRC on December 26, 2017 and entered into force on March 1, 2018, enterprises within the territory of the People’s Republic of China (the “Investor”) making overseas investment shall go through the procedures of approval and filing of overseas investment projects, report relevant information and cooperate with supervision and inspection. Sensitive projects conducted by the Investor directly or through overseas enterprises controlled by them shall be subject to approval management; non-sensitive projects directly conducted by the Investor, namely, non-sensitive projects involving the Investor’s direct contribution of assets or rights and interests or provision of financing or security, shall be subject to record management. The above-mentioned sensitive projects include projects involving sensitive countries or regions or sensitive industries. The Catalogue of Sensitive Industries for Overseas Investment (2018 Edition) (《境外投資敏感行業目錄(2018年版)》) issued by the NDRC entered into effect on March 1, 2018, detailing the specific sensitive industries.

### LAWS AND REGULATIONS ON OVERSEAS LISTING

The Opinions on Strictly Cracking Down on Illegal Securities Activities in Accordance with Law (《關於依法從嚴打擊證券違法活動的意見》) issued by several regulatory authorities in the PRC on July 6, 2021 further emphasized to strengthen cross-border regulatory cooperation, improve relevant laws and regulations on data security, cross-border data flow, and the management of classified information, revise the provisions on the enhancement of the confidentiality and archive management relating to the issuance and listing of securities overseas, implement the main responsibility of information security of overseas listed companies, and strengthen the standardized management of cross-border information provision mechanisms and processes.

The Trial Measures for the Administration of Overseas Issuance and Listing of Securities by Domestic Enterprises (《境內企業境外發行證券和上市管理試行辦法》) (the “**Trial Measures for Administration**”) together with five supporting guidelines were promulgated by the CSRC on February 17, 2023 and entered into force on March 31, 2023. Pursuant to the Trial Measures for Administration, a PRC domestic enterprise that directly or indirectly issues or lists its securities in an overseas market, including (1) any PRC joint stock limited company, and (2) any overseas enterprise

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that principally conducts its business in the PRC and proposes to issue or list its securities in an overseas market on the basis of its domestic equity interests, assets or similar interests, is required to file a report with the CSRC within three business days after it submits an application for overseas listing. Where the issuer issues securities in the same overseas market following the Overseas Issuance and Listing, it shall be filed with the CSRC within three working days upon the completion of the issuance. Subsequent offerings and listings of securities by the issuer in other foreign markets shall be filed as initial public offerings. A PRC domestic enterprise that fails to complete the filing in accordance with the Trial Measures for Administration may be ordered to rectify, warned or fined of RMB1 million to RMB10 million by the CSRC.

In addition, the issuer shall report the following major events to the CSRC within three working days from the date of the occurrence and announcement of the relevant events: (i) change of control; (ii) being investigated or punished by overseas securities regulatory authorities or the relevant competent authorities; (iii) change of listing status or sector; (iv) voluntary or forced termination of the listing. Where the issuer witnesses significant changes in the main business operations after the overseas issuance and listing and they no longer fall within the scope of the filing, the issuer shall, within three working days from the date of the changes, submit a special report plus legal opinions issued by a domestic law firm to the CSRC, explaining the relevant circumstances.

Under the Trial Measures for Administration, domestic companies seeking to offer and list securities directly or indirectly in overseas markets must complete filing procedures with the CSRC and report relevant information. The Trial Measures for Administration stipulates that under any of the following circumstances, no overseas listing or offering is allowed: (i) financing through listing is explicitly prohibited by laws, administrative regulations or relevant provisions of China; (ii) the overseas offering and listing may endanger national security as determined by the relevant competent department under the State Council after examination according to the law; (iii) a domestic enterprise or its controlling shareholder or actual controller intending to list or issue securities in overseas markets has committed a criminal crime of corruption, bribery, embezzlement, misappropriation of property or disrupting the economic order of the socialist market in the last three years; (iv) a domestic company intending to list or issue securities in overseas markets is under investigation according to law for suspected crimes or major violations of laws and regulations, and no clear conclusions have yet been reached; or (v) there is a major dispute over ownership of the equity held by the controlling shareholder or a shareholder controlled by the controlling shareholder and/or the actual controller of a domestic company.

On February 24, 2023, the CSRC and other relevant governmental authorities promulgated the Regulations on Strengthening the Confidentiality and Archives Management Related to the Overseas Issuance and Listing of Securities 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 “**Confidentiality Regulations**”), which entered into force on March 31, 2023. Under the Confidentiality Regulations, domestic enterprise provides or publicly discloses, or provides or publicly discloses through its overseas listed entities, documents and information involving state secrets and the working secrets of state organs to the relevant securities companies, securities service organizations, overseas regulatory bodies and other units and individuals, it shall submit the documents and information to the competent authorities with the power of examination and approval for approval according to law, and report them to the confidentiality administrative authorities at the same level for record. Where a domestic enterprise provides accounting archives or its copies to securities companies, securities service agencies, overseas

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regulatory agencies and other relevant entities and individuals, the enterprise in question shall perform corresponding procedures in accordance with the provisions of the relevant laws and regulations issued by the State. The working documents that have been produced in the Chinese mainland by securities companies and securities service agencies that provide relevant services for overseas issuance and listing of domestic enterprises shall be retained in the Chinese mainland, and those that need to leave the country shall go through the examination and approval procedures in accordance with the provisions of the relevant laws and regulations issued by the State.

### Regulations on “Full Circulation” of H-Share

Pursuant to the Guidelines on Application for “Full Circulation” of Domestic Unlisted Shares of H-Share Companies (《H股公司境內非上市股份申請「全流通」業務指引》), which was promulgated by the CSRC on November 14, 2019 and entered into force on the same date, and was partially amended on August 10, 2023 according to the Decision of the China Securities Regulatory Commission on Amending and Repeal Certain Securities and Futures System Documents (《中國證券監督管理委員會關於修改、廢止部分證券期貨制度檔的決定》), “full circulation” refers to the circulation of domestic unlisted shares of an H-Share company (including domestic unlisted shares held by domestic Shareholders prior to the overseas listing, domestic unlisted shares issued after the overseas listing and unlisted shares held by holders of overseas shares) on the Hong Kong Stock Exchange. Shareholders of domestic unlisted shares may, under the premise of complying with the relevant laws and regulations and the requirements of the policies on management of state-owned assets, foreign investment, and industry supervision and administration, among others, determine the amount and proportion of shares whose circulation is applied for on their own through consultation, and entrust H-Share companies to apply for “full circulation”. Domestic unlisted shares may not be transferred back to mainland China after being listed and circulated on the Hong Kong Stock Exchange. Shareholders of domestic unlisted shares may reduce or increase their holdings of the shares involved circulating on the Hong Kong Stock Exchange in accordance with the relevant business rules. H-Share companies shall submit a report on the relevant information to the CSRC within 15 days after the completion of the re-registration of the shares involved in the application to CSDC.

The Notice on Issuing the Implementation Rules for the “Full Circulation” of H-Shares (《關於發佈〈H股「全流通」業務實施細則〉的通知》) issued by CSDC and Shenzhen Stock Exchange on December 31, 2019 and entered into force on the same date applies to the relevant businesses involved in the “Full Circulation” of H-Shares, such as cross-border re-registration, custody and maintenance of information on shareholdings, entrusted trading and order routing, settlement, management of clearing participants, and services for nominee holders. H-Share listed companies approved by the CSRC to participate in “full circulation” of H-Shares shall, upon completion of information disclosure, re-register their fully tradable H-Shares with Hong Kong Share registration authorities, free from pledge, freezing, restriction on transfer and other restrictive statuses, and become tradable shares listed on the Hong Kong Stock Exchange. The relevant securities shall be centrally deposited with CSDC in the PRC. CSDC, as the nominee holder for the said securities, shall be responsible for the depository, maintenance of information on shareholdings, cross-border clearing and settlement and other businesses involved in the “full circulation” of H-Shares, as well as the provision of nominee services to investors. H-Share listed companies shall obtain authorization from investors to select a domestic securities company to participate in the “full circulation” of H-Shares. Investors submit transaction instructions for “full circulation” of H-Shares through domestic securities companies. The domestic securities company shall select a Hong Kong securities company through which the investor’s transaction instructions will be reported to the Hong Kong Stock Exchange for trading. Upon

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completion of the transaction, CSDC and China Securities Depository and Clearing (Hong Kong) Limited shall handle the cross-border clearing and settlement of the relevant shares and funds. The settlement currency for the H-Share “full circulation” trading business is Hong Kong dollars. H-Share listed companies entrusting CSDC with the payment of cash dividends shall submit an application to CSDC. When distributing the Cash Dividend, H-Share listed companies may obtain from CSDC detailed information on the Cash Dividend shares held by the relevant investors on the Share registration date. Where an investor acquires “fully tradable” non-H-Shares listed on the Hong Kong Stock Exchange as a result of an equity distribution or conversion of fully circulated H-Shares, the investor may sell but may not purchase the relevant securities; and where an investor acquires subscription rights to shares listed on the Hong Kong Stock Exchange and such rights are listed on the Hong Kong Stock Exchange, the investor may sell but may not exercise such rights.

The Notice on Issuing the Business Guidance for “Full Circulation” of H-Shares (《關於發佈〈H股「全流通」業務指南〉的通知》) issued by CSDC on February 2, 2020 and entered into force on the same date stipulates the business preparation, account arrangement, cross-border Share transfer registration and centralized overseas custody. China Securities Depository and Clearing (Hong Kong) Limited also promulgated the CSDC Business Guidelines for “Full Circulation” of H-Shares (《中國證券登記結算有限公司H股「全流通」業務指南》), which stipulates the relevant custody, safekeeping, agency services, clearing and settlement arrangements and other related matters of China Securities Depository and Clearing (Hong Kong) Limited.

### REGULATION ON PRODUCT LIABILITY

Pursuant to the Product Quality Law of the People’s Republic of China (《中華人民共和國產品質量法》) promulgated by the NPC Standing Committee on February 22, 1993 and last amended on December 28, 2018, the seller shall be responsible for repairing, replacing, or returning the product sold under any of the following circumstances: (1) the product does not have the necessary usability and is sold without prior explanation; (2) the product does not meet the standard indicated on the product or its packaging; or (3) the product does not comply with the quality condition indicated by way of product description, physical samples, or other means. If a consumer suffers damage as a result of purchasing a product, the seller shall compensate for the damage.

Pursuant to the Civil Code, where a defect of a product is discovered after the product is put into circulation, the manufacturer or seller shall take remedial measures such as issuing product warnings, warnings, or summonses and recalling the product in a timely manner. Where damage is caused by a defective product or failure to take timely remedial actions, the infringed party may seek compensation from the manufacturer or seller of such product. Where the defect is caused by the seller, the manufacturer has the right to recover from the seller for damages to the victim. Where the product produced or sold has a known defect that causes death or serious adverse physical harm, the infringed party is entitled to punitive damages in addition to damages.

### LAWS AND REGULATIONS ON ANTI-UNFAIR COMPETITION

#### Anti-monopoly Law

Pursuant to the Anti-monopoly Law of the People’s Republic of China (《中華人民共和國反壟斷法》) (the “**Anti-monopoly Law**”), which was promulgated by the NPC Standing Committee on August 30, 2007 and entered into force on August 1, 2008, and was amended on June 24, 2022 and entered into force on August 1, 2022, the Anti-monopoly Law applies to monopolistic conducts in

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economic activities within Chinese territory as well as monopolistic conducts outside China, which have the effect of excluding or restricting competition in the domestic market. Monopolistic conducts under the Anti-monopoly Law include monopoly agreements reached by operators, abuse of dominant market position by operators, and concentration of operators that has or may have the effect of excluding or restricting competition. The antimonopoly enforcement agency of the State Council may, pursuant to the provisions of the Anti-monopoly Law and based on its work needs, authorize the corresponding agency of the people’s government of a province, autonomous region or municipality directly under the Central Government to be responsible for enforcement of the Anti-monopoly Law. Operators violating the Anti-monopoly Law may be ordered by the enforcement agency to stop the illegal acts and be subject to fines or other restrictive measures.

### Anti-unfair Competition Law

Pursuant to the Anti-unfair Competition Law of the People’s Republic of China (《中華人民共和國反不正當競爭法》) (the “**Anti-unfair Competition Law**”) promulgated by the NPC Standing Committee on September 2, 1993 and last amended on April 23, 2019, operators shall follow the principles of voluntariness, equality, fairness and good faith in the course of their production and business operations, and shall abide by the laws and business ethics. Pursuant to the Anti-unfair Competition Law, unfair competition refers to the behavior of an operator who violates the Unfair Competition Law in production and operation, disrupting the order of market competition and harming the legitimate rights and interests of other operators or consumers. Operators who violate the Unfair Competition Law shall be subject to corresponding civil, administrative or criminal liabilities depending on the specific circumstances.

## LAWS AND REGULATIONS ON IP

### Patent

The Patent Law of the People’s Republic of China (《中華人民共和國專利法》) (the “**Patent Law**”) was amended by the NPC Standing Committee on October 17, 2020 and entered into force on June 1, 2021. Pursuant to the Patent Law, after the grant of the patent right for an invention or an utility model, except as otherwise provided for in the Patent Law, no entity or individual may, without the permission of the patentee, exploit its patent, that is, manufacture, use, offer to sell, sell or import its patented products for production or business purposes, or use its patented methods thereof, or use, offer to sell, sell or import the products obtained directly in accordance with the patented process. After the grant of a design patent, no entity or individual may, without the permission of the patentee, exploit the patent, that is, manufacture, offer to sell, sell or import the product with the patent design for production or business purposes. Any use of a patent without the permission of the patent owner constitutes an infringement of the patent right. Where a dispute arises, it shall be settled by the parties through consultation; where consultation is unwilling or fails, the patentee or an interested party may bring a suit before a people’s court or request the administrative department for patent affairs to handle the matter. The amount of compensation for infringement of a patent right shall be determined in accordance with the actual loss suffered by the right holder as a result of the infringement or the benefit obtained by the infringer as a result of the infringement; where it is difficult to determine the loss suffered by the right holder or the benefit obtained by the infringer, the amount shall be reasonably determined by reference to the multiple of the license fee of the patent. Where the infringement of a patent right is intentional and serious, the amount of compensation may be between double and five times the amount determined in accordance with the above method.



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Pursuant to the Rules for the Implementation of the Patent Law of the People’s Republic of China (《中華人民共和國專利法實施細則》), which was amended by the State Council on December 11, 2023 and entered into force on January 20, 2024, where the entity to which a patent right has been granted has not agreed with the inventor or the designer, and has not stipulated the manner and amount of the reward in the rules and regulations formulated by the entity in accordance with the law, a bonus shall be paid to the inventor or the designer within three months from the date of the announcement of the patent right. The minimum bonus for an invention patent shall be not less than RMB4,000; and the bonus for a utility model patent or design patent shall be not less than RMB1,500.

### Trademark

Pursuant to the Trademark Law of the People’s Republic of China (《中華人民共和國商標法》) (the “**Trademark Law**”), which was amended by the NPC Standing Committee on April 23, 2019 and entered into force on November 1, 2019, the validity period of a registered trademark is ten years from the date of approval of registration. The trademark registrant enjoys the exclusive right to use the trademark. Any dispute arising from any of the acts of infringing a registered trademark listed in Article 57 of the Trademark Law shall be settled by the parties through consultation; where consultation is unwilling or fails, the trademark registrant or interested party may bring a suit before a people’s court or request the industrial and commercial administrative department to handle the matter. The amount of compensation for infringement of the right to exclusively use a trademark shall be determined in accordance with the actual loss suffered by the right holder as a result of the infringement; where the actual loss is difficult to determine, it may be determined in accordance with the benefit obtained by the infringer as a result of the infringement; and where it is difficult to determine the loss of the right holder or the benefit obtained by the infringer, it shall be reasonably determined by reference to the multiple of the license fee of the trademark. Where the infringement of the right to exclusively use a trademark is malicious and serious, the amount of compensation may be between double and five times the amount determined in accordance with the above method. The amount of compensation shall include the reasonable expenses paid by the right holder to stop the infringement.

### Copyright

Copyright (including software copyright) is primarily protected by the Copyright Law of the People’s Republic of China (《中華人民共和國著作權法》), which was promulgated by the NPC Standing Committee on September 7, 1990 and last amended on November 11, 2020, as well as the Regulations for Implementation of the Copyright Law of the People’s Republic of China (《中華人民共和國著作權法實施條例》), which was promulgated by the State Council on August 2, 2002 and last amended on January 30, 2013. The relevant laws and regulations provide that Chinese citizens, legal persons or other organizations enjoy copyright protection for their works in the fields of literature, art and science, whether published or not.

In addition, Internet activities, products and software products distributed through the Internet are also subject to copyright. Pursuant to the Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) promulgated by the National Copyright Administration of the People’s Republic of China (the “**NCA**”) on February 20, 2002, and the Regulations on the Protection of Computer Software (《計算機軟件保護條例》) promulgated by the State Council on June 4, 1991 and last amended on January 30, 2013, the NCA shall be primarily responsible for the registration and management of software copyrights in China, and the China Copyright Protection

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## REGULATORY OVERVIEW

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Center (the “CCPC”) is recognized as the software registry. The CCPC shall issue registration certificates to applicants for computer software copyright in accordance with the Measures for Registration of Computer Software Copyright and the Regulations on the Protection of Computer Software.

### Function variable name

Pursuant to the Measures for the Administration of Internet Function Variable Names (《互聯網功能變數名稱管理辦法》) promulgated by the MIIT on August 24, 2017 and entered into force on November 1, 2017, the MIIT shall be responsible for the supervision and administration of function variable name services in China. Provincial-level communications administrations shall be responsible for the supervision and management of function variable name services within their respective administrative areas. The function variable name registration service shall be conducted following the principle of “apply first, register first”. Where function variable name registration organizations providing function variable name registration services, function variable name registration applicants shall be required to provide true, accurate and complete identity information of function variable name holders and other function variable name registration-related information.

### LAWS AND REGULATIONS ON FOREIGN EXCHANGE

The principal law governing the conversion of foreign currencies in the PRC is the Regulations on Foreign Exchange Control of the People’s Republic of China (《中華人民共和國外匯管理條例》) (the “**Regulations on Foreign Exchange Control**”), which was promulgated by the State Council on January 29, 1996, entered into force on April 1, 1996 and last amended on August 1, 2008. Pursuant to the Regulations on Foreign Exchange Control, RMB is generally freely convertible for payment of the current account (e.g., trade- and service-related foreign exchange transactions and dividend payments), but not freely convertible for the capital account (e.g., direct investment, loans or investment in securities outside the PRC) unless prior approval is obtained from the SAFE or its local competent branch.

Pursuant to the Notice on Issues Related to Foreign Exchange Administration for Overseas Listing (《關於境外上市外匯管理有關問題的通知》) issued by the SAFE on December 26, 2014, a domestic enterprise shall, within 15 business days from the date of the completion of its overseas listing, register the overseas listing with the local branch office of SAFE in its place of incorporation.

Pursuant to the Circular of the State Administration of Foreign Exchange on Reforming and Standardizing the Policy on Settlement Management of Capital Accounts (《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 foreign exchange earnings under the capital account of domestic institutions are subject to the policy of discretionary settlement. The foreign exchange earnings under the capital account (including foreign exchange capital, foreign debt, and repatriated funds raised through overseas listing) that are subject to discretionary settlement as clearly defined by relevant policies can be settled with banks based on the actual needs of the business operation of domestic institutions. The proportion of foreign exchange earnings under the capital account subject to discretionary settlement of domestic institutions is tentatively set at 100%. The SAFE may adjust the above proportion according to the international balance of payments status in due course. In the implementation of the foreign exchange income under capital account that domestic institutions intend to settle, domestic institutions may still choose to use their foreign exchange income in accordance with the payment settlement system. When handling each foreign exchange settlement in accordance

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## REGULATORY OVERVIEW

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with the principle of payment and settlement, the bank shall examine the authenticity and compliance of the funds used in the previous foreign exchange settlement (including discretionary settlement and payment settlement) of the domestic institution. The foreign exchange earnings of the domestic institution under the capital account and the RMB funds derived from its foreign exchange settlement shall not be used directly or indirectly for expenditures outside the scope of the enterprise’s operation or for expenditures prohibited by national laws and regulations. Unless otherwise specified, the funds shall not be used directly or indirectly for investment in securities or other investment or wealth management other than capital preservation products of banks. Funds shall not be used to grant loans to non-affiliated enterprises, except those expressly permitted by the scope of business. Funds shall not be used for the construction or purchase of real estate other than for self-owned use (except for real estate enterprises).

Pursuant to the Notice of the State Administration of Foreign Exchange on Optimizing Foreign Exchange Management to support Foreign-related Business Development (《國家外匯管理局關於優化外匯管理支援涉外業務發展的通知》) promulgated by the SAFE on April 10, 2020, on the premise of ensuring that the use of funds is truly compliant and in accordance with the current management regulations on the use of income from capital accounts, eligible enterprises are allowed to make domestic payments through the use of income under the capital account (such as their capital funds, foreign debts and overseas listings) without the need to provide banks with prior proof of the authenticity one by one. Local foreign exchange authorities shall strengthen monitoring and analysis, as well as supervision during and after the transaction.

## LAWS AND REGULATIONS ON TAX

### Income tax

Pursuant to the Enterprise Income Tax Law of the People’s Republic of China (《中華人民共和國企業所得稅法》), which was promulgated by the NPC Standing Committee on March 16, 2007, entered into force on January 1, 2008 and was last amended on December 29, 2018, and the Regulations for the Implementation of the Enterprise Income Tax Law of the People’s Republic of China (《中華人民共和國企業所得稅法實施條例》), which was promulgated by the State Council on December 6, 2007, entered into force on January 1, 2008 and was amended on April 23, 2019, all PRC enterprises (including foreign-invested enterprises) are subject to a flat tax rate of 25%, except that high-tech enterprises specified by the State are subject to a reduced enterprise income tax rate of 15%, and qualified small and micro enterprises are subject to a reduced enterprise income tax rate of 20%.

Enterprises recognized as high-tech enterprises under the Measures for the Administration of Accreditation of High-tech Enterprises (《高新技術企業認定管理辦法》) are entitled to a preferential enterprise income tax rate of 15%. The qualification of high-tech enterprise is valid for a period of three years from the date of issuance of the high-tech enterprise certificate.

Pursuant to the Announcement on Enterprise Income Tax Policies for Promoting High-quality Development of Integrated Circuit Industry and Software Industry (《關於促進集成電路產業和軟件產業高質量發展企業所得稅政策的公告》) promulgated by the Ministry of Finance of the People’s Republic of China (the “MOF”), the SAT, the NDRC and the MIIT on December 11, 2020 and entered into force on January 1, 2021, qualified integrated circuit design, equipment, materials, packaging and testing enterprises and software enterprises shall, from the profit-making year, be exempted from enterprise income tax from the first to the second year and be subject to enterprise income tax at half of

## REGULATORY OVERVIEW

the statutory rate of 25% from the third to the fifth year (i.e., 12.5%). Key Integrated Circuit Design Enterprises and Software Enterprises Encouraged by the State, from the profit-making year, be exempted from enterprise income tax from the first to the fifth year and be subject to enterprise income tax at a reduced rate of 10% in successive years.

Pursuant to the Circular of the Ministry of Finance and the State Administration of Taxation on the Implementation of Preferential Tax Reduction and Exemption Policies for Small and Micro Enterprises (《財政部、國家稅務總局關於實施小微企業普惠性稅收減免政策的通知》), during the period from January 1, 2019 to December 31, 2021, the annual taxable income of SMEs of not more than RMB1 million shall be included in their taxable income at a reduced rate of 25%, with the applicable EIT rate of 20%. Pursuant to the Announcement on the Implementation of Preferential Income Tax Policies for Small and Micro Enterprises and Individual Entrepreneurs (《關於實施小微企業和個體工商戶所得稅優惠政策的公告》) and the Announcement on Matters Relating to the Implementation of the State Administration of Taxation’s Preferential Income Tax Policies for Supporting the Development of Small-Sized Enterprise with Thin Profit and Individual Businesses (《國家稅務總局關於落實支援小型微利企業和個體工商戶發展所得稅優惠政策有關事項的公告》), during the period from January 1, 2021 to December 31, 2022, the annual taxable income of SMEs of not more than RMB1 million shall be included in their taxable income at a reduced rate of 12.5%, with the applicable EIT rate of 20%. Pursuant to the Announcement of the Ministry of Finance and the State Administration of Taxation on Preferential Income Tax Policies for Small and Micro Enterprises and Individual Entrepreneurs (《財政部、國家稅務總局關於小微企業和個體工商戶所得稅優惠政策的公告》) and the Announcement of the Ministry of Finance and the State Administration of Taxation on Further Supporting the Development of Small and Micro Enterprises and Individual Entrepreneurs (《財政部、稅務總局關於進一步支援小微企業和個體工商戶發展有關稅費政策的公告》), during the period from January 1, 2023 to December 31, 2027, the annual taxable income of SMEs of not more than RMB1 million shall be included in the taxable income at a reduced rate of 25%, with the tax rate of 20%.

### Value-Added Tax (“VAT”)

Pursuant to the Provisional Regulations on Value-added Tax of the People’s Republic of China (《中華人民共和國增值稅暫行條例》), which was promulgated on December 13, 1993, entered into force on January 1, 1994, and last amended on November 19, 2017, and the Rules on the Implementation of the Provisional Regulations on Value-added Tax of the People’s Republic of China (《中華人民共和國增值稅暫行條例實施細則》), which was promulgated on December 25, 1993 and entered into force on the same date, and last amended on October 28, 2011 and entered into force on November 1, 2011, entities and individuals that engage in sale of goods or processing, repair and replacement services (“**labor services**”), sales services, intangible assets, real estate and imported goods within the territory of the PRC shall be VAT taxpayers and shall pay VAT in accordance with the Regulations. Taxpayers providing sales of goods, labor services, and tangible personal property leasing services or import of goods shall be subject to a tax rate of 17%, unless otherwise specified. Taxpayers providing transportation, postal services, basic telecommunications, construction and real estate leasing services, sales of real estate, transfer of land use rights, sale or import of certain goods shall be subject to a tax rate of 11%. Taxpayers providing sales of services or intangible assets shall be subject to a tax rate of 6%, except as otherwise specified. Taxpayers exporting goods are subject to a tax rate of zero percent; except as otherwise provided by the State Council. Pursuant to the Circular of the Ministry of Finance and the State Administration of Taxation on the Adjustment of Value-added Tax Rates (《財政部、國家稅務總局關於調整增值稅稅率的通知》), which was promulgated on April 4, 2018 and entered into force on May 1, 2018, the tax rate for the taxable sales or import of goods by the

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## REGULATORY OVERVIEW

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taxpayers would be changed from 17% and 11% to 16% and 10%, respectively. Pursuant to the Announcement on Relevant Policies on Deepening Value-added Tax Reform, which was promulgated by the MOF, the SAT and the General Administration of Customs of the People’s Republic of China (《關於深化增值稅改革有關政策的公告》) on March 20, 2019 and entered into force on April 1, 2019, the value-added tax rates were adjusted to 13% and 9%, respectively.

In addition, pursuant to the Announcement on the Clarification of the VAT Exemption Policy for Small-scale VAT Payers (《關於明確增值稅小規模納稅人免徵增值稅政策的公告》), which was promulgated by the MOF and the SAT on March 31, 2021, from April 1, 2021 to December 31, 2022, small-scale VAT payers with monthly sales of less than RMB150,000, inclusive, are exempted from VAT. Pursuant to the Announcement of the Ministry of Finance and the State Administration of Taxation on the Exemption of Value-added Tax for Small-scale Taxpayers (《財政部、稅務總局關於對增值稅小規模納稅人免徵增值稅的公告》), from April 1, 2022 to December 31, 2022, small-scale VAT payers shall be exempted from VAT if the revenue from taxable sales is subject to a 3% levy rate, and the prepayment of VAT applicable to the 3% pre-tax rate shall be suspended. Pursuant to the Announcement of the Ministry of Finance and the State Administration of Taxation on Clarifying the VAT Reduction and Exemption Policy for Small-scale Taxpayers (《財政部、稅務總局關於明確增值稅小規模納稅人減免增值稅等政策的公告》) and the Announcement of the Ministry of Finance and the State Administration of Taxation on VAT Reduction and Exemption Policy for Small-scale VAT Taxpayers (《財政部、稅務總局關於增值稅小規模納稅人減免增值稅政策的公告》), from January 1, 2023 to December 31, 2027, small-scale VAT payers with monthly sales of less than RMB100,000, inclusive, are exempted from VAT. Small-scale VAT payers shall be subject to a reduced VAT rate of 1% on taxable sales revenue subject to a 3% levy rate and a reduced VAT prepayment rate of 1% on prepaid VAT projects subject to a 3% prepayment rate.

## LAWS AND REGULATIONS ON LABOR AND SOCIAL SECURITY

### The Labor Law and the Labor Contract Law

Pursuant to the Labor Law of the People’s Republic of China (《中華人民共和國勞動法》), which entered into force on January 1, 1995 and was amended on December 29, 2018, and the Labor Contract Law of the People’s Republic of China (《中華人民共和國勞動合同法》) (the “**Labor Contract Law**”), which entered into force on January 1, 2008 and was amended on December 28, 2012, a labor contract shall be concluded and entered by and between an employer and an employee to establish a labor relationship. The labor contract can be divided into fixed-term labor contract, unfixed-term labor contract, and labor contract for completing certain tasks, which shall be concluded in writing after consensus. The salaries paid shall not be lower than the local standards on minimum salaries. The employer and the employee shall fully perform their obligations in accordance with the employment contract.

Under the Labor Contract Law, the employ of temporary employees (known in China as “dispatched workers”) is more strictly regulated. Dispatched workers enjoy the right to equal pay for equal work as full-time employees. Employers are only allowed to use dispatched workers in temporary, supporting or alternative positions. Pursuant to the Interim Provisions on Labor Dispatch (《勞務派遣暫行規定》) issued by the Ministry of Human Resources and Social Security, which entered into force on March 1, 2014, the number of dispatched workers recruited by an employer may not exceed 10% of the total number of workers employed by the employer. In the event of failure to rectify the situation, the employer may be imposed a fine of not less than RMB5,000 and not more than RMB10,000 for each dispatched worker for exceeding the 10% standard.

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## REGULATORY OVERVIEW

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### Social insurance and housing provident fund

Pursuant to Chinese laws, rules and regulations, including the Social Insurance Law of the People’s Republic of China (《中華人民共和國社會保險法》) (the “**Social Insurance Law**”) promulgated by the NPC Standing Committee in October 2010, entered into force in July 2011 and amended in December 2018, the Provisional Regulations on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) promulgated in January 1999 and amended in March 2019, the Regulations on Work-related Injury Insurance (《工傷保險條例》) promulgated by the State Council of the PRC in April 2003 and amended in December 2010, the Regulations on Unemployment Insurance (《失業保險條例》) promulgated by the State Council of the PRC in January 1999, as well as the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》) (the “**Housing Provident Fund Regulations**”) issued by the State Council of the PRC in April 1999 and last amended in March 2019, employers shall pay a number of social insurance premiums for their employees and implement certain employee benefit programs, including basic pension, unemployment insurance, basic medical insurance, work injury insurance, maternity insurance and housing provident fund. These expenses shall be payable to local administrative authorities, and an employer who fails to pay such expenses may be fined and ordered to make up the amount in arrears. Pursuant to the Social Insurance Law, an employer who fails to pay social insurance premiums may be ordered to rectify the irregularities and pay the required amount within a specified period of time, with a late payment of 0.05% of the unpaid premium on a daily basis (subject to availability); and if the employer fails to pay the premiums by the due date, the employer may be fined not less than twice but not more than three times the amount in arrears. Under the Housing Provident Fund Regulations, an enterprise that fails to contribute to the housing provident fund may be ordered to rectify its irregularities and pay the required amount within a time limit; otherwise, enforcement may be applied to the local court.

### Laws and Regulations on House Leasing

Pursuant to the Administrative Measures for Commodity House Leasing (《商品房屋租賃管理辦法》) promulgated by the MOHURD on December 1, 2010 and entered into force on February 1, 2011, the parties to a commodity house lease shall complete the lease registration with the competent construction (real-estate) departments of the municipalities directly under the central government, cities and counties where the leased property is located within 30 days after the lease is executed. If a party to a housing lease fails to register the housing lease for the record, the competent construction (real estate) departments of the municipalities directly under the central government, cities or counties shall order the party to make corrections within a prescribed time limit; and shall impose a fine below RMB1,000 on individuals who fail to rectify within the specified time limit, and a fine between RMB1,000 and RMB10,000 on entities which fail to rectify within the specified time limit.

In addition, housing may not be leased under any of the following circumstances: (1) it is an illegal building; (2) it does not meet the mandatory standards for safety, disaster prevention and other engineering construction; (3) it changes the nature of the use of the housing in violation of the regulations; or (4) it is prohibited from being leased under other circumstances prescribed by laws and regulations. Any person who violates the above provisions shall be ordered by the competent construction (real estate) departments of the municipalities directly under the central government, cities or counties to make corrections within a prescribed time limit; and may be fined not more than RMB5,000 where there is no illegal gains, and may be imposed a fine between double and three times the amount of the illegal gains (but shall be subject to a fine not more than RMB30,000).

## REGULATORY OVERVIEW

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Pursuant to the Civil Code of the People’s Republic of China (《中華人民共和國民法典》), a lessee may sublease the leased property to a third party with the consent of the lessor. Where the lessee subleases the property, the leasing contract between the lessee and the lessor remains valid. Where the lessee subleases the property without the lessor’s consent, the lessor has the right to terminate the leasing contract. In addition, where the lessor assigns the property, the leasing between the lessee and the lessor remains valid. Where the mortgaged property has been leased or its ownership transferred before the creation of the mortgage, the previously established leasing shall not be affected by the mortgage.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### OVERVIEW

We are a leading technology company in the digital twin industry in China dedicated to cloning 510 million square kilometers of the Earth. We have invested heavily in and developed core competencies in technology around three major areas: 3D graphics, simulation, and AI. We aim to provide eco-partners including enterprises, consumers and developers with solutions to access and build digital twins and work together with them to create a real, complete, and permanent “Digital Twin Earth” which will in the end enhance the efficiency, safety, and quality of the real world as well as provide people with new perspectives and technologies to understand and improve our world. We refer to this initiative as our Earth Clone Project.

The predecessor of our Company, Host Mobile Green Land Internet Technology (Beijing) Co., Ltd. (當家移動綠色置地互聯網技術(北京)有限公司) (“**Host Mobile**”) was established on February 16, 2015. On November 20, 2020, the shareholders of Host Mobile passed a shareholders’ resolution, pursuant to which Host Mobile was converted into a joint stock limited liability company and renamed to Beijing 51WORLD Digital Twin Technology Co., Ltd. (北京五一視界數字孿生科技股份有限公司) on December 1, 2020.

### KEY MILESTONES

The following is a summary of our key development milestones:

<b>Year</b>	<b>Event</b>
2015	The predecessor of our Company, Host Mobile, was established and we launched the application of VR technology in the real estate industry. We launched 51Aes. We completed our Series A financing.
2016	We expanded the application of VR technology in innovative businesses such as education and vehicles. We completed our Series A+ financing.
2017	We held our first Earth Clone Conference and initiated the Earth Clone Project. We launched 51Sim and entered the field of intelligent driving simulation. We completed our Series B financing and our Series B1 financing.
2018	We held our second Earth Clone Conference. We scaled-up R&D for SimOne, our first product of 51Sim.
2019	We held our third Earth Clone Conference and rebranded ourselves to 51WORLD. We launched SimOne 1.0.
2020	Host Mobile was converted into a joint stock limited liability company and renamed to Beijing 51WORLD Digital Twin Technology Co., Ltd. (北京五一視界數字孿生科技股份有限公司). We held our fourth Earth Clone Conference and launched our WDP platform. We completed our Series C financing and our Series D financing.
2021	We launched SimOne 2.0, the first domestic commercialised intelligent driving cloud simulation product.
2022	We held our fifth Earth Clone Conference in Metaverse. We upgraded the major grading standards and application standards of our 51Aes Digital Twin Platform. We participated in the Digital Twin of Xiaolangdi, a project focused on flood prevention management and engineering safety. We completed our Series E financing.



## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Year	Event
2023	We held our sixth Earth Clone Conference and established the digital twin information technology innovation ecosystem alliance. We built the data-driven closed-loop ecosystem with 51Sim. We were recognized as an Innovative and Outstanding “Small Giant” Enterprise (國家級專精特新“小巨人”企業).
2024	We launched 51Earth.com which is fully accessible to end-users free-of-charge. We completed our Series F financing.

### OUR PRINCIPAL SUBSIDIARIES

The following table sets forth certain information of each of our principal subsidiaries as of the Latest Practicable Date.

Name	Principal business activities	Shareholding controlled by our Company	Date and jurisdiction of establishment and commencement of business
Mirrorverse Asset Management (Beijing) Co., Ltd. (萬物鏡像資產管理(北京)有限公司)	Investment holding	100%	March 18, 2015, PRC
Mirrorverse Technology (Chengdu) Co., Ltd.* (萬物鏡像科技(成都)有限公司)	Provision of 51Aes products	100%	January 15, 2018, PRC
Mirrorverse (Shanghai) Technology Co., Ltd.* (萬物鏡像(上海)科技有限公司)	Provision of 51Aes services	100%	August 26, 2020, PRC
Beijing Mirrorverse Data Service Co., Ltd.* (北京萬物鏡像數據服務有限公司)	Provision of 51Earth services	60%	April 3, 2015, PRC
51Earth Cloning Technology (Beijing) Co., Limited* (五一地球克隆科技(北京)有限公司)	Provision of 51Earth services	100%	June 1, 2015, PRC
Beijing 51Sim Technology Co., Ltd.* (萬物鏡像(北京)計算機系統有限公司)	Provision of 51Sim services	88%	June 1, 2015, PRC
51WORLD High Technology (HK) Co., Limited (地球克隆科技(香港)有限公司)	Provision of 51Aes services	100%	April 16, 2020, Hong Kong
51VR PTY LTD	Provision of 51Aes services	100%	October 4, 2016, Australia
51 EARTH INC	Provision of 51Earth services	100%	May 10, 2024, U.S.
Nanning 51Earth Cloning Technology Co., Ltd.* (南寧五一地球克隆科技有限公司)	Provision of 51Aes services	100%	July 9, 2024, PRC

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Name	Principal business activities	Shareholding controlled by our Company	Date and jurisdiction of establishment and commencement of business
Chengdu Sanjian World Software Technology Co., Ltd.* (成都三見世界軟件科技有限公司)	Provision of See3 services	51%	November 11, 2024, PRC

For the alterations in the share capital of our subsidiaries that have taken place within the two years immediately preceding the date of this document and which are not set out below, see “Appendix VI—Statutory and General Information—1. Further Information about Our Group—C. Further Information about Our Principal Subsidiaries”.

### MAJOR CORPORATE DEVELOPMENT OF OUR GROUP

#### Establishment of our Company

On February 16, 2015, the predecessor of our Company, Host Mobile, was established as a limited liability company in the PRC with an initial registered capital of RMB10,000,000 as a wholly-owned subsidiary of Host Mobile Internet Green Real Estate (Hong Kong) Co., Ltd. (“**Host Mobile HK**”), funded by Host Mobile HK’s own funds.

#### Conversion into a Joint Stock Company

On November 20, 2020, the shareholders of Host Mobile passed resolutions approving, amongst other matters, the conversion of Host Mobile from a limited liability company into a joint stock company and the change of name from Host Mobile to Beijing 51WORLD Digital Twin Technology Co., Ltd. (北京五一視界數字孿生科技股份有限公司).

Upon the completion of the conversion on December 1, 2020, the registered capital of our Company became RMB171,436,164 divided into 171,436,164 Shares with a nominal value of RMB1.0 each, which were subscribed by all the then Shareholders in proportion to their respective equity interests in Host Mobile before the conversion.

#### [REDACTED] Share Incentive Scheme and [REDACTED] Share Option Scheme

Our Company adopted (i) the [REDACTED] Share Incentive Scheme on June 28, 2023 which was further amended and approved on August 9, 2024; and (ii) the [REDACTED] Share Option Scheme on August 9, 2024. See “Appendix VI—Statutory and General Information—4. Our Incentive Schemes”.

### MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

During the Track Record Period and until the Latest Practicable Date, we did not conduct any major acquisitions, disposals, or mergers.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### [REDACTED] INVESTMENTS

As of the Latest Practicable Date, we have received various rounds of [REDACTED] Investments. The following table summarizes the key terms of the [REDACTED] Investments to our Company made by the [REDACTED] Investors:

	Series A	Series A+	Series B	Series B1	Series C <sup>(5)(6)</sup>	Series D	Series E <sup>(7)(8)(9)</sup>	Series F <sup>(10)</sup>
Date of the share purchase agreement / investment agreement	June 30, 2015	August 15, 2016	November 3, 2017	December 4, 2017	March 13, 2020	December 25, 2020	November 30, 2021	June 28, 2024
Date of last payment of consideration	November 13, 2015	April 21, 2017	December 11, 2017	December 26, 2017	June 29, 2020	December 28, 2020	February 14, 2022	June 28, 2024
Total number of shares subscribed / Amount of registered capital increased (RMB)	343,284 Series A Preferred Shares	373,135 Series A+ Preferred Shares	310,946 Series B Preferred Shares	14,510 Series B1 Preferred Shares	RMB17,595,523	RMB5,877,780	RMB4,274,453	RMB17,380,952
Cost per Share paid to the Company	RMB0.44 <sup>(1)</sup>	RMB1.09 <sup>(1)</sup>	RMB3.26 <sup>(1)</sup>	RMB3.49 <sup>(1)</sup>	RMB5.17 <sup>(1)</sup>	RMB10.16 <sup>(1)</sup>	RMB11.22 <sup>(1)</sup>	RMB11.51
[REDACTED] to the [REDACTED] <sup>(2)</sup>	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total funds received by the Company	US\$3,000,000	US\$8,000,000	US\$20,000,000	US\$1,000,000	RMB183,000,000	RMB120,000,000	RMB96,426,750	RMB200,000,000
Implied pre-money valuation of the Company <sup>(3)</sup>	US\$10.0 million	US\$32.0 million	US\$120.0 million	US\$150.0 million	RMB1,600.0 million	RMB3,500.0 million	RMB4,000.0 million	RMB4,200.0 million
Implied post-money valuation of the Company <sup>(4)</sup>	US\$13.0 million	US\$40.0 million	US\$140.0 million	US\$151.0 million	RMB1,783.0 million	RMB3,620.0 million	RMB4,096.4 million	RMB4,400.0 million
Use of proceeds from the [REDACTED] Investments	We utilized the proceeds from the [REDACTED] Investments for the operations of our Group and in accordance with the business plan or budget as approved by the Board. As of the Latest Practicable Date, 90.4% of the net proceeds from the [REDACTED] investments were utilized.							
Strategic benefits of the [REDACTED] Investors brought to our Company	At the time of the [REDACTED] Investments, our Directors were of the view that our Company could benefit from the additional capital that would be provided by the [REDACTED] Investors' investments in our Company and the [REDACTED] Investors' knowledge and experience. The [REDACTED] Investments also signify our [REDACTED] Investors' endorsement of and confidence in our Company.							
Basis of determining the consideration paid	The consideration for the [REDACTED] Investments was determined based on arm's length negotiations between the Company and the [REDACTED] Investors after taking into consideration various factors including but not limited to, the timing of the investments, our valuation when the investment agreement was entered into, the status and prospects of our R&D and business operations and the financial performance of our Group.							
Lock-up	The [REDACTED] Investors are not subject to any lock-up arrangement at the time of [REDACTED] under the relevant agreements in relation to the [REDACTED] Investments. Our Pathfinder SIIs will be subject to disposal restrictions pursuant to Rule 18C.14 of the Listing Rules.  Pursuant to the applicable PRC law, within the 12 months from the [REDACTED], all existing Shareholders (including the [REDACTED] Investors) could not dispose of any of the Shares held by them.							
Reasons for fluctuations in valuation as compared to the immediate previous round of [REDACTED] Investment	The fluctuations in valuation were due to the general business status of our Group, the advancement of our research and development, and the prevailing market sentiment amongst the venture capital markets at the time when the investments were made as detailed below:  1. In 2016, we expanded our application of VR technology in innovative businesses. 2. In 2017, we incubated 51Sim and developed our simulation technology and automated driving technology. We began R&D for SimOne 1.0. 3. In 2019, we launched the application of 51Aes in smart cities and parks, launched SimOne 1.0 and rebranded our brand name. 4. In 2022, we incubated 51Earth and in 2024, we launched 51Earth.com.							
Reasons for fluctuations in valuation as compared between the valuation in the [REDACTED] and the valuation in Series F financing, being the latest round of [REDACTED] Investment	Discount for Lack of Marketability (“DLOM”) was considered to reflect the difference in the marketability of the Shares in Series F financing and that of the Company upon [REDACTED].							

*Notes:*

- These investments were made prior to the termination of offshore corporate structure in December 2019 and / or the increase in the share capital of the Company in connection with the conversion of capital reserve into share capital in December 2021. The cost per share has therefore been adjusted to take into account the enlarged share capital.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- The [REDACTED] to the [REDACTED] is calculated based on the assumption that the [REDACTED] is [REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] range of [REDACTED] and [REDACTED].
- The implied pre-money valuation is calculated based on (i) the cost per Share paid to the Company for the corresponding round of [REDACTED] Investment and (ii) the issued share capital of the Company immediately prior to the corresponding round of [REDACTED] Investment.
- The implied post-money valuation is the sum of (i) the pre-money valuation for the corresponding round of [REDACTED] Investment and (ii) the total funds received by the Company from the corresponding round of [REDACTED] Investment.
- Pursuant to the investment agreement of Series C Investment, Beijing Jinshijia Technology Co., Ltd.\* (北京金世家科技有限公司) (“**Jinshijia**”), Jiaying Lvzhi Equity Investment Fund Partnership Enterprise (嘉興綠智股權投資基金合夥企業) (“**Jiaying Lvzhi**”) and First Moma Artificial Intelligence Technology (Beijing) Co., Ltd. (第一摩碼人工智能科技(北京)有限公司) (“**First Moma Artificial Intelligence**”) as transferors agreed to transfer the registered share capital of the Company amounted to RMB10,640,645 to Shanghai Oriental, Hangzhou Yunren Investment Management Co., Ltd.\* (杭州雲仁投資管理有限公司), Sky9 Capital MVP Fund, China Merchants Securities Investment Co., Ltd. (“**CMSI**”), LS 51World and SBI at an aggregate consideration of RMB83,000,000. The reason for the transfer is related to the selling shareholders’ own capital needs and the purchasing shareholders’ view on the industry in which we operate and our development prospect. The last consideration of share transfer was settled on July 16, 2020. The consideration for the share transfer was based on arms’ length negotiation among the parties.

To the best of the knowledge of our Company, Jiaying Lvzhi is a private equity fund and an Independent Third Party, and CMSI is a wholly-owned subsidiary of China Merchants Bank Co., Ltd. (招商銀行股份有限公司), a company established in the PRC whose A shares are listed on the Shanghai Stock Exchange (stock code: 600036) and H shares are listed on the Stock Exchange (HKEX Stock Code: 3968.hk).

- On July 30, 2020, Teng Rongsong, Wang Tao (王濤), LS 51World, Sky9 51World, Mr. Li, Tujia.com Network Technology (Beijing) Co., Ltd. (途家網網絡技術(北京)有限公司) (“**Tujia**”), Mr. Chen Chen (陳辰) and the Company entered into an investment agreement, pursuant to which Tujia agreed to transfer registered share capital of the Company in the amount of RMB3,856,283 to Wang Tao at a consideration of RMB40,129,296, registered share capital of RMB4,526,942 of the Company to Teng Rongsong at a consideration of RMB47,108,304; whereas Mr. Chen Chen agreed to transfer the registered share capital of RMB466,820 of the Company to Sky9 51World at a consideration of RMB4,857,825 and registered share capital of RMB1,716,381 of the Company to LS 51World at a consideration of RMB17,861,014. The reason for the transfer is related to the selling shareholders’ own capital needs and the purchasing shareholders’ view on the industry in which we operate and our development prospect. The last consideration of the share transfer was settled on September 21, 2020. The consideration for the share transfer was based on arms’ length negotiation among the parties.

To the best of the knowledge of our Company, Tujia is a company established in the PRC and an Independent Third Party.

- Pursuant to the investment agreement of Series E Investment, Jiaying Lvzhi, Shanghai Oriental, SBI, Grandwin HK, as transferors agreed to transfer an aggregate of 14,050,648 Shares to Wu Hong, Ge Weidong, Guohe Phase III, Ningbo Junsheng Electronics Co., Ltd.\* (寧波均勝電子股份有限公司) (“**Junsheng Electronics**”), Zhongxin Rongchuang, Wang Tao, Moore Threads, Haochen No. 1 and Beijing Jinzheng Information Co., Ltd.\* (北京金證信息有限公司) (“**Jinzheng Information**”) at a total consideration of RMB253,573,250. The reason for the transfer is related to the selling shareholders’ own capital needs and the purchasing shareholders’ view on the industry in which we operate and our development prospect. The last consideration of the share transfer was settled on December 17, 2021. The consideration for the share transfer was based on arms’ length negotiation among the parties. On February 13, 2022, Moore Threads, Haochen No. 1, Jinzheng Information, SBI, Grandwin HK, Mr. Li and the Company entered into a termination agreement, pursuant to which parties thereto have agreed to terminate all rights and obligations in respect of the relevant share transfers stipulated under the investment agreement of Series E Investment, and all rights and obligations under the then shareholders’ agreement of our Company. On the same day, Junsheng Electronics, Shanghai Oriental, Mr. Li and the Company entered into a termination agreement, pursuant to which parties thereto have agreed to terminate all rights and obligations stipulated under the investment agreement of Series E Investment.

To the best of the knowledge of our Company, Junsheng Electronics is a company established in the PRC whose shares are listed on the Shanghai Stock Exchange (stock code: 600699) and an Independent Third Party. Jinzheng Information is a limited company established under the laws of the PRC and is owned as to 98.0% by Mr. Chen Bin (陳斌).

- On February 23, 2022, Moore Threads, Haochen No. 1, Jinzheng Information, Shanghai Oriental entered into a share purchase agreement, pursuant to which, Moore Threads agreed to acquire 1,427,515 Shares held by Shanghai Oriental at a consideration of RMB12,815,870; Haochen No. 1 agreed to acquire 186,515 Shares held by Shanghai Oriental at a consideration of RMB1,674,030; and Jinzheng Information agreed to acquire 806,650 Shares held by Shanghai Oriental at a consideration of RMB7,244,950. The reason for the transfer is related to the selling shareholders’ own capital needs and the purchasing shareholders’ view on the industry in which we operate and our development prospect. The last consideration of the share transfer was settled on March 18, 2022. The consideration for the share transfer was based on arms’ length negotiation among the parties.
- On January 28, 2022, Qingdao Yunchu and Zhang Huaian entered into a share purchase agreement, pursuant to which Qingdao Yunchu agreed to sell 3,527,401 Shares to Zhang Huaian at a consideration of RMB33,824,393. The reason for the transfer is related to Qingdao Yunchu’s own capital needs and Zhang Huaian’s view on the industry in which we operate and our development prospect. The last consideration of the share transfer was settled on February 21, 2022. The consideration for the share transfer was based on arms’ length negotiation among the parties.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

On March 2, 2022, First Moma Artificial Intelligence and Chongqing Yulong Chongsu entered into a share purchase agreement, pursuant to which First Moma Artificial Intelligence agreed to sell 2,085,714 Shares to Chongqing Yulong Chongsu at a consideration of RMB20,000,000. The reason for the transfer is related to First Moma Artificial Intelligence’s own capital needs and Chongqing Yulong Chongsu’s view on the industry in which we operate and our development prospect. The last consideration of the share transfer was settled on April 13, 2022. The consideration for the share transfer was based on arms’ length negotiation among the parties.

On March 28, 2022, Autoplanet Technology (HK) Co., Limited (自行星科技(香港)有限公司) (“Autoplanet”), Liu Shanshan (劉珊珊) and Li Xiuxiu entered into a share purchase agreement, pursuant to which Autoplanet agreed to sell 2,047,650 Shares to Li Xiuxiu at a consideration of RMB19,635,000. The reason for the transfer is related to Autoplanet’s own capital needs and Li Xiuxiu’s view on the industry in which we operate and our development prospect. The last consideration of the share transfer was settled on April 12, 2022. The consideration for the share transfer was based on arms’ length negotiation among the parties.

To the best knowledge of our Company, Autoplanet is an Independent Third Party.

On March 28, 2022, SBI and Li Xiuxiu entered into a share purchase agreement, pursuant to which SBI agreed to sell 1,493,580 Shares to Li Xiuxiu at a consideration of RMB13,408,881. The reason for the transfer is due to SBI’s commercial decision while Li Xiuxiu intended to acquire Shares. The last consideration of the share transfer was settled on April 12, 2022. The consideration for the share transfer was based on arms’ length negotiation among the parties.

On May 20, 2022, CMSI and Teng Rongsong entered into a property transaction contract, pursuant to which CMSI agreed to sell 5,568,789 Shares to Teng Rongsong at a consideration of RMB50,000,000. The reason for the transfer is due to CMSI’s commercial decision. The last consideration of the share transfer was settled on May 26, 2022. The consideration for the share transfer was based on public tender.

- On July 12, 2024, Ren Zhenquan, Qu Xiaopeng, Mr. Li and the Company entered into a share purchase agreement, pursuant to which Qu Xiaopeng agreed to acquire 787,670 Shares from Ren Zhenquan at a consideration of RMB8,000,000. The reason for the transfer is due to Ren Zhenquan’s own capital needs and Qu Xiaopeng’s intention to invest in our Shares. The last consideration of the share transfer was settled on August 8, 2024. The consideration for the share transfer was based on arms’ length negotiation among the parties.

On September 30, 2024, Haochen No. 1, Jinzheng Information and the Company entered into a share purchase agreement, pursuant to which Jinzheng Information agreed to sell 1,052,295 Shares to Haochen No. 1 at a consideration of RMB10,000,000. The last consideration of the share transfer was settled on October 24, 2024. The reason for the transfer was due to Haochen No. 1’s own capital needs and Jinzheng Information’s intention to invest in our Shares. The consideration for the share transfer was based on arms’ length negotiation among the parties.

On September 30, 2024, Zhongxin Rongchuang, Ningbo Chuangzhi and Mr. Li entered into a share purchase agreement, pursuant to which Zhongxin Rongchuang agreed to sell 3,157,250 Shares to Ningbo Chuangzhi at a consideration of RMB30,000,000. The last consideration of the share transfer was settled on October 23, 2024. The reason for the transfer was for the change of investing entity by China Innovative Capital. The consideration for the share transfer was based on arms’ length negotiation among the parties.

On November 26, 2024, CMSI and Beijing Zhonglv Juneng Energy Technology Co., Ltd.\* (北京中綠聚能源科技有限公司) (“Zhonglv Juneng”) entered into a property transaction contract, pursuant to which CMSI agreed to sell 5,099,400 Shares to Zhonglv Juneng at a consideration of RMB35,000,000. The last consideration of the share transfer was settled on November 27, 2024. The reason of the transfer was due to CMSI’s commercial decision. The consideration for the share transfer was based on public tender.

### Special rights of the [REDACTED] Investors

The special rights granted to the [REDACTED] Investors (including redemption rights requiring Mr. Li and/or Starcraft Technology to repurchase shares of the [REDACTED] Investors, co-sale rights and drag-along rights) shall be automatically terminated on the date of filing of an application for the [REDACTED], provided that such rights shall resume to be exercisable if the [REDACTED] and [REDACTED] of the H Shares on the Stock Exchange under Chapter 18C of the Listing Rules has not been completed by a date agreed between the Company and the [REDACTED] Investors.

### Compliance with the [REDACTED] Investment guidance

On the basis that (i) the considerations for the [REDACTED] Investments have been settled no less than 120 clear days before the [REDACTED]; and (ii) no special rights granted to the [REDACTED] Investors as set out above shall survive upon [REDACTED], the Joint Sponsors confirm that the [REDACTED] Investments are in compliance with Chapter 4.2 of the Guide for New Listing Applicants.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### Information about the [REDACTED] Investors

#### *Our Pathfinder SIIIs and Other Sophisticated Independent Investors*

We have received meaningful investments from the following Sophisticated Independent Investors, two of whom are our Pathfinder SIIIs. To the best knowledge of the Company, each of the Sophisticated Independent Investors, together with their ultimate beneficial owners, satisfies the independence requirement as set out in Chapter 2.5 of the Guide.

#### *Our Pathfinder SIIIs*

##### LS 51World

LS 51World Holding Limited (“**LS 51World**”) is interested in 17.32% of shareholding in the total share capital of our Company as of the Latest Practicable Date.

LS 51World is a limited company incorporated in Hong Kong and is wholly owned by Lightspeed China Partners II, L.P.. The general partner of Lightspeed China Partners II, L.P. is Lightspeed China Partners II GP, LLC, which is owned equally by Mr. James Qun Mi (50%) and Mr. Ronald Cao (50%). Lightspeed China Partners II, L.P. is owned as to 3.85% by Lightspeed China Partners II GP, LLC and 96.15% by limited partners. None of the limited partners holds more than one-third of the economic interest therein.

LS 51World and Lightspeed China Partners II, L.P. are under the brand of Lightspeed China Partners whose primary purpose is to serve entrepreneurs as a lead investor in early stage and emerging growth companies in technology sectors. Lightspeed China Partners supports China’s innovation and is committed to working with entrepreneurs to realize sustainable development.

We became acquainted with Lightspeed China Partners during our Series financing through 2015 to date. In addition to our Company, Lightspeed China Partners has invested in other technology companies such as Meituan (stock code: 3690), PDD Holdings Inc. (National Association of Securities Dealers Automated Quotations (“**NASDAQ**”): PDD), Zhongji Innolight Co., Ltd. (Shenzhen Stock Exchange (“**SZSE**”): 300308), Full Truck Alliance Co. Ltd. (New York Stock Exchange (“**NYSE**”): YMM), Hesai Group (NASDAQ: HSAI), Southchip Semiconductor Technology (Shanghai) Co., Ltd. (Shanghai Stock Exchange (“**SSE**”): 688484), Smarter Microelectronics (Guangzhou) Co., Ltd. (SSE: 688512), FinVolution Group (NYSE: FINV), Hangzhou Lianluo Interactive Information Technology Co., Ltd (SZSE: 002280), QingCloud Technologies Corp. (SSE: 688316) etc.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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The limited partners of Lightspeed China Partners II, L.P. are Independent Third Parties. Lightspeed China Partners II, L.P. invested in our Company in Series A financing, Series A+ financing and Series B financing. LS 51World invested in our Company in Series C financing. The respective percentage of shareholding in the total share capital of our Company upon the completion of each of the aforementioned [REDACTED] Investments is as follows:

	<u>Shareholding percentage</u>
Series A financing . . . . .	20.0%
Series A+ financing . . . . .	18.5%
Series B financing . . . . .	18.0%
Series C financing . . . . .	18.2%

As of December 31, 2019 (being the date which is no more than six months prior to the date of the investment agreement of Series C Investment) and June 30, 2024 (being the date which is no more than six months prior to the date of our [REDACTED]), the assets under management of Lightspeed China Partners amounted to over US\$650 million and US\$700 million, respectively, derived primarily from the valuation of its investment in specialist technology companies. The classification of such investee companies as specialist technology companies has been reviewed and confirmed by Frost & Sullivan. The relevant AUMs were determined with reference to the quoted market price of listed companies and the post-money valuation of unlisted companies immediately after the latest round of investment contained in the investment portfolio.

### Sky9 51World

Sky9 51World Limited (“**Sky9 51World**”) is interested in 3.4% of shareholding in the total share capital of our Company as of the Latest Practicable Date.

Sky9 51World is a limited company incorporated in Hong Kong and is wholly owned by Sky9 Capital MVP Fund, L.P. Sky9 Capital MVP Fund, L.P. is managed by its general partner, Sky9 Capital MVP GP Ltd., which is ultimately controlled by Mr. Ronald Cao (“**Mr. Cao**”). The limited partners of Sky9 Capital MVP Fund, L.P. are Independent Third Parties. None of the limited partners of Sky9 Capital MVP Fund, L.P. holds more than one-third of its economic interest. Sky9 51World invested in our Company in Series C financing and was interested in approximately 3.5% of shareholding in the total share capital of our Company upon the completion of the Series C financing.

Sky9 Capital MVP Fund, L.P. is operated under the brand of Sky9 Capital, a venture capital firm dedicated to supporting disruptive technology and outstanding innovators around the world. Sky9 Capital’s investors include sovereign wealth funds, foundations, pension funds and family offices. Sky9 Capital has invested in other companies and startups engaged in different industries such as Biren Technology, Xtalpi (stock code: 2228), Energy Monster (NASDAQ: EM), Riffusion, Party Animals and JanitorAI.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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We became acquainted with Sky9 Capital by way of personal acquaintance with the partners of Sky9 Capital. As of December 31, 2019 (being the date which is no more than six months prior to the date of the investment agreement of Series C Investment) and June 30, 2024 (being the date which is no more than six months prior to the date of our [REDACTED]), the fair value of Sky9 Capital’s investment in specialist technology companies exceeded US\$150 million and US\$650 million, respectively. The classification of such investee companies as specialist technology companies has been reviewed and confirmed by Frost & Sullivan. The relevant AUMs were determined with reference to the quoted market price of listed companies and the post-money valuation of unlisted companies immediately after the latest round of investment contained in the investment portfolio.

### *Our Other Sophisticated Independent Investor*

#### **SenseTime Group Limited**

SenseTime Group Limited (“**SenseTime**”) is interested in 2.3% of shareholding in the total share capital of our Company as of the Latest Practicable Date.

SenseTime is a limited liability company incorporated in Hong Kong. It is directly wholly-owned by SenseTime Group Inc., a company listed on the Stock Exchange (stock code: 0020.hk) (“**SenseTime Group**”).

SenseTime Group is a leading AI software company focused on creating a better AI-empowered future through innovation. Its principal activities are the sale of advanced AI software platform and related services, sale of AI software-embedded hardware and related services, Artificial Intelligence Data Center service as well as research and development activities in relation to AI technology.

We became acquainted with SenseTime Group during our series B financing through StarVC. In addition to our Company, SenseTime Group has invested in other technology companies such as WeRide Inc. (NASDAQ: WRD), ENGINETECH Co., Ltd. (安擎計算機信息股份有限公司) and Terminus Technologies Co., Ltd. (重慶特斯聯智慧科技股份有限公司)

According to Frost & Sullivan, SenseTime Group is a key participant in the upstream digital twin solution industry in terms of its revenue in the PRC as of December 31, 2017 and June 30, 2024.

In compliance with Chapter 2.5 of the Guide for New Listing Applicants, each of the aforesaid Pathfinder SIIs holds more than 3% of the total issued share capital of our Company and, in aggregate, more than 10% of the total issued share capital of our Company as of the date of our [REDACTED] and throughout the [REDACTED] 12-month period.



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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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As of the Latest Practicable Date, the aforesaid SIIs held, in aggregate, approximately 23.0% in the total issued share capital of our Company. At [REDACTED], such SIIs will hold, in aggregate, no less than 20% in the total issued share capital of our Company, assuming the [REDACTED] is not exercised, the share options granted under our [REDACTED] Share Option Scheme are not exercised and that our expected market capitalization at the time of [REDACTED] will exceed HK\$4 billion but will be less than HK\$15 billion.

### *Our other [REDACTED] Investors*

We have also received investments from the following [REDACTED] Investors. To the best knowledge of the Company, save as disclosed below, each of the [REDACTED] Investors, together with their ultimate beneficial owners, is an Independent Third Party. The following [REDACTED] Investors are listed on a chronological order based on their initial date of becoming our Shareholder.

#### **Zhang Peng (張鵬)**

Mr. Zhang Peng (張鵬) is a private investor who has knowledge of the capital markets in the mainland China and Hong Kong. He is currently an executive director, and the chairman of the board of directors of Modern Land (China) Co., Limited, a company listed on the Stock Exchange (stock code: 1107.hk) and the chairman of the board of directors and a non-executive director of First Service Holding Limited (第一服務控股有限公司), a company listed on the Stock Exchange (stock code: 2107.hk).

#### **Lyu Xiaotong (呂曉彤)**

Mr. Lyu Xiaotong (呂曉彤) is the founder of Wemove Investment (Beijing) Co., Ltd.\* (微木智業投資(北京)有限公司). Mr. Lyu has extensive investment experience in various sectors including B2B corporate services, consumer goods and consumer Internet.

#### **Grandwin Enterprises (HK) Limited**

Grandwin Enterprises (HK) Limited (“Grandwin HK”) is a limited company incorporated in Hong Kong and is wholly owned by Mr. Pak To Leung.

#### **Jinshijia and First Moma Artificial Intelligence**

Each of Jinshijia and First Moma Artificial Intelligence is a limited company established under the laws of the PRC and is wholly owned by First Moma Assets Management (Beijing) Co., Ltd. (第一摩碼資產管理(北京)有限公司) (formerly known as Contemporary Resorts Asset Operation (Beijing) Co., Ltd. (當代勝地資產運營(北京)有限公司)) (“First Moma Assets Management”).

First Moma Artificial Intelligence is a limited company established under the laws of the PRC. It is owned as to 35.0% by First Moma Assets Management, which is wholly owned by China Green Origin (Beijing) Commercial Operations Management Co., Ltd.\* (中綠起源(北京)商業運營管理有限公司) (“China Green Origin”). China Green Origin is ultimately controlled by Ms. Zhang Yao (張瑤).

#### **Cui Jingtao (崔京濤)**

Ms. Cui Jingtao (崔京濤) is a private investor.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### Ningbo Meishan

Ningbo Meishan Bonded Port District Zhongka Investment Management Limited Partnership\* (寧波梅山保稅港區眾咖投資管理合夥企業(有限合夥)) (“**Ningbo Meishan**”) is a limited partnership established under the laws of the PRC. Its general partner is Ningbo Meishan Bonded Port District Daka Lianmeng Investment Management Co., Ltd. (寧波梅山保稅港區大咖聯盟投資管理有限公司), which is owned as to 99.0% by Mr. Ren Zhenquan (任振泉). Mr. Ren is a private investor who has knowledge of the capital markets in the mainland China and Hong Kong.

Ningbo Meishan has eight limited partners, of which Jiangyin Hailan Venture Capital Co Ltd. (江陰海瀾創業投資有限公司) (“**Jiangyin Hailan VC**”) holds 46.3% of the economic interest and none of the other limited partners holds more than one-third of the economic interest therein. Jiangyin Hailan VC is owned as to 95.0% by Jiangyin Hailan Investment Holding Co., Ltd. (江陰市海瀾投資控股有限公司) (“**Jiangyin Hailan Investment**”), which is owned as to 28.0% and 27.0% by Mr. Zhou Jianping (周建平) and Mr. Zhou Lichen (周立宸), the two largest shareholders of Jiangyin Hailan Investment, respectively.

### Shanghai Oriental

Shanghai Oriental Pearl Media Industry Equity Investment Fund Partnership (Limited Partnership)\* (上海東方明珠傳媒產業股權投資基金合夥企業(有限合夥)) (“**Shanghai Oriental**”) is a limited partnership established under the laws of the PRC. Its general partner is Shanghai Mingzhu Shangqi Business Consulting Co., Ltd.\* (上海明珠尚祺商務諮詢有限公司) which is owned as to 50.0% and 30.0% by Shanghai Jiapu Business Consulting Partnership (Limited Partnership)\* (上海嘉樸商務諮詢合夥企業(有限合夥)) and Shanghai Oriental Pearl Investment Management Co., Ltd.\* (上海東方明珠投資管理有限公司) (“**Shanghai Oriental Pearl Investment Management**”), respectively. Shanghai Oriental Pearl Investment Management is a directly wholly owned subsidiary of Oriental Pearl New Media Co., Ltd.\* (東方明珠新媒體股份有限公司) (Shanghai Stock Exchange stock code: 600637) (“**Oriental Pearl**”).

Shanghai Oriental has four limited partners, of which each of Hangzhou Puzhi Asset Management Co., Ltd.\* (杭州璞致資產管理有限公司) (“**Hangzhou Puzhi**”) and Oriental Pearl (Shanghai) Investment Co., Ltd.\* (東方明珠(上海)投資有限公司), an indirectly wholly-owned subsidiary of Oriental Pearl, holds approximately 44.4% of the economic interest therein, respectively. Hangzhou Puzhi is owned as to approximately 84.8% by China Capital Holdings Limited\* (中持金控資本有限公司), which is in turn wholly owned by Hangzhou Fuyang Jingcheng Investment Management Co., Ltd.\* (杭州富陽景澄投資管理有限公司) (“**Hangzhou Fuyang Jingcheng**”). Hangzhou Fuyang Jingcheng is controlled by Mr. Shi Jieshan (施介山).

### Qingdao Yunchu

Qingdao Yunchu No. 1 Investment Partnership (Limited Partnership) (青島雲初一號投資合夥企業(有限合夥)) (“**Qingdao Yunchu**”) is a limited partnership established under the laws of the PRC. The general partner of Qingdao Yunchu is Hangzhou Yunren Investment Management Co., Ltd. \* (杭州雲仁投資管理有限公司), which is owned as to 60% and 40% by Ms. Cai Haoyi (蔡昊怡) and Mr. Gong Zhichao (龔志超), respectively. Qingdao Yunchu has four limited partners, of which Mr. Xu Xuejun (許學軍) holds 50.0% of the economic interest therein. None of the other limited partners holds more than one-third of the economic interest therein.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### SBI

SBI Cross-border Advantage Fund (“SBI”) is a venture investment association established under the laws of the Republic of Korea and its general partner is SBI Investment KOREA Co., Ltd, which is ultimately controlled by SBI Holdings, Inc. (TYO Stock Code: 8473). SBI has five limited partners, of which Korea Development Bank, a state owned enterprise, holds 49.4% of the economic interest therein. None of the other limited partners holds more than one-third of the economic interest therein.

### Teng Rongsong (滕榮松)

Mr. Teng Rongsong (滕榮松) is a private investor who has knowledge of the Hong Kong capital market.

### Wang Tao (王濤)

Mr. Wang Tao (王濤) is a private investor who has knowledge of the Hong Kong capital market.

### Xingshi No. 3

Guangdong Xingshi No. 3 Equity Investment Partnership (Limited Partnership)\* (廣東星石三號股權投資合夥企業(有限合夥)) (“Xingshi No.3”) is a limited partnership established under the laws of the PRC and its general partner is Gongqingcheng Jiupu Private Equity Fund Management Co., Ltd.\* (共青城玖璞私募基金管理有限公司) (“Gongqingcheng Jiupu”). Gongqingcheng Jiupu is a private equity fund manager registered with the Asset Management Association of China and is controlled by Ms. Hu Xiaokun (胡曉堃). Xingshi No.3 has two limited partners, Ms. Hu Xiaokun (胡曉堃) and Guangdong Heshi Investment Management Co., Ltd.\* (廣東和石投資管理有限公司) (“Guangdong Heshi”). Guangdong Heshi is an institutional investor ultimately controlled by Ms. Li Zhilin (李枳林).

### Chentu Entities

Guangzhou Chentu Ruqi Xinyuan Venture Capital Fund Partnership (Limited Partnership)\* (廣州辰途如期芯源創業投資基金合夥企業(有限合夥)) (“Chentu Ruqi Xinyuan”) is a limited partnership established under the laws of the PRC. Its general partner is Guangzhou Xienuo Chentu Equity Investment Management Co Ltd. (廣州謝諾辰途股權投資管理有限公司) (“Guangzhou Xienuo Chentu”), which is owned as to 90.0% by Guangzhou Xienuo Investment Group Co Ltd. (廣州謝諾投資集團有限公司) (“Guangzhou Xienuo Investment”) and 10.0% by Mr. Chen Ruibin (陳銳彬), the largest shareholder of Guangzhou Xienuo Investment, respectively. Chentu Ruqi Xinyuan has 20 limited partners, none of which holds more than one-third of the economic interest therein.

Guangzhou Chentu No. 11 Venture Capital Partnership (Limited Partnership)\* (廣州辰途十一號創業投資合夥企業(有限合夥)) (“Chentu No. 11”) is a limited partnership established under the laws of the PRC. Its general partner is Guangzhou Xienuo Chentu. Chentu No. 11 has 43 limited partners, none of which holds more than one-third of the economic interest therein.

Guangzhou Chentu No. 12 Venture Capital Fund Partnership (Limited Partnership)\* (廣州辰途十二號創業投資基金合夥企業(有限合夥)) (“Chentu No. 12”) is a limited partnership established under the laws of the PRC. Its general partner is Guangzhou Xienuo Chentu. Chentu No. 12 has 23 limited partners, none of which holds more than one-third of the economic interest therein.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### Wu Hong (吳泓)

Ms. Wu Hong (吳泓) is a private investor.

### Ge Weidong (葛衛東)

Mr. Ge Weidong is the founder and chairman of Shanghai Chaos Investment (Group) Co., Ltd.\* (上海混沌投資(集團)有限公司). He has extensive investment experience in finance, securities, equity and commodity investments.

### Guohe Phase III

Shanghai Guohe Phase III Modern Service Equity Investment Fund Partnership (Limited Partnership)\* (上海國和三期現代服務業股權投資基金合夥企業(有限合夥)) (“**Guohe Phase III**”) is a limited partnership established under the laws of the PRC and its general partner is Shanghai Hehao Enterprise Management Partnership (Limited Partnership)\* (上海和顯企業管理合夥企業(有限合夥)) (“**Shanghai Hehao**”). Guohe Phase III has 13 limited partners, none of which holds more than one-third of the economic interest therein. The general partner of Shanghai Hehao is Shanghai Zhichen Investment Management Co., Ltd.\* (上海致晨投資管理有限公司) (“**Shanghai Zhichen**”). Shanghai Zhichen is in turn owned by a group of individuals, of which Mr. Cheng Fang (程放) owns 34.0% of its shares and none of the remaining individuals owns more than one-third of its shares. Shanghai Hehao has four limited partners, of which Shanghai Heqi Enterprise Management Partnership (Limited Partnership)\* (上海和旗企業管理合夥企業(有限合夥)) (“**Shanghai Heqi**”) holds approximately 75.8% of the economic interest. The general partner of Shanghai Heqi is Mr. Cheng Fang and none of its remaining ten limited partners holds more than one-third of the economic interest therein.

### Ningbo Chuangzhi

Ningbo Meishan Bonded Port Zone Chuangzhi Asset Management Partnership Enterprise (Limited Partnership) (寧波梅山保稅港區創植資產管理合夥企業(有限合夥)) (“**Ningbo Chuangzhi**”) is a limited partnership established under the laws of the PRC with limited liability. The general partner of Ningbo Chuangzhi is Ningbo Meishan Bonded Port Zone Zhongxin Rongchuang Investment Management Co Ltd.\* (寧波梅山保稅港區中新融創投資管理有限公司) (“**Zhongxin Rongchuang**”), holding 1% economic interest therein, while Tianjin Zhongxin Ruihe Enterprise Management Co., Ltd. (天津中新睿合企業管理有限公司) (“**Tianjin Zhongxin**”) holds 99% economic interest in Ningbo Chuangzhi, and Tianjin Zhongxin is wholly owned by China Innovative Capital Management Limited (中新融創資本管理有限公司) (“**China Innovative Capital**”).

Zhongxin Rongchuang is a Company established under the laws of the PRC with limited liability and is wholly owned by China Innovative Capital.

China Innovative Capital is owned as to 49.0% and 35.8% by TCL Technology Group Corporation (TCL科技集團股份有限公司) (SZE Stock Code: 000100) and Beijing Zhonghai Jiacheng Capital Management Limited (北京中海嘉誠資本管理有限公司) (“**Beijing Zhonghai Jiacheng**”), respectively.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### Moore Threads

Moore Threads Intelligent Technology (Beijing) Co., Ltd.\* (摩爾綫程智能科技(北京)股份有限公司) (“**Moore Threads**”) is a limited company established under the laws of the PRC and is ultimately controlled by Mr. Zhang Jianzhong (張建中).

### Haochen No. 1

Wuhu Haochen No. 1 Equity Investment Partnership (Limited Partnership)\* (蕪湖昊辰一號股權投資合夥企業(有限合夥)) (“**Haochen No. 1**”) is a limited partnership established under the laws of the PRC and its general partner is Wuhu Yuge Enterprise Management Co., Ltd.\* (蕪湖宇歌企業管理有限公司), which is owned as to 60.0% and 40.0% by Mr. Jia Xiangyu (賈翔宇) and Mr. Lin Ge (林鵠). Haochen No. 1 has three limited partners, of which Beihai Taiyuan Venture Capital Co., Ltd.\* (北海太元創業投資有限公司) (“**Beihai Taiyuan**”) holds approximately 58.82% of the economic interest. Beihai Taiyuan is ultimately wholly owned by Mr. Zhang Jianfang (張建芳).

### Li Xiuxiu (李秀秀)

Ms. Li Xiuxiu (李秀秀) is a private investor who has knowledge of the capital markets in the mainland China and Hong Kong. She is currently the chairman of Beijing Hesong Investment Co., Ltd.\* (北京和頌投資有限公司).

### Zhang Huaian (張懷安)

Mr. Zhang Huaian is a private investor who has knowledge of the Hong Kong capital market. He is currently the chairman of Shanghai Jujin Investment Co., Ltd.\* (上海聚勁投資有限公司).

### Chongqing Yulong Chongsu

Chongqing Yulong Chongsu Equity Investment Fund Partnership (Limited Partnership)\* (重慶御隆重塑股權投資基金合夥企業(有限合夥)) (“**Chongqing Yulong Chongsu**”) is a limited partnership established under the laws of the PRC and its general partner is Chongqing Yulong Equity Investment Fund Management Co., Ltd. (重慶禦隆股權投資基金管理有限公司) (“**Chongqing Yulong**”). Chongqing Yulong is owned as to 90.0% by Chongqing Yulong Asset Management (Group) Co., Ltd. (重慶渝隆資產經營(集團)有限公司) (“**Chongqing Yulong Group**”), which is ultimately owned by Chongqing Jiulongpo District State-owned Assets Supervision and Administration Commission (重慶市九龍坡區國有資產監督管理委員會). Chongqing Yulong Chongsu has two limited partners, of which Chongqing Yulong Group holds 80.0% of the economic interest.

### Nanning Qianchuang

Nanning Qianchuang Shijie Investment Partnership (Limited Partnership)\* (南寧乾創視界投資合夥企業(有限合夥)) (“**Nanning Qianchuang**”) is a limited partnership established under the laws of the PRC and its general partner is Nanning Qianhai Investment Co., Ltd.\* (南寧乾海投資有限公司) (“**Nanning Qianhai**”). Nanning Qianhai is wholly-owned by Nanning Financial Capital Operation Management Co., Ltd.\* (南寧財金資本運營管理有限公司), which is the sole limited partner of Nanning Qianchuang holding 99.9% of the economic interest and is ultimately wholly-owned by Nanning Municipal Finance Bureau (南寧市財政局).

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### Qu Xiaopeng (屈曉鵬)

Ms. Qu Xiaopeng (屈曉鵬) is the founder of Beijing Wedo Capital Management Co., Ltd.\* (北京韋渡私募基金管理有限公司) (“**Wedo Venture Partners**”). She is a private investor who has knowledge of the capital markets in the mainland China and Hong Kong.

### Zhonglv Juneng

Beijing Zhonglv Juneng Energy Technology Co., Ltd.\* (北京中綠聚能能源科技有限公司) is a limited company established under the laws of the PRC. It is wholly-owned by Hechuang Digital Energy (Beijing) Energy Technology Co., Ltd.\* (合創數能(北京)能源科技有限公司), which is owned as to 95% by Meiguan Space (Beijing) Commercial Management Co.\* (美冠空間(北京)商業管理有限公司) (“**Meiguan Space**”). Meiguan Space is wholly-owned by Meihao Formula Technology Industry (Beijing) Co., Ltd.\* (美好方程式科技產業(北京)有限公司), which is wholly-owned by Beijing Yuanjing Technology Co.\* (北京元鏡科技有限公司) (“**Beijing Yuanjing**”). Beijing Yuanjing is ultimately controlled by Mr. Deng Zhiyin (鄧志寅).

## PREVIOUS LISTING ATTEMPT

In view of the growing potential of stock market in the PRC, the Company entered into a tutoring agreement (輔導協議) with China Merchants Securities Co., Ltd. in preparation for the A share listing application on the Science and Technology Board of Shanghai Stock Exchange (上海證券交易所科創板) and made a preliminary filing (上市輔導備案) with the Beijing office of the CSRC in December 2020. The Company subsequently entered into a tutoring agreement (輔導協議) with Kaiyuan Securities Co., Ltd. (開源證券股份有限公司) in preparation for the A share listing application on the Beijing Stock Exchange (北京證券交易所) and made a preliminary filing with the Beijing office of the CSRC in December 2023. Both preliminary filings did not constitute a listing application with the CSRC. As an adjustment of the Company’s capital market strategy, we voluntarily decided not to proceed with the previous A share listing attempts and decided to pursue the [REDACTED] in Hong Kong. As of the Latest Practicable Date, we had not filed any formal A share listing application with any representative office of the CSRC or received any material comments or inquiries from the CSRC, the Science and Technology Innovation Board of Shanghai Stock Exchange or the Beijing Stock Exchange. We do not plan to pursue the A share listing in the near future.

Our Directors confirmed that there are no other matters relating to the foregoing proposed A-Share listing that may affect the Company’s suitability for [REDACTED] on the Stock Exchange or that are required to be brought to the attention of the Stock Exchange.

Based on the due diligence conducted by the Joint Sponsors, nothing material has come to the attention of the Joint Sponsors in relation to the aforesaid that should be brought to the attention of potential investors.

## REASONS FOR THE [REDACTED]

Our Company is seeking a [REDACTED] of its H Shares on the Stock Exchange in order to establish a financing and capital operation platform in the international capital market, establish diversified financing channels, deepen the Company’s brand influence and market awareness, optimize the investor structure, improve the internal governance structure and build a modern enterprise management system. For further details of our future plans, see “Future Plans and [REDACTED]”.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### CAPITALIZATION OF OUR COMPANY

The following table sets out the shareholding structure of our Company as of the Latest Practicable Date and immediately upon the completion of the [REDACTED] (assuming the [REDACTED] is not exercised).

No.	Shareholder	As of the Latest Practicable Date		Immediately following the completion of the [REDACTED] and [REDACTED] of the Unlisted Shares into H Shares (assuming the [REDACTED] is not exercised and the share options granted under our [REDACTED] Share Option Scheme are not exercised)					
		Number of Unlisted Shares	Percentage of shareholding in the Unlisted Shares	Number of H Shares	Percentage of shareholding in the H Shares	Number of Unlisted Shares	Percentage of shareholding in the Unlisted Shares	Number of total Shares	Percentage of shareholding in the total issued share capital
1.	Starcraft Technology	46,933,525	12.3%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2.	Mr. Li	47,670,825	12.5%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
3.	Jinshijia	5,926,870	1.5%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
4.	Mr. Zhang Peng	6,717,460	1.8%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
5.	Mr. Lyu Xiaotong	2,300,230	0.6%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
6.	Xinyi Ruizhi Management Consulting Partnership (Limited Partnership)* (新沂睿智管理諮詢合夥企業(有限合夥)) (“Xinyi Ruizhi”) <sup>(1)</sup>	395,295	0.1%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
7.	Xinyi Yunzhi Management Consulting Partnership (Limited Partnership)* (新沂雲智管理諮詢合夥企業(有限合夥)) (“Xinyi Yunzhi”) <sup>(2)</sup>	6,632,780	1.7%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
8.	Xinyi Zhongzhi Management Consulting Partnership (Limited Partnership)* (新沂眾智管理諮詢合夥企業(有限合夥)) (“Xinyi Zhongzhi”) <sup>(3)</sup>	2,667,420	0.7%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
9.	LS 51World	66,209,905	17.3%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
10.	Grandwin HK	6,582,410	1.7%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
11.	SenseTime	8,776,425	2.3%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
12.	Ms. Cui Jingtao	6,582,410	1.7%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
13.	Ningbo Meishan	18,650,040	4.9%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

No.	Shareholder	Immediately following the completion of the [REDACTED] and [REDACTED] of the Unlisted Shares into H Shares (assuming the [REDACTED] is not exercised and the share options granted under our [REDACTED] Share Option Scheme are not exercised)							
		As of the Latest Practicable Date	Percentage of shareholding in the Unlisted Shares	Number of H Shares	Percentage of shareholding in the H Shares	Number of Unlisted Shares	Percentage of shareholding in the Unlisted Shares	Number of total Shares	Percentage of shareholding in the total issued share capital
14.	First Moma Artificial Intelligence	4,640,506	1.2%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
15.	Qingdao Mirrorverse Management Consulting Partnership (Limited Partnership) (青島萬物鏡像管理諮詢合夥企業(有限合伙)) (“Qingdao Mirrorverse”) <sup>(4)</sup>	26,708,875	7.0%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
16.	Shanghai Oriental	8,159,210	2.1%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
17.	Zhonglv Juneng	5,099,431	1.3%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
18.	Sky9 51World	13,050,210	3.4%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
19.	Qingdao Yunchu	1,430,029	0.4%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
20.	SBI	2,987,160	0.8%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
21.	Mr. Teng Rongsong	14,668,239	3.8%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
22.	Mr. Wang Tao	10,908,390	2.9%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
23.	Mr. Ren Zhenquan	1,181,505	0.3%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
24.	Ms. Qu Xiaopeng	787,670	0.2%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
25.	Xingshi No. 3	1,969,175	0.5%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
26.	Chentu No. 11	1,969,175	0.5%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
27.	Chentu No. 12	984,405	0.3%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
28.	Chentu Ruqi Xinyuan	4,922,755	1.3%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
29.	Ms. Wu Hong	8,419,090	2.2%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
30.	Mr. Ge Weidong	8,419,090	2.2%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
31.	Guohe Phase III	5,262,205	1.4%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
32.	Ningbo Chuangzhi	3,157,250	0.8%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
33.	Moore Threads	1,918,440	0.5%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
34.	Haochen No. 1	3,157,250	0.8%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
35.	Mr. Zhang Huaian	3,527,401	0.9%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
36.	Chongqing Yulong Chongsu	2,085,714	0.5%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
37.	Ms. Li Xiuxiu	3,541,230	0.9%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
38.	Nanning Qianchuang	17,380,952	4.5%	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	<b>Subtotal</b>	<b>382,380,952</b>	<b>100.0%</b>	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	Public Shareholders	—	—	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	<b>Total</b>	<b>382,380,952</b>	<b>100.0%</b>	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]



## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

*Notes:*

- (1) Xinyi Ruizhi was established in the PRC as a limited partnership on December 13, 2019. Ms. Hao Lili is its general partner and its economic interest was held by three limited partners, including Ms. Zhang Yuwei, our executive Director (holding 40.0% of the economic interest), Ms. Du Jinyan, secretary to the Board, chief legal officer and one of our joint company secretaries effective upon [REDACTED] (holding 10.0% of the economic interest) and another employee of the Group (holding 30.0% of the economic interest).
- (2) Xinyi Yunzhi was established in the PRC as a limited partnership on December 13, 2019. Ms. Ding Ronghui, our senior management, is its general partner and its economic interest was held by 37 limited partners, including employees of the Group and Independent Third Parties. None of the limited partners holds more than one-third of the economic interest therein.
- (3) Xinyi Zhongzhi was established in the PRC as a limited partnership on December 13, 2019. Mr. Li Xiaoying, an employee of the Company, is its general partner and its economic interest was held by 11 limited partners, including Mr. Li (holding approximately 4.23% of the economic interest), Mr. Wang Chenkang (holding approximately 11.64% of the economic interest) and nine other individuals, including employees of the Group and Independent Third Parties. None of the limited partners holds more than one-third of the economic interest therein.
- (4) Qingdao Mirrorverse was established in the PRC as a limited partnership on December 24, 2019. Nanjing Mirrorverse No. 1 Management Consulting Partnership (Limited Partnership) (南京萬物鏡像一號管理諮詢合夥企業(有限合夥)) (“**Nanjing Mirrorverse No. 1**”) is the general partner of Qingdao Mirrorverse. The sole general partner of Nanjing Mirrorverse No. 1 is Ms. Hao Lili, an employee of the Company. As of the Latest Practicable Date, Mr. Li, Mr. Wang Chenkang, Ms. Zhang Yuwei, Ms. Tong Shan, Ms. Pu Ge, Ms. Du Jinyan, Mr. Kuang Peng, Mr. Hou Tao, Ms. Hou Jingjing, Ms. Ding Ronghui and Ms. Zhang Jing through limited partnerships effectively held approximately 26.18%, 3.06%, 0.55%, 1.04%, 0.59%, 0.82%, 0.11%, 1.15%, 0.11%, 3.81% and 0.75% of the economic interest in Qingdao Mirrorverse, respectively, and the remaining approximately 69.12% economic interests in Qingdao Mirrorverse were held by our employees who were not Directors, Supervisors or senior management of our Company and none of such employees held more than one-third of the economic interest.

### Public float

Our Company has applied for H-share full circulation and the CSRC issued notice of filing on [\*] for the [REDACTED] of [REDACTED] Unlisted Shares into H Shares upon the [REDACTED]. Upon completion of the [REDACTED] and the [REDACTED] of certain Unlisted Shares into H Shares, the [REDACTED] Unlisted Shares held by the existing Shareholders, representing approximately [REDACTED] of our total issued Shares upon the [REDACTED] (assuming the [REDACTED] is not exercised and the share options granted under our [REDACTED] Share Option Scheme are not exercised), will not be considered as part of the public float as these Unlisted Shares will not be [REDACTED] into H Shares and will not be [REDACTED] upon the completion of the [REDACTED].

In addition, upon completion of the [REDACTED] and [REDACTED] of certain Unlisted Shares into H Shares, [REDACTED] H Shares are to be held by [LS 51World, Starcraft Technology and Mr. Li, respectively,] who will each be entitled to control the exercise of more than 10% of the voting power at the general meeting of our Company upon [REDACTED]. These entities, which constitute the core connected persons of our Company, will, in aggregate, represent approximately [REDACTED] of our total issued Shares upon the completion of the [REDACTED]. These shares will not be counted towards the public float.

Save as disclosed above, upon the completion of the [REDACTED] and the [REDACTED] of certain Unlisted Shares into H Shares, [REDACTED] H Shares to be held by our Shareholders who are not our core connected persons, representing approximately [REDACTED] of our total issued Shares upon the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised and the share options granted under our [REDACTED] Share Option Scheme are not exercised), will be counted towards the public float. Together with the issue of [REDACTED] H Shares pursuant to the [REDACTED] (assuming that the [REDACTED] is not exercised and the share options granted under our [REDACTED] Share Option Scheme are not exercised), representing approximately [REDACTED] of our total issued Shares, approximately [REDACTED] of our total issued Shares will be counted towards the public float. Therefore, our Company will be able to meet the minimum public float requirement under Rule 8.08 of the Listing Rules.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### LOCK-UP AND FREE FLOAT

The following Shares will be subject to disposal restrictions pursuant to Rule 18C.14 of the Listing Rules:

Name	Capacity	Number of Shares subject to disposal restrictions immediately following the completion of the [REDACTED]	Shareholding subject to disposal restrictions immediately following the completion of the [REDACTED] <sup>(1)</sup>	Lock-up period pursuant to Rule 18C.14 of the Listing Rules
Mr. Li	Executive Director	[REDACTED]	[REDACTED]	
Mr. Wang Chenkang	Executive Director	[REDACTED]	[REDACTED]	Commencing on the date of this document and ending
Ms. Zhang Yuwei	Executive Director	[REDACTED]	[REDACTED]	
Ms. Tong Shan	Executive Director	[REDACTED]	[REDACTED]	on expiry of
Ms. Pu Ge	Executive Director	[REDACTED]	[REDACTED]	12 months from the [REDACTED]
Mr. Kuang Peng	Supervisor	[REDACTED]	[REDACTED]	
Ms. Ding Ronghui	Senior management	[REDACTED]	[REDACTED]	
Ms. Zhang Jing	Senior management	[REDACTED]	[REDACTED]	
Ms. Du Jinyan	Senior Management	[REDACTED]	[REDACTED]	Commencing on the date of this document and ending
Mr. Bao Shiqiang	Our chief technology officer, CEO of 51Sim and core R&D team member	[REDACTED]	[REDACTED]	
Mr. Hou Tao	Our Supervisor, R&D director and core R&D member	[REDACTED]	[REDACTED]	12 months from the [REDACTED]

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Name	Capacity	Number of Shares subject to disposal restrictions immediately following the completion of the [REDACTED]	Shareholding subject to disposal restrictions immediately following the completion of the [REDACTED] <sup>(1)</sup>	Lock-up period pursuant to Rule 18C.14 of the Listing Rules
Mr. Wang Yiyuan	Our deputy general manager of 51Sim and core R&D team member	[REDACTED]	[REDACTED]	
Mr. Wang Yongchao	Our senior architect and core R&D team member	[REDACTED]	[REDACTED]	
LS 51World	Pathfinder SII	[REDACTED]	[REDACTED]	Commencing on the date of this document and ending on expiry of 6 months from the [REDACTED]
Sky9 51World	Pathfinder SII	[REDACTED]	[REDACTED]	Commencing on the date of this document and ending on expiry of 6 months from the [REDACTED]

*Notes:*

- (1) The calculation is based on the assumption that no new Shares are issued under the [REDACTED], and the [REDACTED] Share Option Scheme and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and [REDACTED].
- (2) This represents (i) [REDACTED] Shares directly held by Mr. Li; (ii) [REDACTED] Shares directly held by Starcraft Technology which is held as to 92.7% by Mr. Li; (iii) the indirect beneficial interest in [REDACTED] Shares through Mr. Li holding 4.23% of the economic interest in Xinyi Zhongzhi; and (iv) the indirect beneficial interest in [REDACTED] Shares through Mr. Li holding [26.18]% of the economic interest in Qingdao Mirrorverse.
- (3) This represents the indirect beneficial interest in (i) [REDACTED] Shares through Mr. Wang Chenkang holding [11.64]% of the economic interest in Xinyi Zhongzhi; and (ii) [REDACTED] Shares through Mr. Wang Chenkang holding [3.06]% of the economic interest in Qingdao Mirrorverse.
- (4) This represents the indirect beneficial interest in (i) [REDACTED] Shares through Ms. Zhang Yuwei holding [40.0]% of the economic interest in Xinyi Ruizhi; and (ii) [REDACTED] Shares through Ms. Zhang Yuwei holding [0.55]% of the economic interest in Qingdao Mirrorverse.
- (5) This represents the indirect beneficial interest in [REDACTED] Shares through Ms. Tong Shan holding [1.04]% of the economic interest in Qingdao Mirrorverse.
- (6) This represents the indirect beneficial interest in [REDACTED] Shares through Ms. Pu Ge holding [0.59]% of the economic interest in Qingdao Mirrorverse.
- (7) This represents the indirect beneficial interest in [REDACTED] Shares through Mr. Kuang Peng holding [0.11]% of the economic interest in Qingdao Mirrorverse.
- (8) This represents the indirect beneficial interest in (i) [REDACTED] Shares through Ms. Ding Ronghui holding approximately [2.13]% of the economic interest in Xinyi Yunzhi; and (ii) [REDACTED] Shares through Ms. Ding Ronghui holding [3.81]% of the economic interest in Qingdao Mirrorverse.
- (9) This represents the indirect beneficial interest in [REDACTED] Shares through Ms. Zhang Jing holding [0.75]% of the economic interest in Qingdao Mirrorverse.
- (10) This represents the indirect beneficial interest in [REDACTED] Shares through Ms. Du Jinyan holding [0.82]% of the economic interest in Qingdao Mirrorverse.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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- (11) This represents the indirect beneficial interest in [REDACTED] Shares through Mr. Bao Shiqiang holding [2.73]% of the economic interest in Qingdao Mirrorverse.
- (12) This represents the indirect beneficial interest in [REDACTED] Shares through Mr. Hou Tao holding [1.15]% of the economic interest in Qingdao Mirrorverse.
- (13) This represents the indirect beneficial interest in [REDACTED] Shares through Mr. Wang Yiyuan holding [1.71]% of the economic interest in Qingdao Mirrorverse.
- (14) This represents the indirect beneficial interest in [REDACTED] Shares through Mr. Wang Yongchao holding [0.92]% of the economic interest in Qingdao Mirrorverse.

The Shares held by all the existing Shareholders, being [REDACTED] Shares will be subject to lock-up for a period of 12 months commencing from the [REDACTED] pursuant to the applicable PRC laws.

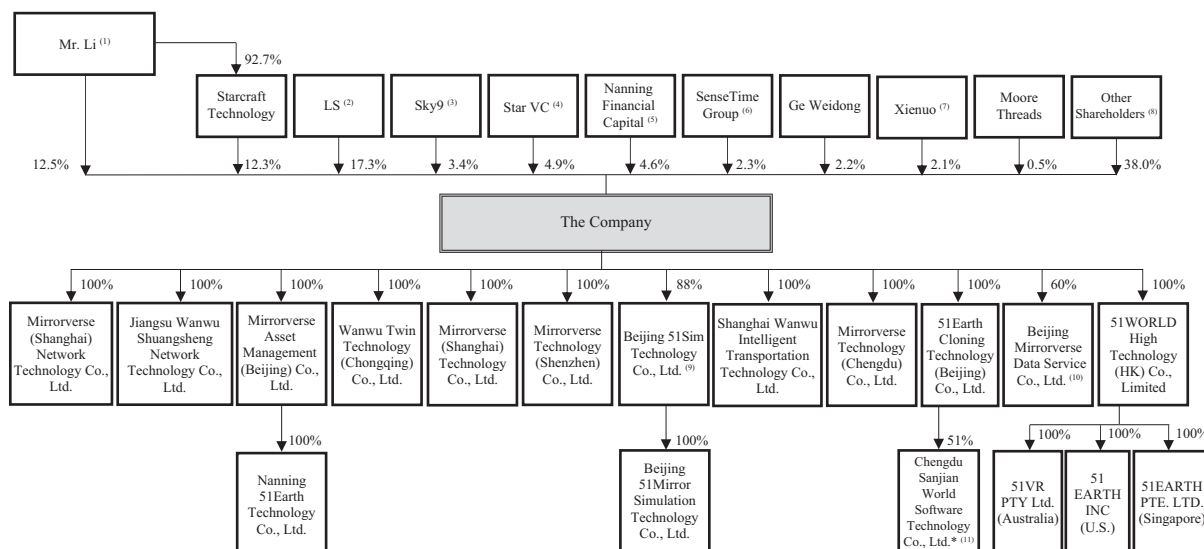
Therefore, upon completion of the [REDACTED] and assuming the [REDACTED] is not exercised and the share options granted under our [REDACTED] Share Option Scheme are not exercised, (i) [REDACTED] Shares (representing [REDACTED] of the Company’s total issued Shares) will be subject to lock-up from the [REDACTED], and (ii) all other [REDACTED] H shares (representing approximately [REDACTED] of the Company’s total issued Shares) will not be subject to any lock-up undertaking or requirements and will be free float Shares of the Company. For more details, see “Share Capital.”

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### CORPORATE AND SHAREHOLDING STRUCTURE

#### Corporate structure immediately before completion of the [REDACTED]

The chart below sets out the corporate structure of our Group immediately before completion of the [REDACTED]:



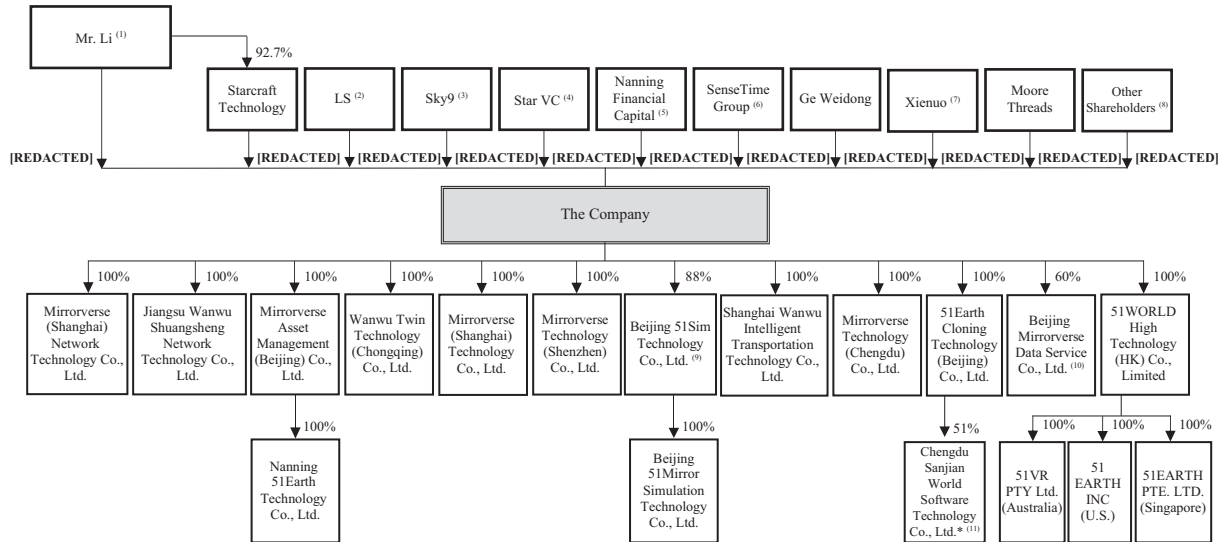
#### Notes:

- (1) Mr. Li is an executive Director, chairman of the Board and the general manager of our Company and the ultimate beneficial owner of Starcraft Technology. The remaining 7.3% of Starcraft Technology is held by Xi'an Qujiang Puyao Aviation Investment Partnership (Limited Partnership)\* (西安曲江普耀航發投資合夥企業(有限合夥)), an independent financial investor.
- (2) Means LS51World. See “—HISTORY, REORGANIZATION AND CORPORATE STRUCTURE—Information about the [REDACTED] Investors—Our Pathfinder SIIIs”.
- (3) Means Sky9 51World. See “—HISTORY, REORGANIZATION AND CORPORATE STRUCTURE—Information about the [REDACTED] Investors—Our Pathfinder SIIIs”.
- (4) Means Ningbo Meishan Bonded Port District Zhongka Investment Management Limited Partnership\* (寧波梅山保稅港區眾咖投資管理合夥企業(有限合夥)). See “—HISTORY, REORGANIZATION AND CORPORATE STRUCTURE—Information about the [REDACTED] Investors—Our other [REDACTED] Investors”.
- (5) Means Nanning Financial Capital Operation Management Co., Ltd. See “—HISTORY, REORGANIZATION AND CORPORATE STRUCTURE—Information about the [REDACTED] Investors—Our other [REDACTED] Investors”.
- (6) Means SenseTime. See “—HISTORY, REORGANIZATION AND CORPORATE STRUCTURE—Information about the [REDACTED] Investors—Our Other Sophisticated Independent Investor”.
- (7) Means, collectively, Chentu Ruqi Xinyuan, Chentu No. 11 and Chentu No. 12. See “—HISTORY, REORGANIZATION AND CORPORATE STRUCTURE—Information about the [REDACTED] Investors—Our other [REDACTED] Investors”.
- (8) See subsection headed “—Major Corporate Development of our Group” for a list of [REDACTED] Investors. See also subsection headed “—Information on the [REDACTED] Investors” for details.
- (9) As of the Latest Practicable Date, approximately 4.7% of the equity interest was held by Shenzhen Anpeng Zhida Investment Partnership (Limited Partnership)\* (深圳安鵬智達投資合夥企業(有限合夥)), approximately 2.2% of the equity interest was held by Mr. Dai Chuyuan (戴楚原), approximately 2.2% of the equity interest was held by Dongtai Dongbingyi Equity Investment Partnership (Limited Partnership)\* (東台東炳頤股權投資合夥企業(有限合夥)), approximately 1.3% of the equity interest was held by Jiuzhou Exploration (Zibo) Investment Partnership (Limited Partnership)\* (九州探索(淄博)投資合夥企業(有限合夥)) and approximately 0.9% of the equity interest was held by Beijing Jutian Asset Management Co., Ltd.\* (北京巨田資產管理有限公司), each an Independent Third Party.
- (10) As of the Latest Practicable Date, 40% of the equity interest was held by Wanwu Yuanjian (Beijing) Information Consulting Limited Partnership\* (萬物遠見(北京)信息諮詢合夥企業(有限合夥)), a limited partnership established under the laws of the PRC whose general partner is Wu Yaguang (吳亞光), an Independent Third Party, holding 52.5% economic interest therein.
- (11) As of the Latest Practicable Date, 49% of the equity interest was held by Chengdu Suojian Suode Media Group Co., Ltd.\* (成都所見所得傳媒集團有限公司), a company established under the laws of the PRC which is ultimately controlled by Li Maung (李貌), an Independent Third Party.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### Corporate structure immediately following the [REDACTED]

The chart below sets out the shareholding structure of our Group immediately following completion of the [REDACTED] (assuming the [REDACTED] is not exercised and the share options granted under our [REDACTED] Share Option Scheme are not exercised):



Notes (1) to (11): Please refer to the details contained in the preceding page.

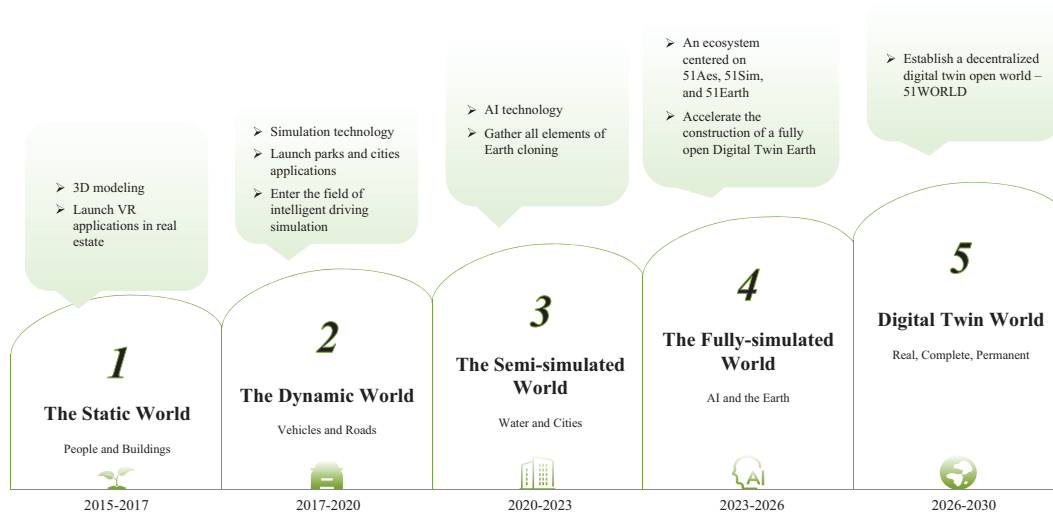
## BUSINESS

### OVERVIEW

#### About Us

We are a leading technology company in the digital twin industry in China dedicated to cloning 510 million square kilometers of the Earth. We have invested heavily in and developed core competencies in technology around three major areas: 3D graphics, simulation, and AI. We aim to provide eco-partners including enterprises, consumers and developers with solutions to access and build digital twins and work together with them to create a real, complete, and permanent “Digital Twin Earth” which will in the end enhance the efficiency, safety, and quality of the real world as well as provide people with new perspectives and technologies to understand and improve our world. We refer to this initiative as our Earth Clone Project.

We were founded in February 2015. Based on the significant growth in the amount of information data and the swift advancement of information carriers, our founder keenly observed that real-time 3D would become the most effective way of information interaction after text, images, and video and is an inevitable outcome of the development of the information age. At that time, real-time 3D was mainly used in the field of games to immerse users in a virtual world of entertainment interaction. In light of the ongoing advancements in technology and the increasing focus on industrial applications, we have chosen to expand the scope of our real-time 3D capabilities to a broader field. Our aim is to build a 1:1 digital twin scene with the real world to enhance the efficiency, safety, and quality of the real world. Over the past decade, we have consistently viewed the Earth Clone Project as a driving force behind our Company’s growth and innovation. With our keen judgment and profound understanding of the industry, we believe Earth cloning can be broken down into five categories of elements, namely buildings, roads, plants, water, and terrain, and five stages, namely the static world, the dynamic world, the semi-simulated world, the fully-simulated world, and, the digital twin world.



Thus far, we have entered the fourth stage of Earth cloning, achieved real-time generation and rendering of the entire Earth and successfully commercialized at scale the cloning technology that generates a city a day. Our goal is to complete the fifth stage in 2030, with the aim of solving real-world problems in areas such as traffic, AI training, spatial and temporal immersion, security warnings, climate

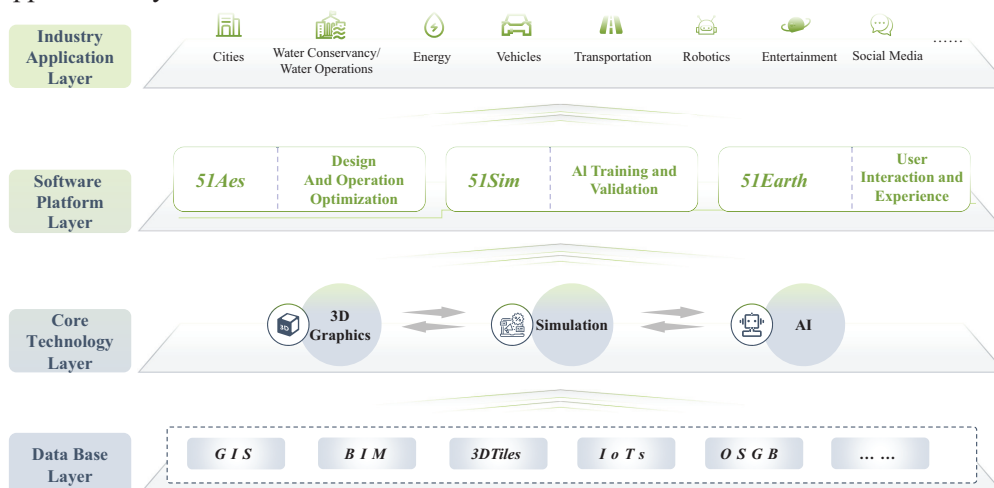
## BUSINESS

prediction, and energy. With a compelling vision, we have set a clear development path and achieved several milestones through continuous technological breakthroughs, product iterations, and scenario extensions:

- We are the all-around leader in the digital twin industry in China, ranking first in the following key metrics for technology companies, according to Frost & Sullivan:
  - We were the first in the digital twin industry to propose and consistently implement the Earth Clone Project;
  - We ranked first in terms of revenue in 2023 in the digital twin industry;
  - We ranked first in terms of the amount of financing in the digital twin market in China as of the Latest Practicable Date;
  - We were the first to achieve revenue of HK\$250 million in a year in the digital twin industry in China;
  - We are the sole company in the industry capable of providing one-stop digital twin solutions; and
  - We developed the first digital twin scenario accuracy and application value grading system in the digital twin industry.
- We have formed three core businesses, namely 51Aes (Digital Twin Platform), 51Sim (Synthetic Data and Simulation Platform) and 51Earth (Digital Earth Platform), and have released commercialized products and solutions in all of these three business lines.
- We have abundant IP rights and play an active role in shaping domestic and international standards. As of the Last Practicable Date, we had 258 software copyrights and valid authorized patents, and had participated in the formulation of 36 national, local and group standards for digital twins and related applications.
- We have built a substantial customer base. Since our inception, we have provided our products and solutions to more than 1,000 enterprise customers spanning across 19 countries and regions.

### Our Digital Twin Ecosystem

With our profound understanding and interdisciplinary application of the three core technologies of digital twin, namely 3D graphics, simulation, and AI, as well as our engineering and commercialization capabilities across these three technologies, we have gradually built up the 51WORLD digital twin ecosystem, including four layers: data base layer, core technology layer, software platform layer, and industry application layer.





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### *Data Base Layer*

Data is the foundation of our development. Our data comes from a comprehensive database of builders, developers, business partners, and in-house developers and in various models, such as GIS, BIM, 3DTiles, IoTs, and OSGB. According to Frost & Sullivan, we are the only company in China that masters the full-stack of synthetic data paths, including the route of simulation and graphic rendering, the route of scene reconstruction based on the radiation field, the route of generation based on video generation model, and based on which we have built comprehensive commercialized synthesis data solutions in the digital twin industry. Based on the self-developed digital asset platform, which mainly contains semantic information and model information, we will continue to improve data accumulation with the contribution of builders and business partners, and provide 51WORLD ecosystem and third-party ecosystems with data solutions for various industry applications.

### *Core Technology Layer*

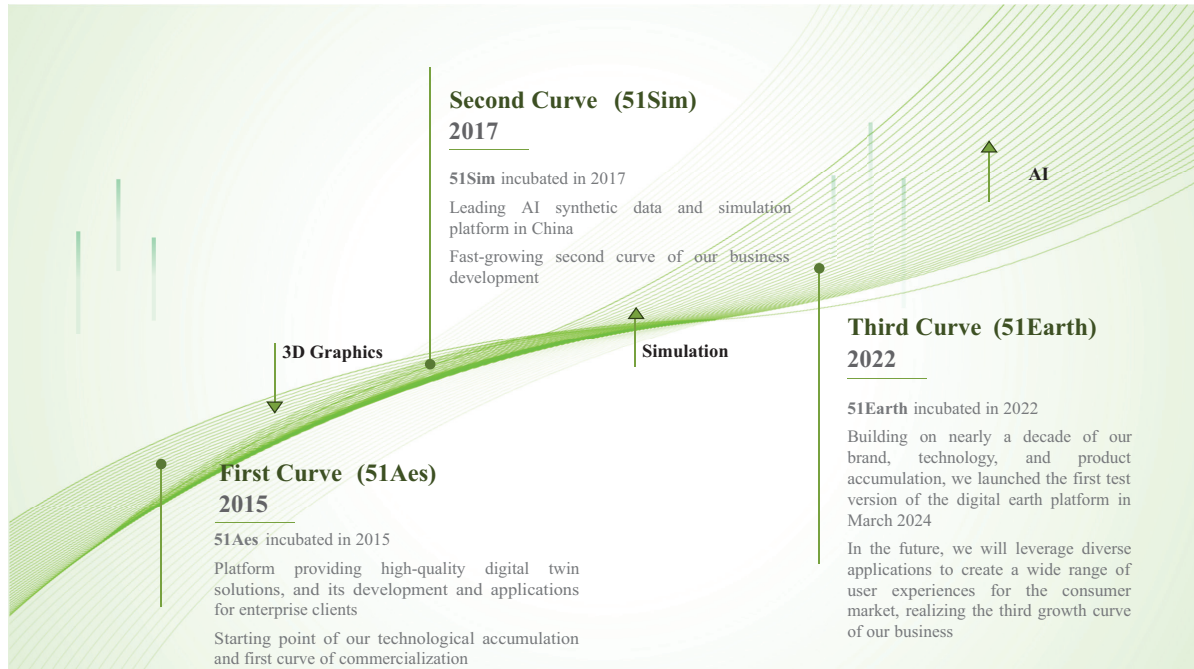
Technological capabilities serve as a key pillar of our industry leadership, and we are leading the way in three important technologies in the field of digital twins in China:

- **3D graphics.** We are a pioneer in the industry to adopt a series of innovative methods to process and fuse multi-source heterogeneous spatial data, forming a comprehensive multi-source heterogeneous data fusion technology system to achieve more significant systematic technical advantages. We are a pioneer in China that is capable of generating all-element scenes with one click, achieves the coding and mapping capability of large-scale digital twins, and has the real-time scheduling capability of digital twin scenes at the level of city clusters.
- **Simulation.** We have accumulated a complete simulation technology chain and are the sole company in the digital twin industry that can provide full-stack simulation-related solutions. Our simulation technology has a wide range of applications, such as intelligent driving, intelligent transportation, engineering systems, natural environment, event emergency response and other extensive application scenarios, with extensive coverage of simulation technology and simulation applications in China.
- **AI.** We can use the data generated by the virtual scene to continuously train AI and expand simulation capabilities, which can help accelerate the iteration of AI algorithms and application maturity, forming an “AI gym.” We have introduced AI-assisted recognition and automated discrimination correction functions, which greatly improve the efficiency of the construction of digital twin bases and reduce the cost. Besides, we support real-time scene generation in the cloud.

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### *Software Platform Layer*

To realize Earth Clone Project, we have launched three major platforms in phases in line with market demand and technological maturity, which we refer to as the “three-curve” of our businesses.



#### *First Curve: 51Aes Digital Twin Platform*

51Aes, our digital twin development and application platform, established in 2015, aims to enhance enterprise customer design and operational efficiency. It is committed to realizing the transformation of digital intelligence across various industries. We pioneered the development of the digital twin scenario accuracy and application value grading system in China. The three core products of 51Aes include AES (All Elements Scene) digital base, WDP (digital twin SaaS platform), and ISE (infinite simulation engine). The industry solutions offered by 51Aes include 51CIM (City Information Modeling), 51WIM (Water Information Modeling), and 51XIM (Industrial and Energy Information Modeling), covering more than 10 sectors such as cities, parks, village, water conservation, water affairs, industry, energy, real estate, medical care, and education.

#### *Second Curve: 51Sim Synthetic Data and Simulation Platform*

51Sim, incubated in 2017, is a leading synthetic data and simulation platform in China. Its core products include SimOne, a simulation platform for intelligent driving and robotics, DataOne, a data closed-loop and synthetic data platform, and TIM, a platform for traffic information modeling. Utilizing advanced data-driven simulation technology, distributed cloud simulation technology, end-to-end simulation technology, generative AI technology and other core technologies, 51Sim provides customers with software products and solutions for intelligent driving simulation testing and synthetic data used for AI system training. These products help developers better understand the performance of the intelligent driving system in different scenarios and continuously optimize and improve the autonomous driving algorithms to improve the safety and performance of the system. 51Sim is a mass-production oriented simulation platform in China, and has already provided

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commercialized services to hundreds of customers in the intelligent driving industry. Besides, several products of 51Sim have strong pan-industry extensibility, and are intended to build general simulation and synthetic data platforms for more industries.

### *Third Curve: 51Earth Digital Earth Platform*

Incubated in 2022, 51Earth embodies a decade of our brand, technology and product development. We anticipate that 51Earth will be the key platform for delivering unique digital experiences through diverse applications. This platform aims to build a community connecting builders and developers with consumers, providing them with platforms, products and economic systems, to engage hundreds of millions of users around the world to participate in the Earth Clone Project and experience diverse application scenarios. Through these diverse applications, we strive to create distinctive experiences for consumers and drive sustained business growth and expansion. We launched 51Earth.com on March 1, 2024, offering free access to 51Earth Builder and 51Earth Dev Kit on July 1, 2024. As of the Latest Practicable Date, 51Earth.com has attracted thousands of builders and developers.

### ***Industry Application Layer***

Our industry solutions span over 10 sectors, such as cities, water conservation, energy, automotive, transportation, robotics, entertainment, and social media. Below are the advantages of our industry solutions.

- **Uniqueness.** In response to the massive data demands of the AI 2.0 era, we have developed a synthetic data platform by integrating advanced technologies such as graphic simulation, 3D reconstruction, and generative AI. This platform provides high-quality, diversified, and cost-effective synthetic data, offering comprehensive support for the development of embodied AI. Currently, our synthetic data boasts an authenticity rate of 90% scene controllability of 100%, and multi-sensibility consistency of 100%, significantly enhancing the efficiency and quality of data production.
- **Leadership.** We excel in development iteration and test validation for intelligent driving, providing industry-leading one-stop solutions that include data-driven closed-loop cloud simulation, end-to-end simulation, and X-in-the-Loop simulation. Our platforms feature a cloud-edge product architecture, enabling highly flexible deployment and management. Our perceptual and end-to-end simulation capabilities offer comprehensive simulations of real-world driving environments and complex scenarios to ensure the accuracy and reliability of results. These advanced technologies and solutions enable our customers to accelerate R&D and mass production of intelligent driving technologies, fostering rapid industry innovation. The current confidence levels for our dynamics simulation, LIDAR simulation, and camera simulation are up to 95%, 95%, and 90%, respectively.
- **Ease of use.** We provide our eco-partners with user-friendly digital twin software tools. Leveraging our extensive experience and technology in digital twin market across various fields, we have developed the WDP digital twin SaaS platform. By cloud-enabling the AES digital base and offering commonly used functions, we provide our partners with a flexible, efficient, and accessible tool platform. This platform can be utilized by industry end-users or secondary developers to create digital twin scenarios of relatively low complexity, reducing development costs by over 90% and increasing application development efficiency by 50%.

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- Scalability:** 51Earth’s latest technology generation facilitates seamless scaling of 3D generation and rendering from component-level (microscopic) to terrestrial (macroscopic) levels. Additionally, our real-time generation technology reduces the capacity of whole earth-level data significantly, extending the availability of data products from large enterprises and organizations to small and medium-sized enterprises and individual users. Our products support real-time generation and rendering either on endpoints or in the cloud, allowing end-users to experience and interact with the platform on various hardware devices, such as PCs, mobiles, and XR devices.
- Comprehensiveness.** We offer the comprehensive solution by integrating various data types to build a real-time, panoramic twin system model. The Haidian City Brain, developed in collaboration with ZGC World and Baidu, enables real-time sensing of the city’s operational status, efficient resource deployment, and rapid response to urban safety emergencies. This system incorporates data from approximately 170,000 buildings, city components, and business systems (including more than 12,000 cameras and 10,000 sensors) with medium-precision coverage across Haidian and high-precision coverage in the 3 square kilometers of Zhongguancun’s West Zone. It ensures real-time perception of city operations, efficient resource allocation, and swift feedback on urban security issues.

### Our Market Opportunities

	Features	Drivers	Market Size
<b>Design and Operation Optimization</b>	Leveraging digital sensing, transmission and other cutting edging technologies to analyze the massive data generated from the physical world, forming an intelligent insights, then further feeding back into the physical world, thereby achieving continuous optimization and scientific decision-making on the physical world.	<ul style="list-style-type: none"> <li>Rising demand from enterprise-level customers</li> <li>Expanding industry application scenarios</li> <li>Continuous improvement of the ecosystem</li> </ul>	The global digital twin design and operation optimization solution market size is projected to continue to grow from US\$6.7 billion in 2023 to US\$34.5 billion by 2028, at a CAGR of 38.7%. China’s digital twin design and operation optimization solution market size is projected to continue to grow from RMB6.7 billion in 2023 to RMB37 billion by 2028, at a CAGR of 40.8%.
<b>AI Training and Validation</b>	Using digital twins to create a simulation system for exploring, analyzing, and validating AI algorithms without the need for a physical system, and to generate synthetic data for AI algorithm training.	<ul style="list-style-type: none"> <li>Rising demand for autonomous driving simulation and testing</li> <li>Rising demand for robot simulation and testing</li> <li>Increasing difficulty in acquiring data assets and rising demand for synthetic data</li> </ul>	The global digital twin AI training and validation solution market size is projected to continue to grow from US\$1.8 billion in 2023 to US\$9.8 billion by 2028, at a CAGR of 41.0%. China’s digital twin AI training and validation solution market size is projected to continue to grow from RMB3.7 billion in 2023 to RMB25.9 billion by 2028, at a CAGR of 47.3%.

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	Features	Drivers	Market Size
<b>User Interaction and Experience</b>	Creating engaging, realistic virtual environments and objects that mirror real-world features, enabling users to engage in a range of activities that may be hard to access in the real world.	<ul style="list-style-type: none"> <li>• Increased end-user demand for diverse and immersive interactions and experiences</li> <li>• Further integration with generative AI</li> <li>• Integration with AR/VR</li> </ul>	The global digital twin user interaction and experience solution market size is projected to grow from US\$0.4 billion in 2023 to US\$2.1 billion by 2028, at a CAGR of 38.7%. China’s digital twin user interaction and experience solution market size is expected to grow from RMB0.3 billion in 2023 to RMB3.1 billion by 2028, at a CAGR of 59.3%.

### Entry Barriers of Our Industry

**Technology and Data:** Traditional information interaction methods are insufficient to meet the evolving needs of enterprises and consumers for information carriers and delivery quality. Digital twins have emerged as a crucial avenue for advancing the digital economy and facilitating the digital transformation of enterprises. The development of digital twins demands sophisticated technology, robust engineering capabilities, and advanced data access, presenting significant barriers to entry. Consequently, customers prefer to collaborate with companies that possess leading technologies and superior data acquisition and processing capabilities to achieve efficient upgrades and secure a first-mover advantage.

**Talent and Ecosystem:** The digital twin industry encompasses a wide array of complex application scenarios and objectives, necessitating in-depth research and the cultivation of diverse industry segments to create comprehensive, user-friendly, and highly scalable solutions. Thus, it is imperative to recruit interdisciplinary and composite background talents while enhancing technical investments. Additionally, strong ecological linkage is a vital industry barrier. By establishing platforms to build ecosystems and enable data integration, system integration, multi-party collaboration, and continuous innovation, we can connect with multiple ecological partners to achieve long-term sustainable development.

**Brand and Reputation:** In a market characterized by continuous innovation, customers’ needs are increasingly diversifying, demanding digital twin services that deeply understand these needs and offer comprehensive, varied products. As market expectations for product and service quality rise, leading companies in the digital twin industry are anticipated to distinguish themselves through accumulated customer recognition and brand influence. By cultivating a strong reputation and a reliable product image, leading firms can capture a larger market share and sustain their leadership position in the digital twin industry in China.

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### OUR STRENGTHS

#### Industry Leader in Digital Twin Market in China

We have established ourselves as a leader in the digital twin market in China, offering closed-loop data services and cutting-edge software products across the industry. Our state-of-the-art technology has positioned us at the forefront of this sector. According to Frost & Sullivan:

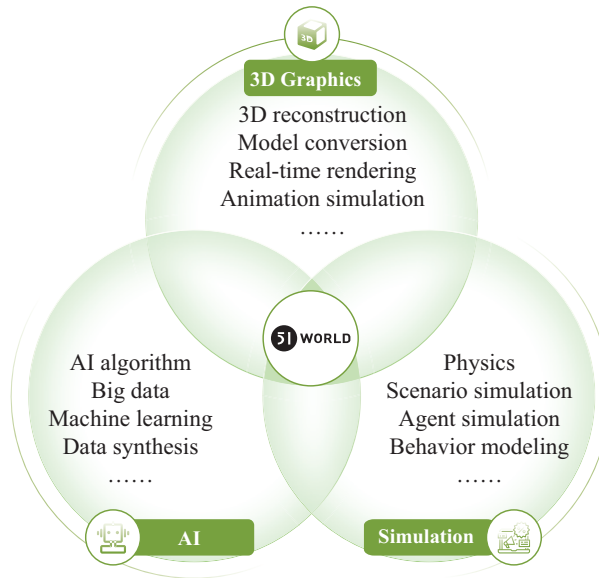
- We were the first in the digital twin industry to propose and consistently implement the Earth Clone Project;
- We ranked first in terms of revenue in 2023 in the digital twin industry;
- We ranked first in terms of the amount of financing in the digital twin market in China as of the Latest Practicable Date;
- We were among the first to achieve revenue of HK\$250 million in a year in the digital twin industry in China;
- We are the sole company in the industry capable of providing one-stop digital twin solutions; and
- We developed the first digital twin scenario accuracy and application value grading system in the digital twin industry.

Our leadership in commercialization is evident across the digital twin market in China. 51Aes encompasses over 10 sectors, such as cities, parks, water conservation, industry, and energy. 51Aes has driven our sustained revenue growth, established digital twins as vital infrastructure for the digital economy, and strengthened our brand reputation. Additionally, our 51Sim initiative has emerged as a significant growth driver, with increasing revenue from collaborations with industry leaders, including leading OEMs, tier-one suppliers, and AI companies. Revenue from 51Sim increased at a CAGR of 70.0% from 2021 to 2023. Besides, we are dedicated to attracting and accommodating individual users through launching and upgrading 51Earth.com, and aim to unlock commercialization opportunities in the broader consumer market.

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### Leading Interdisciplinary Innovation and R&D Capabilities

Our innovation and integration of interdisciplinary knowledge are the cornerstones of our success. The transformation of key technologies into high-performance products and applications across various industry sectors solidifies our leading position. We possess in-depth expertise in 3D graphics, simulation, and AI, enabling highly integrated applications.



- ***We actively contribute to industry standards development domestically and internationally.*** We are a member of the China Academy of Information and Communications Technology (CAICT) of the Ministry of Industry and Information Technology (MIIT), a member of the CIM standard group of the National Intelligent Standard Committee of the Ministry of Housing and Construction (MOHURD), a member of the Intelligent Connected Vehicle Sub-committee of the National Automotive Standardization Technical Committee (NCASTC), a member of the German Association for Standardization of Automation and Measurement Systems (ASAM) and the China Working Group. Member unit of China Intelligent Networked Vehicle Industry Innovation Alliance, member unit of China Simulation Society Autonomous Driving Vehicle Simulation and Testing Specialized Committee. We participated in the formulation of 7 national standards, 2 local standards, 2 industry standards and 25 group standards, participated in the research of 4 key government projects, and participated in the preparation of 34 white papers and industry reports.
- ***We have abundant IP rights and domestic and international awards and qualifications.*** As of the Latest Practicable Date, we had 148 software copyrights and 110 validly authorized patents. We have been awarded as a national Innovative and Outstanding “Small Giant” Enterprise with specialties, a national high-tech enterprise, a Beijing enterprise technology center, a Beijing enterprise technology research and development institution, a Beijing intellectual property demonstration unit, a provincial and ministerial key industry technology platform, and one of the top 100 enterprises of the digital economy in Beijing in 2023, among others.

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Our robust engineering capabilities translate our top-tier technology into practical products and solutions. Our specialized platforms, application solutions, synthetic data solutions, and spatial data assets offer comprehensive, advanced, and user-friendly one-stop solutions. We empower enterprises across various industries, enhancing their efficiency and competitive edge. We also collaborate closely with universities and research institutes to promote education and research. Consumers and other user groups will remain a key focus, ensuring our products deliver exceptional real-life experiences.

### **Robust Ecosystem and Strong Brand Influence**

Through our industry leadership and brand influence in China, we have attracted and established a robust ecosystem, connecting dozens of upstream and downstream core partners in the field of hardware chips, operating systems, middleware, cloud computing, big models, application platforms and industry software. Our main partners include a global pioneer company of GPU-accelerated computing in gaming, professional visualization, data center and automotive, a leading global provider of ICT infrastructure and smart devices, a global leading interactive entertainment company and provider of 3D engine technology, a leading company in China specializing in software for voice and speech recognition and conversation, and among others. Additionally, we attracted developers in the ecosystem through our WDP platform.

We have cultivated a strong brand reputation, a crucial factor in capturing user loyalty. Since initiating the Earth Clone Project in 2017, we have organized annual large-scale industry networking events, such as the Earth Clone Conference, showcasing our technological advances. These events have significantly boosted our brand influence and industry synergies. As of the Latest Practicable Date, we had hosted six Earth Clone conferences in major cities like Beijing, Shanghai, Shenzhen, and Suzhou, with participation growing from 200 companies initially to thousands in recent years.

### **Scalable Commercialization Path**

We are among the pioneers in the digital twin industry with mature technologies and products commercialized in various sectors. We offer our products and solutions primarily for sale, while offering WDP primarily for subscription. We expect to generate revenue from subscription and other value-added services through 51Earth in the future. Our diversified and flexible business model, wide-ranging industry applications, and broad customer base underpin our commercialization success and our leadership in revenue scale in China.

Our extensive customer base includes enterprise customers, university organizations, and content developers, and will include consumers across multiple industries in the future. Our digital twin solutions have been selected as typical cases published by the China Academy of Information and Communications Technology and the Internet Society of China for many consecutive years, reflecting continued recognition of our leading solutions in the digital twin industry. Since our inception, we had served more than 1,000 customers across more than 10 sectors, including a leading company in China specializing in software for voice and speech recognition and conversation, a leading AI company in China with strong internet foundation on search business, an AI company in China specializing in AI for IoT applications in consumer, city and supply chain. In particular, in the field of intelligent driving and transportation, we have served hundreds of customers, including leading OEMs, tier-one suppliers, intelligent driving AI companies and universities, and have established high customer recognition and brand awareness in this segment. In terms of internationalization, since our inception, our solutions have been deployed in 19 countries and regions and provided to more than 80 overseas customers.



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During the Track Record Period, our revenue grew significantly. Our revenue increased by 34.8% from RMB126.1 million in 2021 to RMB170.0 million in 2022, and further increased by 50.8% from RMB170.0 million in 2022 to RMB256.3 million in 2023. Our revenue increased by 12.3% from RMB29.6 million for the six months ended June 30, 2023 to RMB33.2 million for the six months ended June 30, 2024. We believe that our accumulated brand recognition and multiple growth curves will continue to drive our business growth and gradually expand our leading position in the industry.

### **Insightful And Resilient Management Team With a Vision-Driven Culture**

Our management team comprises visionary, resilient, and commercially insightful leaders. Since our inception, we have developed applications addressing industry-specific challenges across over 10 sectors, earning high customer ratings and achieving commercialization milestones. Our founder entered the digital twin industry in 2015, and our core management team has an average tenure of 8 years with the Company. Our commitment to steady progress and long-term goals, exemplified by the Earth Clone Project, has positioned us at the international forefront.

Our shared mission to create a more efficient, safer, and better real world drives our efforts. In May 2023, one of our employees successfully summited Mount Everest, symbolizing our perseverance and commitment to overcoming challenges, a spirit that fuels our competitive edge and success.

### **OUR STRATEGIES**

Our overarching strategy, vision, and mission are centered around creating a real, complete and permanent digital twin of Earth’s 510 million square kilometers. This ambitious endeavor aims to enhance the efficiency, safety, and quality of the real world. Our strategy unfolds in five progressive stages: the static world, the dynamic world, the semi-simulated world, the fully-simulated world, and finally, the complete digital twin earth. We aim to further solidify and enhance our industry leadership through relentless innovation and improvement.

We recognize three major challenges in the digital twin industry: data standards, creation costs, and application value. Moving forward, to achieve the fourth stage of our strategy, we will iterate and enhance our products around digital infrastructure, AI synthetic data, digital earth ecosystem development, and commercial expansion, with a particular focus on establishing an overseas marketing network and a team of skilled professionals. The details of our strategy are as follows:

#### **Empower Digital Infrastructure through 51Aes**

In the future, the 51Aes platform will integrate the five core competencies of Proposal (efficient evaluation and comparison), Planning (intelligent planning and deduction), Promotion (precise investment promotion and sales), Project (green building and construction), and Program (safe operation and management), all of which will be built on a unified urban database, to further develop a city digital infrastructure. The city digital infrastructure is unique in that it is not a traditional CIM platform. Rather, it is based on the current state of the city and the overall planning, and can interact with multi-dimensional indicators such as demographics, economy, architecture, industry, transportation, supporting facilities, finance, and more. We will also be implementing simulation to transform the planning process from static to dynamic. By doing so, we will be creating new digital twins and data elements, which will serve as the foundation for a new quality productivity standard. We believe this will empower people to live better lives and drive the next phase of urban renewal and construction.

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Leveraging 51Earth’s real-time generation and update technology, we aim to launch a new generation of AES6 city baseboard products, with WDP providing fully localized hardware and operating system support. Furthermore, we intend to expand the number of WDP developers, introduce three new digital infrastructure layouts for large and medium-sized cities on an annual basis via the 51CIM platform, sustain customer growth through the 51CIM platform, and concentrate the 51WIM platform on servicing major water institutions in China. Our 51XIM platform will target enterprises aligned with Made in China 2025 initiative and the digital upgrade needs of China’s major power grids.

Additionally, the 51Aes platform integrates digital twin geological baseboards with geological disaster early warning models to enable the visualization of underground resources, which can significantly enhance the understanding, management, and disaster early warning capabilities of underground spaces. By doing so, we can provide efficient decision-making support for multiple fields, including energy, environment, engineering, and urban development. The 51Aes platform will make the development and utilization of underground geological systems safer, more controllable, and more efficient.

### **Transform intelligent driving and embodied AI development through 51Sim**

In intelligent driving, we have provided data and simulation testing products and solutions to renowned OEMs, tier-one suppliers, testing organizations, and research institutes, aiding in the mass production of intelligent driving technologies. We will continue to support the evolution of high-level intelligent driving through data-driven closed-loop simulation and end-to-end simulation, aiming to expand our intelligent driving customer base.

Furthermore, leveraging our extensive expertise in simulation, we will broaden the application scenarios of our simulation products, upgrading the SimOne platform to a general AI simulation platform, and combining it with the DataOne platform to accelerate the intelligent transformation of sectors such as embodied intelligence, construction machinery, and agriculture.

Recognizing the critical importance of data quality and scale in the AI 2.0 era, we have developed large-scale, high-quality AI synthetic datasets and a toolchain for 3D data production. Our Synthverse AI synthetic data platform will provide comprehensive support for the development of intelligent driving and embodied AI with high-quality, diverse, and cost-effective synthetic data tailored for complex real-world environments and diverse needs. We intend to enhance our R&D investment in generative AI and promote its widespread application in simulation and synthetic data, thereby improving confidence levels and generalization efficiency while significantly reducing costs.

### **Connect builders, developers and consumers to drive real-time 3D interaction through 51Earth**

We believe that real-time 3D interaction will surpass traditional mediums such as text, images, and video to become the most effective way to exchange information. Building on a decade of technological innovation, product development, and brand evolution, we are launching the Earth Clone Project, a platform designed to engage hundreds of millions of users around the world in the creation of a shared and inclusive digital twin world.

At the heart of this initiative is our commitment to empowering creators by providing the tools, resources, and training needed to develop innovative 3D and video content. By fostering a vibrant

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community of builders and developers, we aim to lower the barriers to entry for content creation and encourage global participation. As our platform grows, we will implement monetization strategies to incentivize high-quality contributors, creating a self-sustaining ecosystem that drives continuous innovation and growth.

In parallel, we are advancing immersive digital tourism with See3, a next-generation platform that reimagines how tourists experience cultural landmarks and destinations. By integrating cutting-edge AI, VR, and MR technologies, See3 delivers highly immersive, location-specific travel solutions and cultural experiences. With See3, we aim to transform the way cultural tourism is experienced, both onsite and virtually.

To further expand our influence in digital content creation, we are introducing Short3A, an initiative that combines AI-driven creativity with advanced 3D rendering technology. By integrating AI-driven creativity with advanced 3D rendering, we aim to provide a richer and more immersive visual experience. By collaborating with global creators, we plan to release Short3A content targeting major cities worldwide, leveraging a subscription model to drive revenue growth while redefining the traditional 3D content industry.

### **Expand global market reach with digital twin solutions**

We anticipate substantial market opportunities for digital twin solutions in global market. According to Frost & Sullivan, the global digital twin solution market size will grow from US\$8.9 billion in 2023 to US\$46.4 billion in 2028, representing a CAGR of 39.2%. Consequently, we plan to further our internationalization strategy and rapidly increase our global market presence by entering new countries and regions. Having executed pilot projects in countries such as Singapore, Turkey, and Australia, we will further explore opportunities in North America, Europe, Southeast Asia, and the Middle East.

To achieve these objectives, we will leverage our long-term cost and efficiency advantages in China, establish a global marketing network, adjust our organizational structure as needed, and build an overseas talent system aligned with local cultural values to enhance our global influence. We currently have subsidiaries or representative offices in Sydney, Australia, Silicon Valley, USA, and Riyadh, Saudi Arabia, and will strategically enter regions with high demand for digital twins and data simulation by participating in international exhibitions, establishing local marketing networks, and optimizing our global marketing team’s effectiveness.

### **Foster elite talent for R&D and engineering excellence**

We believe that interdisciplinary integration and innovation are crucial for the future growth of the digital twin industry. We will continue to attract R&D professionals with expertise in 3D graphics, simulation, and AI to expand our team, and retain existing talent through a competitive compensation system to enhance our R&D and engineering capabilities.

We will strengthen collaborations with top universities and research institutes globally, promoting industry-academia-research integration while recruiting talent from academic institutions to drive industry growth and professional development.

Moreover, to support our global expansion, we will recruit international professionals with sales expertise to implement our overseas growth plans effectively.

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### **OUR PRODUCTS AND SOLUTIONS**

We have three main brands and business lines: (i) 51Aes: Our digital twin platform, specialized in providing high quality digital twin services to enterprises, facilitating digital transformation across all industries, (ii) 51Sim: Our synthetic data and simulation platform, specialized in providing products and solutions for intelligent driving simulation testing and synthetic data used for AI system training, and (iii) 51Earth: Our digital earth platform, dedicated to significantly reducing the obstacles to creating 3D content, fostering creativity and innovation within the community, and providing consumers with exclusive 3D and video content from a new generation of creators by developing a platform that connects builders, developers, and consumers. Our products and solutions are primarily transaction-based, except for WDP, which is primarily subscription-based.

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The table below sets out a summary for how each of our products and solutions falls within acceptable sectors of a Specialist Technology Industry as defined under Chapter 18C of the Listing Rules:

Specialist Technology Products	Specialist Technology Industry Acceptable Sectors	Main Function Analysis	Major Customer Type and Customer Demand Drivers	Pricing and Payment
51Aes	<p>Metaverse technology:</p> <ul style="list-style-type: none"> <li>- Virtual reality (VR): technology providing lifelike simulation of reality synthetically or virtually</li> </ul>	<p>51Aes focuses on providing high-quality digital twin development and application services, encompassing various sectors such as cities, parks, water conservation, water affairs, industry and energy.</p>	<p>Our customers for 51Aes products and solutions are mainly enterprises.</p> <p>According to Frost &amp; Sullivan, China’s digital twin design and operation optimization solution market is primarily driven by rising demand from enterprise-level customers, expanding application scenarios, and continuous improvement of the ecosystem. For more details, see “Industry Overview—Digital Twin Solutions for Design and Operation Optimization—Drivers and Trends of China’s Digital Twin Design and Operation Optimization Solution Market.”</p>	<p>Our 51Aes products and solutions are primarily priced based on scene and function customization. For scene, pricing depends on the level of digital twin accuracy and the size of the area—higher accuracy and larger areas result in higher costs. For function customization, the price is determined by the complexity and the required man-days—more complex functions and longer development time lead to higher pricing. Additionally, our WDP software is available as standard products on a subscription or license basis, with fixed pricing for each version.</p> <p>For 51Aes products and solutions, customers are generally required to pay the purchase price upon acceptance of our products or solutions.</p> <p>For WDP, an annual fee is charged on a subscription basis.</p>
51Sim	<p>Electric and autonomous vehicles</p> <p>Advanced transportation technology</p> <p>AI</p>	<p>Based on the most advanced full-chain closed-loop simulation technology, scenario simulation technology, distributed cloud simulation technology, end-to-end simulation technology, 51Sim provides customers with software products and solutions for intelligent driving simulation and testing, help R&amp;D personnel to better test the performance of intelligent driving technology in different scenarios, and continuously optimize and improve the intelligent driving algorithms to enhance the safety and performance of intelligent driving technology.</p>	<p>Our customers for 51Sim products and solutions are mainly domestic OEMs and automotive primary and secondary suppliers.</p> <p>According to Frost &amp; Sullivan, China’s digital twin AI training and validation solution market is primarily driven by rising demand for intelligent driving simulation and testing, robot simulation testing, and synthetic data. For more details, see “Industry Overview—Digital Twin Solutions for AI Training and Validation—Drivers and Trends of China’s Digital Twin AI Training and Validation Solution Market.”</p>	<p>When determining price for 51Sim products and solutions, we adopt a standard software-plus-service model. Cloud simulation services are charged based on the scale of deployment, while standalone software is priced per seat. Service offerings primarily include customized software development and are available at tiered pricing.</p> <p>For 51Sim products and solutions, customers are generally required to pay the purchase price upon acceptance of our products or solutions.</p>

**BUSINESS**

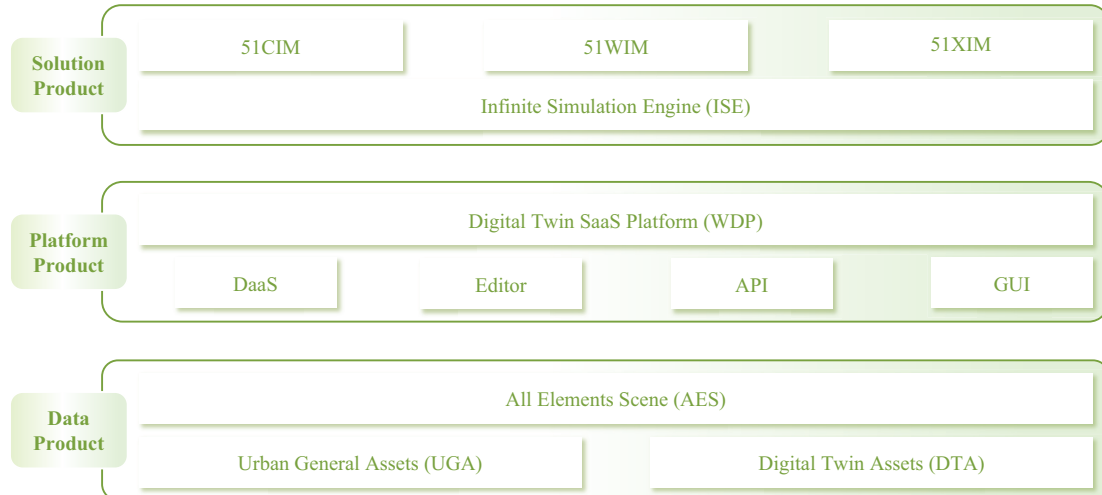
<b>Specialist Technology Products</b>	<b>Specialist Technology Industry Acceptable Sectors</b>	<b>Main Function Analysis</b>	<b>Major Customer Type and Customer Demand Drivers</b>	<b>Pricing and Payment</b>
<p>5IEarth</p>	<p>Metaverse technology:</p> <ul style="list-style-type: none"> <li>- Virtual reality (VR): technology providing lifelike simulation of reality synthetically or virtually</li> </ul>	<p>Adopting the industry’s ultra-highprecision and ultra-realistic 3D rendering engine and virtual digital man technology, 5IEarth provided enterprises with a onestop VR services to meet general public’s needs of daily meetings, online exhibition halls, internal training, product releases, and industry forums. In the future, 5IEarth aims to significantly reduce the obstacles to 3D content creation, foster creativity and innovation within the community, and provide consumers with unparalleled 3D and video content from a new generation of creators by developing a platform that connects builders, developers, and consumers.</p>	<p>Our customers for 5IEarth products and solutions are mainly enterprises during the Track Record Period and intended to cover consumers in the future.</p> <p>According to Frost &amp; Sullivan, China’s digital twin user interaction and experience solution market is primarily driven by increased end-user demand for diverse and immersive interactions and experiences, further integration with generative AI and integration with AR/VR. For more details, see “Industry Overview—Digital Twin Solutions for User Interaction and Experience—Drivers and Trends of China’s Digital Twin User Interaction and Experience Solution Market.”</p>	<p>Our 5IEarth products and solutions are primarily priced based on scene and function customization. For scene, pricing depends on the level of accuracy and the size of the area—higher accuracy and larger areas result in higher costs. For function customization, the price is determined by the complexity and the required man-days—more complex functions and longer development time lead to higher pricing. Going forward, with the launch of 5IEarth.com and consumer-facing application scenarios, we expect to generate revenue from 5IEarth from subscriptions and value-added services.</p>

Our industry consultant, Frost & Sullivan, confirms and our Directors are of the view that based on the information above, each of our products and solutions falls within one or more acceptable sectors of a Specialist Technology Industry as defined under Chapter 18C of the Listing Rules.

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### 51AES

51Aes aims to help customers quickly build digital twin scenes through high-quality digital twin platform, facilitating digital transformation across all industries.



### Core Products

- *All Elements Scene (AES)*

On the basis of real physical elements, AES is able to faithfully simulate 3D scenes with computer graphics and AI, to realize real-time rendering of ultra-large-scale scenes and individualized management of all elements.

Relying on computer graphics, big data, cloud computing and other technologies, AES can automatically or semi-automatically construct a digital twin world. AES can quickly convert various model files describing the real physical world into virtual scenes of the digital twin scene, such as:

- **Automated generation based on satellite orthophotos and GIS data:** AI algorithms can automatically generate urban scenes from orthographic images and GIS data.
- **Reconstruction and generation based on OSGB data:** Computer semantic recognition algorithm can automatically lightweight reconstruct based on oblique photography / lidar scanning.
- **Automated generation based on BIM data:** Automated transformation and generation based on BIM models, while retaining the catalogs and attributes of all components and parts.
- **Procedural generation of specific scenes:** Rapid generation of specific scenes based on procedural algorithms, such as transmission stations and power grids.
- **Constructing based on massive digital asset library:** Rapidly build scenes based on matching the features from massive digital asset library.
- **Reconstruction and generation based on photo topology:** 3D topology reconstruction and generation model based on real photos.
- **Rapid construction based on SaaS platform:** Secondary editing of scenes based on SaaS platform.

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The AES can be divided into five levels according to their reconstruction accuracies, with the models of each level varying from their data source and application scenario.

	L1 city-level accuracy	L2 regional-level accuracy	L3 scene-level accuracy	L4 structure-level accuracy	L5 component-level accuracy
<b>Primary data</b>	GIS	GIS, remote sensing data	OSGB, CAD	CAD, BIM, scanned models	CAD, BIM, scan, 3D printing data
<b>Recommended sight distance</b>	500 meters -20 kilometers	500 meters -20 kilometers (bird’s eye view)	20 meters -5,000 meters (overlooking)	5 meters -2,000 meters (roaming)	0.2 meter -100 meters (close-up)
<b>Coordinate accuracy</b>	within 5 meters (God’s perspective)	within 5 meters	within 1 meter	centimeter level	centimeter level
<b>Coordinate accuracy</b>	None	None	main components	all components	detail parts
<b>Texture accuracy</b>	None	satellite imagery	main components	ultra-clear texture maps	simulation
<b>Application scenarios</b>	provinces and cities, large-scale scenes of tens of thousands of square kilometers	the entire city, large-scale scenes of thousands of square kilometers	the whole district, medium-sized scenarios with hundreds of square kilometers	streets, small scenes within ten square kilometer	digital twin model components dynamically driven by real-time data

We divide the applications of AES into five stages: V1 visualizing, V2 data fusing, V3 data driving, V4 simulating, and V5 intelligent decision-making. After years of technical trials and practical applications, we have successfully implemented cases in each stage according to different requirements.

### *Digital Twin SaaS Platform (WDP)*

WDP is a user-friendly, high-quality digital twin application and development platform that provides developers with features such as multi-source data import, intuitive scene creation, low-code development, powerful open APIs, and other digital twin development services.

Leveraging our extensive experience and technology in digital twin services across various fields, we introduced WDP to offer a flexible, efficient, and versatile tool platform. It can be used by industry end-users or secondary development customers to develop digital twin scenarios with relatively low complexity, thereby reducing development costs. This not only lowers the cost for customers but also boosts market demand for digital twin solutions, expands market scale, promotes business innovation, and enhances the competitiveness of our products.

WDP can independently generate 3D baseboards based on spatial and temporal data, supporting in-depth applications such as continuous scene updates, mass rendering, and secondary development. The platform is user-friendly, easy to build with, flexible to expand, and compatible with multi-end technology. It can be applied in various fields such as urban planning, parks and buildings, industry and energy, water and environment, meeting diverse business needs like macro-planning, fine management, and simulation.



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Key competitive advantages of WDP include:

- **Digital assets generated on-demand:** WDP generates tailored L2Max and L3SE 3D digital platforms based on spatiotemporal data, supporting the rapid conversion and high-fidelity restoration of industry-specific 3D models in 15 different formats. It also enables users to autonomously create L2 Max and L3 SE city base stations, complemented by AI intelligent completion that provides more comprehensive data elements and complete spatial representation.
- **Freestyle twin scenes construction:** Users can rapidly create twin scenes using a vast library of digital assets and user models. The platform supports the autonomous import and free placement of high-precision 3D models, and non-linear editing allows for efficient, unconstrained, and flexible creation of these scenes.
- **Flexible expansion of application functionality:** WDP allows for independent expansion based on a user-oriented, mature front-end development framework. It supports PPT-style, easy-to-learn no-code interface development and includes presets of official cases and panel templates for rapid user access.
- **Professional development made simple and convenient:** The platform offers a vast array of interactive interfaces for diverse digital twin scenarios, ensuring it meets various application needs. Additionally, the Web SDK provides low-threshold integration for efficient development and cost control.
- **Multiple deployment options:** Users can choose standalone platform deployment to protect their data or opt for public cloud rendering services to reduce hardware investment costs. The platform also supports various hybrid deployment methods across different platforms.
- **Industry applications case library:** WDP includes a ready-to-import industry-based cases library and offers on-demand subscriptions to business suites with industry plug-ins.
- **Value-added services:** The platform provides base customization, model enhancement, data reconstruction, and exclusive features among other services.

WDP Software Usage Process



### *Infinite Simulation Engine (ISE)*

ISE is a universal digital twin simulation engine. By providing the capabilities of Data Connection and Data Driven, ISE helps digital twin applications upgrading from V2 (data fusion) level to V3 (data driving) level. Furthermore, ISE also provides Simulation Event Management, Simulation Algorithm, and Simulation Visualization, which improve the digital twin applications to V4 (simulating) level.

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Key capabilities of ISE include:

- **Data-driven:** ISE provides data connection services with data from third parties, which can be used in static entity generation and dynamic entity data driven in digital twin scene.
- **Event simulation:** ISE supports comprehensive event simulation management, offering event editing capabilities and playback control functions.
- **Simulation algorithm:** ISE provides a variety of simulation algorithms to meet diverse simulation needs.
- **Simulation visualization:** ISE delivers efficient visualization toolkits and simulation data analysis tools for interpreting the results of simulation algorithms.

Introduction to ISE's typical functions



### *Industry Solutions*

51Aes encompasses over ten segments such as cities, parks, water conservation, water affairs, industry and energy, with a focus on three major areas.

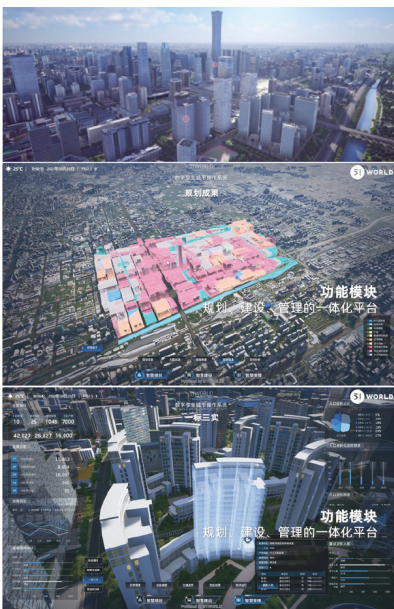
#### *51CIM: City Information Modeling*

End use: Smart cities and parks

Main applications: Leveraging digital twin technologies, 51CIM integrates diverse data types from cities and parks to create real-time panoramic models to support decision-making in urban planning, management, and operations. For instance, integrating data on traffic, environment, and security helps optimize traffic flow, monitor air quality, and provide early warnings for security incidents.

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### Use cases:


End Use	Case Name	Case Description	Actual Scenario
Smart City	Beijing CBD Spatial and Temporal Information Management Platform	Beijing CBD spatial and temporal base restores several square kilometres of L4, dozens of square kilometres of L3PRO, and thousands of square kilometres of L2 urban scenes, supports nearly one billion triangular surfaces to load dynamically, and achieves smooth loading of large, high-precision, and multi-granularity scenes at the city level. Taking data elements as the core, it builds a full life-cycle management mechanism of data “storage, calculation, management and use”. Taking the scene as a guide, it classifies data into different levels, sorts out permissions, and supports users’ self-imported assets and calls to public asset libraries. It stimulates the value of data elements, empowers the digital development of the city, realises interconnection and interoperability of data, and helps the digital transformation of government management and business.	

### 51WIM: Water Information Modeling

End use: Smart water conservation and water affairs

Main applications: Leveraging digital twin technologies, 51WIM integrates diverse data types within the water conservancy system to create a real-time, comprehensive model for decision making in water resource management and operations. By combining data from reservoirs, sluices, and hydrological stations, a digital twin model of the water conservancy system can be developed. This model can be used for applications such as flood early warning, water resource planning, and water environment monitoring.

### Use cases:

End Use	Case Name	Case Description	Actual Scenario
Smart Water Conservation	Digital Twin of Xiaolangdi	The Xiaolangdi Water Conservancy Hub is a crucial control project for flood management and water-sediment regulation in the middle and lower reaches of the Yellow River. It is also one of the initial pilot projects for Digital Twin Water Conservancy Construction. In collaboration with the Chengdu Surveying and Design Institute of China Electric Power Construction Group, we are fully involved in developing simulation engines and visual models. These efforts support the business application scenarios for flood prevention dispatching and engineering safety, including forecasting, warning, previewing, and preplanning functions.	

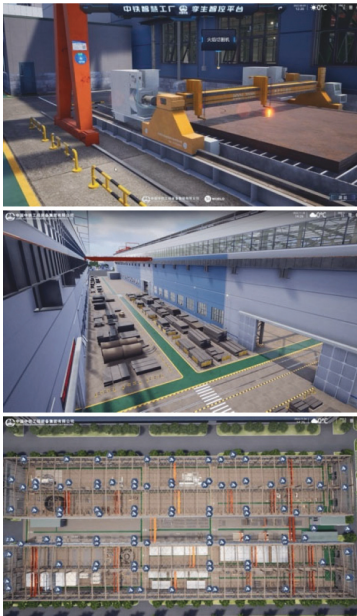
## BUSINESS

### *51XIM: Industrial and Energy Information Modeling*

End use: Smart industry and energy

Main applications: Leveraging digital twin technologies, 51XIM integrates diverse data types within industrial and energy systems to create a real-time, comprehensive model for decision making in these areas. By consolidating data from factories, equipment, and energy consumption, a digital twin model can be developed for applications such as optimizing production schedules, managing equipment maintenance, and conserving energy.

Use cases:

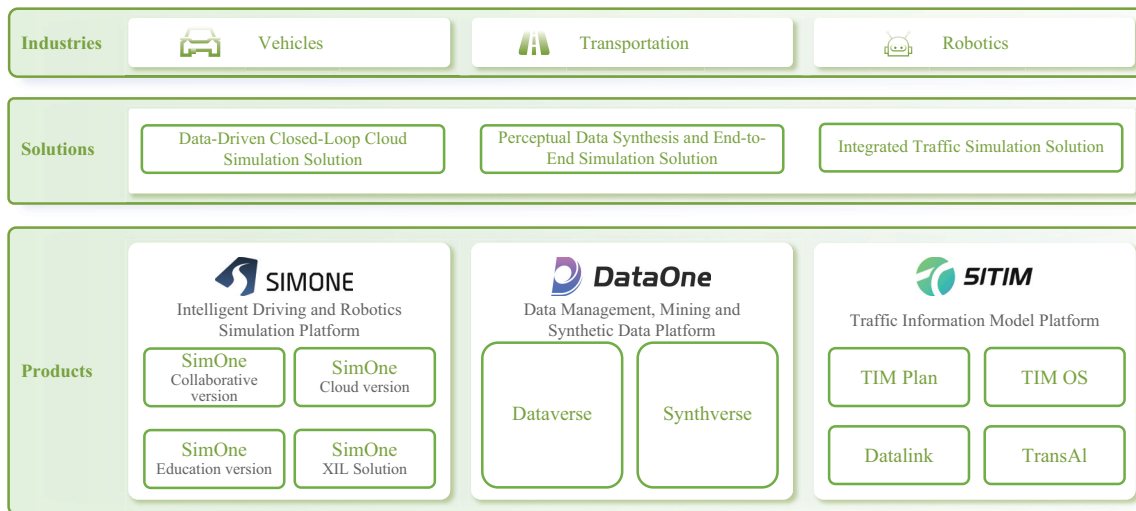
End Use	Case Name	Case Description	Actual Scenario
Smart Manufacturing Factory	China Railway Engineering Equipment Industry 4.0 High-end Equipment Industrial Park Digital Twin Platform	In collaboration with China Railway Engineering Equipment Group (China Railway Equipment), we have seamlessly integrated digital twin technology into the shield machine business, encompassing design, manufacturing, operation, maintenance, and training. We developed the Digital Twin Platform based on real workshop operations, creating a comprehensive digital twin of the shield machine’s entire lifecycle. This platform consolidates data from personnel, vehicles, equipment, and the environment, integrating information from scheduling, material preparation, manufacturing, and quality inspection. It enables comprehensive management of the production area and product lifecycle. To ensure accurate synchronization between the digital and physical factories, we employed self-developed algorithms for equipment movement simulation, enhancing dynamic data-driven monitoring of equipment operations. This full-perspective supervision capability ensures the safe and stable progress of the production process.	

In addition to the three main areas of use above, 51Aes also has applications in other areas, such as smart healthcare, smart sport, smart tourism, and smart agriculture, among others.

### **51SIM**

51Sim is our synthetic data and simulation platform dedicated to leveraging data to drive advancements in AI and intelligent driving technologies.

## BUSINESS



### Core Products

#### SimOne

SimOne is our simulation platform for intelligent driving and robotics, which transforms the testing and validation process for intelligent driving and robotics systems. It offers a full-stack solution that integrates various simulation capabilities, enabling precise and efficient processes to simulate, analyze, and refine intelligent systems.

The key features of SimOne include:

- **Static and Dynamic Data Import:** Supports the integration of real-world log data for accurate simulations.
- **Test Scenario Creation and Editing:** Customizable creation and editing of test scenarios for diverse conditions.
- **Sensor and Dynamics Simulation:** Realistic modeling of wide range of sensors (LiDAR, radar, cameras, ultrasonic) and vehicle dynamics.
- **Scenario and Traffic Simulation:** Detailed traffic and interactive testing scenario simulation.
- **Visualization and Playback:** Allows real-time visualization and detailed playback of simulations.
- **Hardware-in-the-Loop (HIL) Testing:** Integrates physical hardware into the simulation loop for real-time validation.
- **Analysis and Evaluation:** Robust tools for evaluating the performance and safety of intelligent driving algorithms, including metrics and detailed reports to assess system behavior and improvement areas.

SimOne significantly reduces testing costs, improves efficiency, and accelerates the production of autonomous vehicles and robots. It enables extensive testing and validation in various scenarios, such as weather conditions, road situations and traffic dynamics, without the risks and costs of real-world testing. It facilitates rapid optimization and continuous enhancement of intelligent driving systems, ensuring better performance and safety. SimOne is committed to providing robust software solutions, empowering developers to refine algorithms and comprehensively test systems.

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### *DataOne*

DataOne is our data closed-loop and synthetic data platform designed to support intelligent driving simulation testing and training. It integrates advanced data management, data mining and synthetic data generation capabilities to create a robust, high efficient data-driven pipeline. It includes two products:

- **Dataverse:** Dataverse is a data platform developed for intelligent driving simulation testing. The platform has the capabilities of data cleaning, data processing, data management, data visualization, data transformation, among others, It facilitates data-driven closed-loop development and testing iterations.
- **Synthverse:** Synthverse is a synthetic data platform that can meet the synthetic data needs of different usage scenarios and AI training. Synthverse can automatically generate 3D scenes based on HD maps, restore specific scenes with high fidelity through 3D reconstruction technology, leverages generative AI to create diverse and complex scenarios, and produces realistic sensor outputs.

DataOne empowers intelligent driving developers with robust data management and synthetic data generation tools, significantly enhancing simulation testing efficiency. This enables rapid optimization and continuous improvement of intelligent driving systems, ensuring better performance and safety in real-world applications.

### *TIM*

Transportation Information Modeling (TIM) is a comprehensive application platform for optimizing and improving the operational efficiency and safety of the transportation system through the comprehensive use of digital twins, big data, AI technology and other advanced means. TIM comprises three major subsystems: the construction of spatial and temporal elements of transportation (TIM Datalink), multi-level integrated transportation simulation platform (TIM), and training and application services for large-scale transportation models (TIM TransAI).

- **TIM Datalink:** used for importing, generating, converting, editing, and standardizing spatial and temporal elements related to transportation (including base, land, building, and road network, as well as attribute data mounted on the above elements that affect transportation demand), the product is also used for converting and exporting the output data needed for various types of calculations.
- **TIM:** the multi-level transportation simulation platform, is adopting the modular design and microservice architecture, and provides the macro and micro transportation simulation services to help on the data analysis and traffic efficiency. The platform streamlines the user process by several key features including asset management, simulation management, and interactive result analysis. It also provides a comprehensive open interface OpenSDK for further development, users can use OpenSDK to query road network and simulation data, and perform customized evaluation and analysis.
- **TIM TransAI:** is an exploratory application of a general large model in the transportation industry. It has formed a product architecture consisting of traffic perception, traffic cognition, traffic prediction, and traffic knowledge graph. Traffic Perception refers to providing synthetic data for training computer vision-related algorithms, applicable to the training and iteration of traffic perception algorithms. Traffic Cognition involves using

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large amounts of collected real traffic trajectory data to train and build AI traffic agents through deep reinforcement learning, applicable to real traffic reconstruction and tracing. Traffic Prediction uses historical traffic statistical data to forecast and simulate future traffic flow, speed, demand, and accidents over a certain period, applicable to traffic management, logistics management, and other fields. Traffic Knowledge Graph utilizes LLM technology to build a traffic language assistant, assisting traffic simulation software in quickly responding to user needs, summarizing documents, and other auxiliary functions.

TIM employs a combination of statistical and simulation models to optimize the use of transportation data, construct a digital representation of real-world scenarios, and gain insights into the underlying issues and root causes. The objective is to facilitate decision-making in planning, construction, and management, enabling stakeholders to leverage the transportation system more effectively, enhance safety and efficiency, and improve the overall transportation experience.

### *Industry Solutions*

Leveraging the capabilities of SimOne, DataOne, and TIM, 51Sim primarily provides data-driven closed-loop cloud simulation solutions, perceptual data synthesis and end-to-end simulation solutions, and Integrated traffic simulation solutions.

#### *Data-Driven Closed-Loop Cloud Simulation Solution*

The data-driven cloud simulation solution leverages the high computing power and cost-efficiency of cloud simulation. It typically involves software-in-the-loop simulation testing and completes the entire process in a cloud-based environment. This includes data collection, data processing, scene reconstruction, scene classification, simulation testing, test evaluation, and automatic deployment of algorithms. By doing so, it achieves a closed-loop system for intelligent driving data and testing.

The key features of data-driven cloud simulation solution include:

- **Data Collection:** Gathers vehicle and roadside data via variety of sensors.
- **Data Compliance:** Ensures data privacy through desensitization and densification, complying with regulatory standards.
- **Data Management:** Involves scenario mining, processing, and replay for comprehensive dataset utilization.
- **Algorithm Training:** Trains perception, planning, and localization algorithms.
- **Simulation:** Utilizes LogSim and WorldSim for rigorous testing and validation of scenarios in virtual environments.
- **Deployment:** Deploys the trained algorithms into real-world vehicles for further testing and validation.

#### *Perceptual Data Synthesis and End-to-End Simulation Solutions*

51Sim possesses core technological advantages in perception simulation, including the ability to construct highly realistic dynamic and static scenes. This includes the simulation of high-realism

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sensors such as cameras, LiDAR, millimeter-wave radar, and ultrasonic radar. Leveraging these capabilities, 51Sim has developed a data synthesis solution that can create environments with multiple randomized elements, generating diverse datasets. These datasets not only include simulated sensor outputs but also labeled outputs, enhancing the performance of perception systems.

A key strength of 51Sim’s solutions is its end-to-end simulation capability. This approach integrates various advanced technologies to create highly realistic testing environments, enabling comprehensive testing of AI systems and the entire hardware-software stack. The simulation covers a broad spectrum of road, traffic, and environmental conditions and incorporates various XIL (X in the Loop) testing methodologies, including HIL (Hardware in the Loop), DIL (Driver in the Loop), and VIL (Vehicle in the Loop). By leveraging end-to-end simulation, 51Sim ensures thorough evaluation and optimization of intelligent driving systems, enhancing their safety, reliability, and overall performance.

### *Integrated Traffic Simulation Solutions*

Integrated traffic simulation solutions typically encompass a range of services, leveraging simulation technology to assess and optimize the performance of urban transportation networks. These solutions facilitate more informed transportation planning, management, and decision-making. By integrating simulation data with real-time data, they enhance planning, design, and operation management capabilities. This integration enables the delivery of several key features:

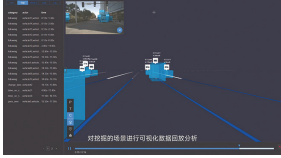
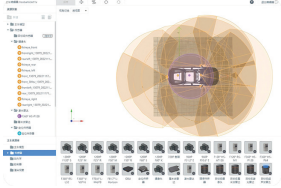
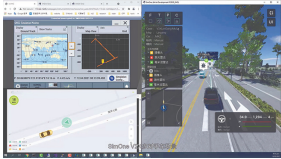
- **Macro and Micro simulation model:** the model is to simulate the flow process of different traffic participants (such as vehicles, pedestrians, bicycles, etc.) under certain traffic rules and road network conditions. TIM has build-in models for the purpose, meanwhile, is compatible of 3rd party traffic simulation software or algorithms.
- **Trajectory Reconstruction:** with the original discrete data, TIM uses self-developed MapService and series of algorithms to assure the rationality and continuity of trajectory.
- **Data Driven Analysis:** real-time and historical traffic data can help to understand the characteristics of traffic flow through data mining and analysis, TIM builds up the pipeline of collecting structured data via 3rd parties, simulation, prediction and insight.
- **Data Visualization:** TIM is capable of dual-engine, with the same database, WEBGL engine supports the collaboration while Physical engine allows large-scale rendering and customization.
- **Open SDK:** Flexibility of APIs, support access to millions of trajectories, point/line/surface data rendering, Map Service, process configuration and is easy to extend to traffic planning, design, monitor and operation.

51Sim provides standard products and solutions, as well as customized software and hardware development tailored to customer needs, primarily serving automobile manufacturers (OEMs) and intelligent driving technology suppliers. Additionally, there is a growing demand for intelligent driving or transportation simulation from government testing agencies, universities, and research institutions.

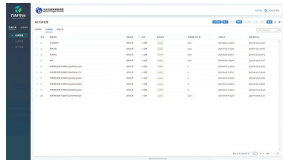


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The following table illustrates use cases of 51Sim:

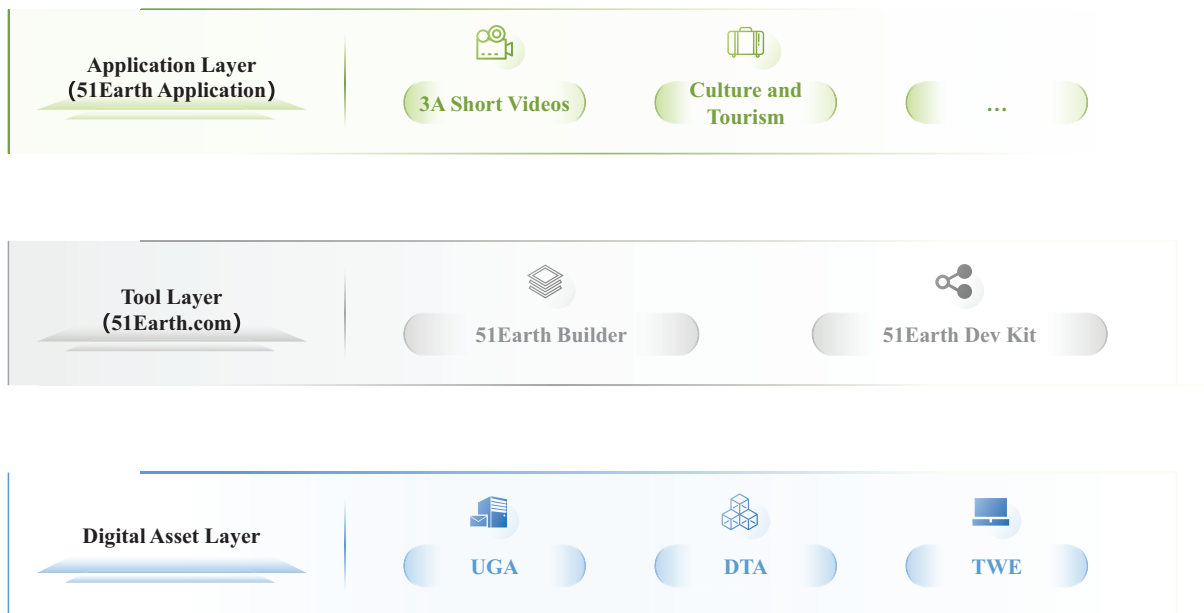
No.	Application Fields	Case Name	Product	Customer Type	Case Description	Actual Scenario
1	Intelligent Driving + Closed-Loop Data	Data-driven closed-loop platform for a state-owned automobile enterprise in East China	SimOne, DataOne	OEM	<p>We collaborated with a state-owned automobile enterprise in East China to jointly develop a closed-loop platform. Based on the data acquisition solution of this automobile enterprise, we developed data management platform, annotation platform and simulation platform to generate core sensor data, LogSim data, and annotation simulation data for vehicle manufacturers, output high-fidelity test scenarios synchronously, and support customers to dock the training platform and the simulation platform.</p> <p>We established a comprehensive closed-loop of data-mining-data-training-testing-evaluation, which provides customers with systematic support for acceptance and testing of mass production of L3-level intelligent driving.</p>	
2	End-to-end Simulation	Perceptual computing platform simulation test solution for a leading intelligent driving company	SimOne, DataOne	Tier-one supplier	<p>In collaboration with a leading intelligent driving company, we connected the of this intelligent driving company computing platform with the SimOne simulation platform. This integration perfectly showcases the advantages of SimOne’s perception simulation capabilities. We will continue to demonstrate the effectiveness of perception simulation and work towards building the next generation of perception simulation systems.</p>	
3	Intelligent Driving + Closed-Loop Data	Telematics C-V2X Communication Performance Test System for Shanghai Motor Vehicle Testing and Certification Technology Research Center Co., Ltd. (上海機動車檢測認證技術研究中心有限公司) (SMVIC)	SimOne	Government testing agency	<p>We created “Telematics C-V2X Communication Performance Test System” for SMVIC, which is capable of overseeing and analysing real-time information of every vehicle and pedestrian in the scenario, forming a complete test environment and providing another important tool for the landing of intelligent driving.</p>	

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No.	Application Fields	Case Name	Product	Customer Type	Case Description	Actual Scenario
4	Integrated traffic simulation (TIM)	Macro-Micro Traffic Simulation Platform for Beijing Transport Institute	TIM	Transportation research institutions	In collaboration with Beijing Transport Institute, we have developed a new generation of domestic multi-level integrated traffic simulation platform and carried out a number of research and projects. The platform can realize a fully closed-loop traffic simulation process including multi-level road network integrated editing, traffic demand forecasting, traffic flow allocation, and data interactive analysis, and provides traffic simulation services for road, rail, and bus services.	

## 51EARTH

Building on years of experience in digital twin and simulation technology, we are developing 51Earth, an open platform offering a 3D interactive experience with high-precision global spatial data. The platform is designed to continuously expand across diverse application domains, providing consumers with increasingly rich 3D interactive experiences.



Supported by a wealth of digital assets, 51Earth aims to revolutionize the creation of 3D content by eliminating barriers, sparking creativity, and fostering innovation within a vibrant community. It will bridge builders, developers, and consumers, offering unparalleled 3D and video content crafted by a new generation of creators.

The primary users of 51Earth are intended to be game techies who are passionate about building, developing, and exploring the digital Earth. 51Earth.com provides them with the tools and community they need to bring their innovative visions to life. This dynamic ecosystem will ensure a constant flow of fresh, high-quality 3D experiences, which will in turn attract a vibrant consumer audience for these digital experiences.

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As users immerse themselves in the captivating world of 51Earth, the platform will benefit from revenues from subscription and value-added services. The more time consumers spend on 51Earth, the greater the opportunities for growth and profit.

First incubated in 2022, 51Earth evolved into an enhanced platform in 2024, marked by the launch of 51Earth.com on March 1, 2024, offering free access to 51Earth Builder and 51Earth Dev Kit on July 1, 2024. As of the Latest Practicable Date, 51Earth.com has attracted thousands of builders and developers.

We provide the following digital assets and tools for builders and developers to facilitate the development of the ecosystem:

### ***Digital Assets***

#### *Urban General Asset (UGA)*

UGA provides large-scale, highly scalable and interactive 3D urban general digital assets, allowing developers to rapidly create video and 3D applications based on large-scale urban scenes by secondary development on mainstream engines such as Unreal and WDP. Moreover, it will support engines such as Unity and Omniverse. UGA supports modularized design, enabling developers to freely select, add, remove or modify each element at runtime, ensuring smooth support for over 1 million elements and over 100,000 square kilometers of scenes. As of the Latest Practicable Date, we have released UGA assets for Dubai, Singapore, Riyadh and Jeddah, ready to use and enriching developers’ creative resources.

#### *Digital Twin Assets (DTA)*

DTA provides users with a powerful and flexible library of digital twin assets to meet a variety of 3D content development needs. DTA adopts the GLTF format as its foundation, ensuring the integrity and high compatibility of 3D information, and supporting seamless migration from modeling software to game engines, significantly improving work efficiency. Through unified cloud management, DTA assets can be viewed and referenced by developers anytime, anywhere, enhancing resource utilization and development convenience.

#### *The Whole Earth (TWE)*

TWE is a high-precision digital twin earth engine based on 3D real-time generation and rendering technology, which supports the integration of heterogeneous data from multiple sources, such as GIS, DOM, DEM, and realizes real-time generation of 3D scenes through network streaming loading to create a one-to-one restoration of the digital earth. TWE covers global spatial data, covering buildings, parks, cities and other multi-scale information, and supports all kinds of 3D application scenarios from macroscopic to microscopic, providing users with a comprehensive and realistic digital earth experience.

### ***Tools***

#### *51Earth Builder*

51Earth Builder is a 3D scene creation and editing tool designed for 3D creators, 2D designers, and general users. Its graphical interface and modularized components streamline the process, reducing the complexity of operation. Users can easily create and edit 3D scenes without having to write extensive code.

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### *51Earth Dev Kit*

This tool is designed for use by developers. It currently supports two major engines, Unreal and WDP, and will support Unity and Omniverse in the future. Developers can use this tool to edit various elements, including roads, terrain, and waters. By dragging and dropping, they can perform point-level movement, rotation, scaling, and deletion operations for each element. With this tool, developers can create high-quality short videos, 3D games, and more.

### *Application*

Based on computer graphics engines, 3D rendering and AI technology, 51Earth plans to launch a series of immersive 3D experience products for consumers by utilizing the developer ecosystem of 51Earth Builder and 51Earth Dev Kit. Set forth below are two specific areas that we are currently focusing on:

#### *Short3A (3D Interactive Video Platform)*

In the field of digital cultural content, Short3A offers high-precision 3D videos, covering a wide range of interest areas, from natural adventures to cultural experiences. For example, challenging journeys such as scaling the Himalayas can be transformed into immersive digital experiences, allowing audiences to feel as if they are personally experiencing such adventure. Such way of presentation of 3D videos will greatly enhance the expressiveness of digital media and therefore provide the audiences with visual experiences beyond what the real world can offer.

#### *See3 (Virtual Tourism and Cultural Experience Platform)*

In the field of tourism and cultural dissemination, See3 integrates cutting-edge technologies such as VR and MR to offer highly immersive virtual tourism solutions and cultural experiences. We aim to reshape the interaction between tourists and destinations through AI-driven virtual tour guide technology, personalized immersive interactive scenarios, and intelligent content recommendations. AI-driven See3 will not only allow users to remotely experience the iconic landmarks across the world but also provide tourists with unique and digitized memories of their virtual journeys.

## OUR CORE TECHNOLOGIES

After years of independent research and development, we have developed a number of core technologies in the field of 3D graphics, simulation, and AI, as follows:

<u>Core technologies</u>	<u>Description and advantages</u>	<u>Categories</u>
3D Scene Generation and Mapping Techniques for Multi-source Data Fusion	1. Digital twin project construction process involves a variety of different formats of data import, such as geographic information related GIS data, OSGB data, remote sensing data, building information model BIM data, etc., and multi-source data import is usually subject to the limitations of the software system scalability and compatibility. Through long-term research and development, the Company has formed core technologies such as processing BIM, OSGB, GIS data without relying on specific professional software, AI automatic scene completion, model lightweight reconstruction, etc., which converts the AES special data and provides an efficient and stable data source for automatic generation.	3D graphics and AI

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Core technologies	Description and advantages	Categories
	<p>2. AES base is the core technology for large-scale scene generation. Through the self-developed automatic generation engine, it can automatically and accurately convert the given data to the full-factor entity model. Through the self-developed scene scheduling technology, it can seamlessly switch between ultra-large-scale scenes without affecting the rendering accuracy. At the same time, it can encode and accurately select each element of the scene in the form of electronic ID, and can perform instant, non-destructive, and reversible editing of the scene without losing the scene accuracy, and fully record the editing process.</p>	
Simulation engine technology based on data and event-driven	<p>This technology provides simulation solutions based on five elements: man-machine, equipment, rules, events and environment. It provides simulation services and simulation data access analysis, virtual-reality mapping, operation simulation, event rehearsal, built-in simulation algorithms, simulation event editing and a visual expression library for industry simulation data. It is mostly used in simulation applications in multiple industries such as industry, water conservancy, transportation, emergency, and security.</p>	3D graphics, simulation and AI
Cloud rendering and low-code open platform technology	<p>1. Through the large-scale service call framework, it can support concurrent call services for high-precision scenes, large scenes, and multiple users, and respond to user operation needs quickly and with low latency; in addition, through the rendering WEB service capability, the scene rendering part is completed in the cloud, reducing the computing and rendering burden of the customer terminal;</p> <p>2. Through the deep optimization of the video encoding and decoding method of cloud rendering technology, the product supports up to 8K video output, and the industry is basically dominated by 2K output;</p> <p>3. The product supports 200+ open APIs, covering most of the scene structures in the current application field of digital twins, which is convenient for customers and ecosystem developers to develop their own digital twin applications with low barriers;</p> <p>4. The product supports the main Web frameworks in the market such as Vue, React, and Angular, which can meet the deployment of various application scenarios;</p> <p>5. The technology allows us to realize real-time cloud rendering of ultra-large-scale scenes through the self-developed pyramid architecture resource scheduling system, and can switch seamlessly at different scene scales;</p> <p>6. By encapsulating the AES platform development scenes, tools, and APIs, it provides a drag-and-drop low-code development mode, superimposed with the AES platform’s powerful data import and scene editing capabilities, lowering the application threshold and forming a platform technology for downstream customers to independently develop.</p>	3D graphics

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Core technologies	Description and advantages	Categories
Real-time generation, rendering and editing technology of earth-level scenes	<p>1. This technology is a technical framework for real-time generation, rendering and expansion of earth-level scenes. Through online streaming loading technology, semantic data structure with pyramids, pyramid scheduling system, real-time generation algorithm based on semantic data and GPU Driven terrain system, it can generate earth scenes of any level and scale in screen space in milliseconds, and each level can achieve transition naturally.</p> <p>2. This technology relies on real-time generation and rendering technology of earth-level scenes. By providing editing tools for semantic data and raster data, it allows users to directly affect scene presentation by modifying underlying data without interrupting the application or performing complex reconstruction. Therefore, whether in the editor or at runtime, the earth-level scene can be modified in real time through this technology.</p>	3D graphics and AI
Distributed Simulation and Cloud Simulation	<p>The technology possesses the horizontal expansion capability of simulation. It can realize the goal of real time simulation of multiple main vehicles, either inside same environment, or separate environments in parallel, and each main vehicle supports over 20 sensors.</p> <p>It possesses simulation synchronization and acceleration capabilities. Time synchronization between multiple simulation instances ensures the synchronization of factors such as vehicle movement, environmental changes, and sensor input in different simulation environments; it can freely control the simulation speed to improve test efficiency.</p> <p>It possesses high-concurrency simulation capabilities in the cloud. Based on dynamic real-time scheduling technology, cloud simulation resources are scheduled on demand to achieve multi-user sharing, realize thousands of concurrent cloud simulations, and support massive testing needs.</p>	3D graphics and simulation
End-to-end simulation and synthetic data	<p>Through automated scene generation technology, high-precision map data can be quickly generated into high-precision 3D road scenes that can be applied to perception simulation, and full parameter control of scene weather, lighting, etc. can be performed; based on radiation field reconstruction technologies such as NeRF/3DGS, high-quality simulation scenes can be automatically reconstructed.</p> <p>It can simulate sensor acquisition processing, image signal processing, target recognition, etc. involved in cameras, millimeter-wave radars, and lidars to simulate the perception of the external environment by intelligent driving algorithms and form a multi-sensor information fusion model;</p> <p>Based on the perception simulation results, synthetic data is generated, with an annotation accuracy of 99.9%, the synthetic data results are fully controllable, and the authenticity of the synthetic data reaches 95%.</p>	3D graphics, simulation and AI

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Core technologies	Description and advantages	Categories
Scenario mining and scenario simulation	<p>The scenario mining tool chain based on parallel computing can perform high-concurrency, quasi-real-time vehicle behavior mining on the massive data collected by mass-produced vehicles, and can also perform perception scene mining on unstructured data based on AI perception algorithms and multimodal large model technology, and mine valuable simulation scenes from massive data.</p> <p>The independently developed scenario engine supports the latest ASAM OpenX international standard, natively supports the OpenSCENARIO scenario simulation standard and the OpenDRIVE map simulation standard. This makes it a leading solution for scenario engines.</p> <p>With the advantages of its own scene engine and map engine, it realizes intelligent scene generalization technology based on scene coverage.</p>	simulation and AI
Multi-level traffic simulation and traffic models	<p>Static road network and dynamic perception data are two key elements in the field of traffic simulation. Based on data mapping technology and real-time computing capabilities, the mutual conversion and editing integration of structured macro road network and micro road network can be realized. At the same time, based on cloud native technology and microservice architecture, the platform applies macro and micro simulation technology based on traffic road network to traffic model simulation deduction and evaluation analysis. This process can support traditional mathematical simulation models, and can also use the trajectory reconstruction and optimization technology of cross-sectional flow to apply the real-time collected traffic data to data-driven traffic model simulation, so as to more realistically map and simulate the traffic conditions in the real world, and realize the complete closed loop of traffic model simulation/data-driven simulation and simulation evaluation and application.</p> <p>Based on the general large model, a tool chain platform for traffic perception synthesis, traffic cognitive learning, traffic prediction deduction and traffic knowledge graph is gradually formed. Through AI technology, polymorphic traffic simulation scenarios for training computer vision algorithms can be generated, and real traffic trajectory data can be applied to deep reinforcement learning and traffic intelligent body construction, so as to realize the restoration and tracing of real traffic and data mining and generalization. The platform predicts and deduces traffic flow, speed, demand and accidents in the future by using historical traffic data, providing underlying model support for traffic incident warning and analysis and decision-making. The platform supports the access, training and iteration of third-party traffic models, providing underlying framework support for partners.</p>	simulation and AI

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## BUSINESS

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### RESEARCH AND DEVELOPMENT

Our ability to develop new technologies, design new products and solutions, and enhance existing products and solutions is critical for maintaining our market position.

#### Our R&D Team

Our R&D team consists of dedicated talents with profound industry expertise, focusing on developing and commercializing our products and solutions which help maintain our technological advantages and market competitiveness. Each of our core R&D team members has more than 10 years of industry experience and has specialized area. The following table sets out their profile:

Core R&D member	Profile
Mr. Bao Shiqiang (鮑世強)	Our chief technology officer and CEO of 51Sim, who holds a master’s degree from Tianjin University School of Computer Science and has 17 years of experience in industrial software R&D and development management. Mr. Bao worked for many years at Autodesk China R&D Centre, where he led the development of core functions for Maya and other professional software in Media and Entertainment division. With extensive technical and industrial experience in large-scale industrial software, cloud platform construction, computer graphics, sensor simulation, scenario simulation, data-driven simulation, and synthetic data, Mr. Bao has significantly contributed to the field. He also led the development of SimOne, an intelligent driving simulation tool with independent intellectual property rights in China.
Mr. Hou Tao (侯濤)	Our R&D director, who holds a PhD degree from the Institute of Remote Sensing Applications, Chinese Academy of Sciences. Mr. Hou has 13 years of experience in software development and computer graphics, with proficiency in OpenGL, DirectX, and HLSL. In the field of AI, Dr. Hou is well-versed in the training and inference processes of deep learning networks and has mastered cutting-edge model structures and end-to-end applications of Diffusion and Transformer technologies. Mr. Hou is currently responsible for directing and implementing systems such as 3D engine functionality services, intelligent scene perception, and intelligent traffic service prediction.
Mr. Wang Kai (王凱)	Our senior R&D manager, who holds a master’s degree in geotechnical engineering from Henan University of Technology with a research focus on the application of virtual reality and simulation technology in geotechnical laboratories. He has nearly 18 years of experience in technology development and management in the field of visualization. Currently, Mr. Wang is responsible for the development and maintenance of WDP5.0, which serves as the underlying support platform for AES across the entire industry. He is also tasked with promoting the implementation and deployment of the open platform project based on WDP.
Mr. Wang Yiyuan (王憶源)	Our deputy general manager of 51Sim, who holds a master’s degree in computer science from Tongji University and has 19 years of experience in software development and testing and project management. He possesses extensive technical and industry expertise in traffic element construction, traffic simulation, traffic modeling, and cloud-native architecture. Currently, Mr. Wang leads a team dedicated to developing TIM.



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### Core R&D member

### Profile

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Mr. Wang Yongchao (王永超)

Our senior architect, who graduated from China University of Geosciences (Beijing) with a master’s degree in computer technology. Mr. Wang has 12 years of experience in computer graphics, 3D geographic information systems, and related development and architecture. Since joining us in early 2022, he has led the team in developing the ISE Simulation Engine and the Matrix Engine for engineering applications. Currently, Mr. Wang heads the industry R&D group at 51Aes, overseeing the overall planning, development, and technical architecture of Matrix products, as well as the technical exploration and solution formulation for XIM.

For more details regarding Mr. Hou Tao, see “Directors, Supervisors and Senior Management.”

Our R&D team consisted of 111 members as of June 30, 2024, representing 30.7% of our total employees. They possess multi-disciplinary expertise in 3D graphics, simulations, and AI that collectively bring insights and experience to our R&D. Our R&D team members have exceptional backgrounds, with many holding advanced degrees and having gained valuable experience from leading academy and well-known industry participants. As of June 30, 2024, 30.6% of our R&D team members have master’s degrees or above, and 3 members of the R&D team hold Ph.D. degrees in graphics and GIS, transportation engineering, and physical optics, respectively.

We prioritize attracting and retaining top talent, recognizing it as the key to our future success and sustainable growth. To support our business expansion, we are committed to recruiting and developing individuals with experience from leading companies and expertise in relevant fields. We will continue to foster a culture of innovation, collaboration, and efficiency, and refine our organizational structure to empower our leaders and team members. This approach ensures they can take ownership of their work and be rewarded for their contributions. Additionally, we are dedicated to enhancing our team’s technical expertise, project management skills, and service quality through a comprehensive training system. This system includes regular technical training and industry knowledge sharing sessions, designed to accelerate learning and elevate the knowledge and skill levels of our employees.

We have entered into confidentiality and invention assignment agreements, and non-competition agreements with our R&D staff, or included confidentiality, invention assignment, and non-competition clauses in the employment contracts with our R&D staff. For key terms of our employment contracts with key management and technical staff, see “Directors, Supervisors and Senior Management—Key Terms of Employment Contracts.” During the Track Record Period and up to the Latest Practicable Date, we did not have any legal claims or proceedings that may have a material adverse impact on our key R&D programs and business operations.

### Our R&D Expenditure

Our R&D expenditure amounted to RMB106.3 million in 2021, RMB132.5 million in 2022 and RMB103.8 million in 2023, accounting for 49.8%, 54.1% and 50.5% of our total operating expenditure in the same periods, respectively.

### Our R&D Centers

Our research and development center is currently located in Shanghai. In addition, we have established an engineering center in Chengdu and an innovation center in Shenzhen.

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### Our R&D Process

We independently conduct product research and development based on technology and market trends. The R&D projects follow a standardized software development process and produce core results through rigorous internal testing and release. This process includes four main stages: research, project initiation, development, and project completion.

#### *Research Phase*

**Requirements Collection:** Product managers analyze and summarize user requirements, conduct market research, and competitive analysis.

**Feasibility Studies:** R&D personnel perform technical research on relevant general and specialized technologies to prepare for a technical feasibility study.

#### *Project Phase*

**Project Preparation:** Based on the Feasibility Study Report, the product manager analyzes the background, investment reasonableness, feasibility, and advancement of the R&D project. The R&D leader summarizes the main R&D content, implementation plan, overall budget, and staffing plan, forming the R&D Project Report.

**Project Approval Meeting:** Attended by heads of product, R&D, finance, legal, and HR. The product manager presents the project’s rationale and feasibility, while the R&D leader presents the implementation plan and budget. Once approved by all departments, the report is submitted to the CEO for final approval.

#### *R&D Phase*

##### **R&D Iteration:**

Follows an agile development process with multiple iterations. Product managers design and plan R&D content, user interaction, and retain functional definition documents. R&D personnel handle technical research, coding, system integration, and maintain development documents and code backups. Testers conduct unit and functional testing.

IP personnel collect and declare IP throughout the R&D process.

R&D personnel collaborate with HR and finance to track working hours and R&D expenses.

##### **Testing and Verification:**

Product managers confirm requirements are met. Testers conduct comprehensive tests (functional, performance, interface, security) to ensure quality.

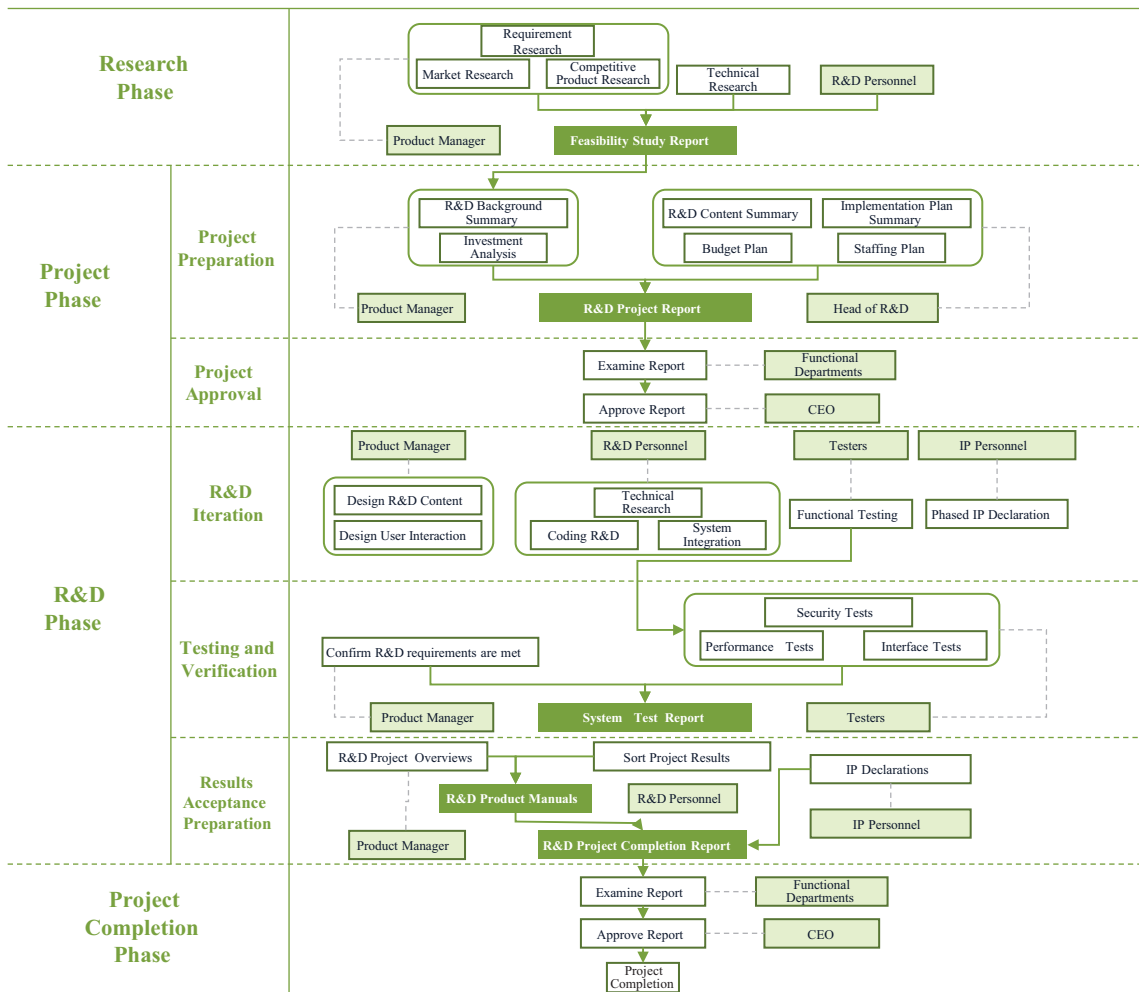
Product managers prepare project overviews, completion reports, and collaborate on product manuals. R&D personnel sort project results and complete IP declarations. Project managers finalize man-hour and cost accounting.

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### *Project Completion Phase*

**Completion Acceptance Meeting:** Attended by heads of product, R&D, finance, legal, and HR. Product leaders report on the overall project and its completion, R&D leaders present final results, IP leaders report on IP outputs, finance leaders discuss cost settlements, and legal leaders ensure output standardization.

The diagram below illustrates the workflow of our R&D process:



### **Our R&D Capabilities**

We are a member of the China Academy of Information and Communications Technology (CAICT) of the Ministry of Industry and Information Technology (MIIT), a member of the CIM standard group of the National Intelligent Standard Committee of the Ministry of Housing and Construction (MOHURD), a member of the Intelligent Connected Vehicle Sub-committee of the National Automotive Standardization Technical Committee (NCASTC), a member of the German Association for Standardization of Automation and Measurement Systems (ASAM) and the China Working Group. Member unit of China Intelligent Networked Vehicle Industry Innovation Alliance, member unit of China Simulation Society Autonomous Driving Vehicle Simulation and Testing Specialized Committee. We participated in the formulation of 7 national standards, 2 local standards, 2 industry standards and 25 group standards, participated in the research of 4 key government

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projects, and participated in the preparation of 34 white papers and industry reports. We insist on in-house research and development and did not engage in any outsourced or collaborative R&D activities that were material to our R&D operations during the Track Record Period.

### INTELLECTUAL PROPERTY

We rely on unpatented trade secrets, confidential know-how, and continuous technological innovation, to develop, strengthen, and maintain our competitive position. We seek to protect and enhance our proprietary technologies, inventions, and improvements that are commercially important to the growth of our business, including by seeking, maintaining, and defending patent rights. We also strive to operate without infringing, misappropriating or otherwise violating the intellectual property rights of third parties.

It is important to our future commercial success that we obtain and maintain patent and other proprietary protection for commercially important technology, inventions, and know-how related to our business; defend and enforce our IP rights, in particular our patents, trademarks, and copyrights; maintain the confidentiality of our trade secrets; and operate without infringing, misappropriating, or violating the valid and enforceable patents and proprietary rights of third parties. Our ability to prevent third parties from making, using, selling, offering to sell, or importing any technology products we develop may depend on the extent to which we have rights under valid and enforceable patents or trade secrets covering these activities.

The patent landscape for companies such as ours is generally uncertain and can involve complex legal, scientific, and factual issues. We cannot predict whether the patent applications we have filed will result in issued patents in any particular jurisdiction or whether the claims of any issued patents will provide sufficient proprietary protection from competitors. Furthermore, we cannot guarantee the issuance of patents for any future patent applications, nor can we ensure that any of our patents, present or future, will be effective in protecting our software, technology, computational platform, and any product candidates we develop. In addition, the coverage claimed in a patent application may be significantly reduced before a patent is issued, and its scope can be reinterpreted and even challenged after issuance. As a result, we cannot guarantee that any technology products we develop will be protected or remain protectable by enforceable patents. Moreover, any patents that we hold or may hold may be challenged, circumvented or invalidated by third parties. See “Risk Factors—Risks Relating to Our Intellectual Property Rights” for a more comprehensive description of risks related to our IP.

As of the Latest Practicable Date, we had 148 software copyrights and 110 validly authorized patents.

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The following table sets forth details of our material IP in relation to our Specialist Technology Products as of the Latest Practicable Date:

No.	Intellectual Property	Name of Registered Proprietor	Origins and Ownership	Specialist Technology Product	Importance to our Specialist Technology*	Place of Registration	Date of Application/Registration	Expiry Date
1	Image processing method, apparatus, storage medium and electronic device (圖像處理方法、裝置、存儲介質及電子設備)	Beijing 51WORLD Digital Twin Technology Co., Ltd.	Self-developed Proprietary	51Aes: AES	Multi-source Data Informatization Technology	PRC	July 17, 2019	July 17, 2039
2	Image fusion method, apparatus, storage medium and electronic device (圖像融合方法、裝置、存儲介質和電子設備)	Beijing 51WORLD Digital Twin Technology Co., Ltd.	Self-developed Proprietary	51Aes: ISE	Multi-source Data Informatization Technology	PRC	February 28, 2020	February 28, 2040
3	Methods, apparatus, storage media and electronic devices for modeling images (圖像的建模方法、裝置、存儲介質和電子設備)	Beijing 51WORLD Digital Twin Technology Co., Ltd.	Self-developed Proprietary	51Aes: AES	Multi-source data informatization technology	PRC	February 21, 2020	February 21, 2040
4	Methods, apparatus, storage media, and electronic devices for processing images (圖像的處理方法、裝置、存儲介質和電子設備)	Beijing 51WORLD Digital Twin Technology Co., Ltd.	Self-developed Proprietary	51Aes: ISE	Multi-source data informatization technology	PRC	January 20, 2020	January 20, 2040
5	A real-time cloud mapping optimization method based on spherical UV and reprojection (一種基於球面UV和重投影的雲實時繪製優化方法)	Beijing 51WORLD Digital Twin Technology Co., Ltd.	Self-developed Proprietary	51Aes: AES	Ultra-large-scale realism scene automatic generation and dynamic scheduling technology, real-time graphics engine cloud-based technology	PRC	August 23, 2017	August 23, 2037
6	Methods, apparatuses, storage media, and electronic devices for viewing virtual objects (觀察虛擬對象的方法、裝置、存儲介質及電子設備)	Beijing 51WORLD Digital Twin Technology Co., Ltd.	Self-developed Proprietary	51Aes: ISE	Multi-source data informatization technology	PRC	June 9, 2020	June 9, 2040

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No.	Intellectual Property	Name of Registered Proprietor	Origins and Ownership	Specialist Technology Product	Importance to our Specialist Technology*	Place of Registration	Date of Application/Registration	Expiry Date
7	Method, apparatus, storage medium and electronic device for generating a three-dimensional image of an object (生成物體三維圖像的方法、裝置、存儲介質及電子設備)	Beijing 51WORLD Digital Twin Technology Co., Ltd.	Self-developed Proprietary	51Aes: AES	Multi-source data informatization technology	PRC	February 24, 2020	February 24, 2040
8	Target object localization method, apparatus, storage medium, and electronic device (目標物體定位方法、裝置、存儲介質以及電子設備)	Beijing 51WORLD Digital Twin Technology Co., Ltd.	Self-developed Proprietary	51Aes: ISE	Multi-source data informatization technology, real-time scene editing technology	PRC	February 24, 2020	February 24, 2040
9	Method, apparatus, storage medium and electronic device for displaying a three-dimensional scene model (三維場景模型的展示方法、裝置、存儲介質及電子設備)	Beijing 51WORLD Digital Twin Technology Co., Ltd.	Self-developed Proprietary	51Aes: ISE	Digital twin scene servitization technology	PRC	February 21, 2020	February 21, 2040
10	A semantic segmentation processing method, device and apparatus for data (一種數據的語義分割處理方法、裝置及設備)	Beijing 51WORLD Digital Twin Technology Co., Ltd.	Self-developed Proprietary	51Aes: AES	Multi-source data informatization technology	PRC	March 28, 2023	March 28, 2043
11	A method, apparatus, and device for determining an instance of a data flow shape (一種數據流形實例的確定方法、裝置及設備)	Beijing 51WORLD Digital Twin Technology Co., Ltd.	Self-developed Proprietary	51Aes: ISE	Simulation engine technology	PRC	April 11, 2023	April 11, 2043
12	A data processing method, device and apparatus (一種數據處理方法、裝置及設備)	Beijing 51WORLD Digital Twin Technology Co., Ltd.	Self-developed Proprietary	51Aes: AES	Simulation engine technology	PRC	March 28, 2023	March 28, 2043
13	Method and apparatus for generating a three-dimensional image of a building (生成建築物的三維圖像的方法及裝置)	Beijing 51WORLD Digital Twin Technology Co., Ltd.	Self-developed Proprietary	51Aes: AES	Multi-source data informatization technology	PRC	February 28, 2020	February 28, 2040

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No.	Intellectual Property	Name of Registered Proprietor	Origins and Ownership	Specialist Technology Product	Importance to our Specialist Technology*	Place of Registration	Date of Application/Registration	Expiry Date
14	Methods, apparatus, storage media, electronic devices for compiling and obtaining files (編譯和獲取文件的方法、裝置、存儲介質、電子設備)	Beijing 51WORLD Digital Twin Technology Co., Ltd.	Self-developed Proprietary	51Aes: WDP	Simulation Engine Technology	PRC	December 15, 2020	December 15, 2040
15	A data processing method, apparatus and electronic device (一種數據處理方法、裝置及電子設備)	Beijing Mirrorverse Data Service Co., Ltd.	Self-developed Proprietary	51Earth	Metaverse Space Audio Interaction System	PRC	July 18, 2023	July 18, 2043
16	A method, device and apparatus for processing video data information (一種視頻數據信息的處理方法、裝置及設備)	Beijing Mirrorverse Data Service Co., Ltd.	Self-developed Proprietary	51Earth	Time dimension video, 3D model synergistic tools	PRC	June 21, 2023	June 21, 2043
17	A method, device and equipment for processing advertising information in virtual space (一種虛擬空間中的廣告信息處理方法、裝置及設備)	Beijing Mirrorverse Data Service Co., Ltd.	Self-developed Proprietary	51Earth	Meta-universe 3D spatial heat analysis technology and basic heat orientation of advertisements, comments and other evaluation push system	PRC	June 9, 2023	June 9, 2043
18	A method, apparatus and electronic device for processing comment data in a virtual space (一種虛擬空間的評論數據處理方法、裝置及電子設備)	Beijing Mirrorverse Data Service Co., Ltd.	Self-developed Proprietary	51Earth	Meta-universe 3D spatial heat analysis technology and basic heat orientation of ads, comments and other evaluation push system	PRC	June 26, 2023	June 26, 2043
19	A method, device and apparatus for determining the spatial heat of a target element (一種目標元素空間熱度的確定方法、裝置及設備)	Beijing Mirrorverse Data Service Co., Ltd.	Self-developed Proprietary	51Earth	Metaverse 3D spatial heat analysis technology and basic heat orientation of advertisements, comments and other evaluation and push system	PRC	June 13, 2023	June 13, 2043
20	Method, apparatus, storage medium and electronic device for obtaining a simulation data set (仿真數據集的獲取方法、裝置、存儲介質和電子設備)	Beijing 51WORLD Digital Twin Technology Co., Ltd	Self-developed Proprietary	51Sim: DataOne	Simulation map editing technology, simulation synchronization and acceleration technology, cloud simulation technology	PRC	October 27, 2020	October 27, 2040

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No.	Intellectual Property	Name of Registered Proprietor	Origins and Ownership	Specialist Technology Product	Importance to our Specialist Technology*	Place of Registration	Date of Application/Registration	Expiry Date
21	Method, apparatus, storage medium, and electronic device for constructing a roadway net-work at a road intersection (構建道路交叉口路網的方法、裝置、存儲介質及電子設備)	Beijing 51WORLD Digital Twin Technology Co., Ltd	Self-developed Proprietary	51Sim: TIM	Simulation map editing technology, collection data simulation technology	PRC	April 29, 2019	April 29, 2039
22	Road generation method, apparatus, storage medium and electronic device (道路生成方法、裝置、存儲介質及電子設備)	Beijing 51WORLD Digital Twin Technology Co., Ltd	Self-developed Proprietary	51Sim: TIM	Scene editing technology, data collection simulation technology	PRC	April 29, 2019	April 29, 2039
23	Vehicle steering lightness test equipment (車輛轉向輕便性測試裝置)	Beijing 51WORLD Digital Twin Technology Co., Ltd.	Self-developed Proprietary	51Sim: SimOne	V2X in-the-loop simulation technology, driving simulator technology	PRC	October 11, 2019	October 11, 2029
24	Analog steering wheel steering system (模擬方向盤轉向系統)	Beijing 51WORLD Digital Twin Technology Co., Ltd.	Self-developed Proprietary	51Sim: SimOne	V2X in-the-loop simulation technology, driving simulator technology	PRC	May 9, 2020	May 9, 2030
25	Method, apparatus, storage medium, and electronic device for generalization of driving trajectories (行車軌迹的泛化方法、裝置、存儲介質及電子設備)	Beijing 51Sim Technology Co., Ltd.	Self-developed Proprietary	51Sim: DataOne	Simulation map editing technology, simulation visualization technology, semantic scene generalization technology, trajectory reconstruction and optimization technology	PRC	June 2, 2021	June 2, 2041
26	Image labeling method, apparatus, storage medium and electronic device (圖像標註方法、裝置、存儲介質及電子設備)	Beijing 51Sim Technology Co., Ltd.	Self-developed Proprietary	51Sim: SimOne	Sensor simulation technology, scene simulation engine technology, camera in the loop simulation technology	PRC	October 10, 2020	October 10, 2040
27	Method, apparatus, storage medium and electronic device for generating attribute information of transportation road network (交通路網屬性信息生成方法、裝置、存儲介質及電子設備)	Beijing 51WORLD Digital Twin Technology Co., Ltd.	Self-developed Proprietary	51Sim: TIM	Simulation map editing technology	PRC	July 10, 2019	July 10, 2039



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No.	Intellectual Property	Name of Registered Proprietor	Origins and Ownership	Specialist Technology Product	Importance to our Specialist Technology*	Place of Registration	Date of Application/Registration	Expiry Date
28	A hand motion tracking method in a virtual driving environment (一種虛擬駕駛環境中手部運動跟蹤方法)	Beijing 51Sim Technology Co., Ltd.	Self-developed Proprietary	51Sim: SimOne	V2X in-loop simulation technology, driving simulator technology	PRC	April 2, 2018	April 2, 2038
29	Pavement point cloud data extraction method, apparatus, storage medium and electronic device (路面點雲數據提取方法、裝置、存儲介質及電子設備)	Beijing 51Sim Technology Co., Ltd.	Self-developed Proprietary	51Sim: TIM	Scene editing technology, collected data simulation technology	PRC	April 29, 2019	April 29, 2039
30	Traffic signal recognition method, apparatus, storage medium and electronic device (交通信號識別方法、裝置、存儲介質及電子設備)	Beijing 51WORLD Digital Twin Technology Co., Ltd.	Self-developed Proprietary	51Sim: SimOne	Sensor simulation technology, scene simulation engine technology, camera-in-the-loop simulation technology	PRC	April 29, 2019	April 29, 2039
31	Vehicle brake control method and device, vehicle (車輛制動控制方法及裝置、車輛)	Beijing 51WORLD Digital Twin Technology Co., Ltd.	Self-developed Proprietary	51Sim: SimOne	Dynamics simulation technology	PRC	September 29, 2020	September 29, 2040
32	Method, apparatus, storage medium and electronic device for generating motion trajectories (運動軌迹的生成方法、裝置、存儲介質和電子設備)	Beijing 51WORLD Digital Twin Technology Co., Ltd.	Self-developed Proprietary	51Sim: DataOne	Continuous traffic simulation technology, semantic scene generalization technology, trajectory reconstruction and optimization technology	PRC	June 9, 2020	June 9, 2040
33	Radar simulation method, apparatus, storage medium and electronic device (雷達仿真方法、裝置、存儲介質及電子設備)	Beijing 51WORLD Digital Twin Technology Co., Ltd.	Self-developed Proprietary	51Sim: SimOne	Sensor simulation technology, scene simulation engine technology	PRC	April 29, 2019	April 29, 2039
34	Platform for in-loop simulation and testing of in-vehicle cameras (車載相機在環仿真測試用平台)	Beijing 51WORLD Digital Twin Technology Co., Ltd.	Self-developed Proprietary	51Sim: SimOne	V2X in-loop simulation technology	PRC	October 11, 2019	October 11, 2029
35	Navigation map road network generation method, apparatus, storage medium and electronic device (導航地圖路網生成方法、裝置、存儲介質及電子設備)	Beijing 51WORLD Digital Twin Technology Co., Ltd.	Self-developed Proprietary	51Sim: DataOne	Simulation map editing technology, collected data simulation technology	PRC	June 24, 2020	June 24, 2040

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No.	Intellectual Property	Name of Registered Proprietor	Origins and Ownership	Specialist Technology Product	Importance to our Specialist Technology*	Place of Registration	Date of Application/Registration	Expiry Date
36	A method of docking a virtual steering wheel and a real steering wheel in a virtual driving application (一種虛擬駕駛應用中虛擬方向盤和真實方向盤對接方法)	Beijing 51WORLD Digital Twin Technology Co., Ltd.	Self-developed Proprietary	51Sim: SimOne	Scene editing technology	PRC	April 2, 2018	April 2, 2038
37	Methods, apparatuses, storage media, and electronic devices for building models (建立模型的方法、裝置、存儲介質及電子設備)	Beijing 51Sim Technology Co., Ltd.	Self-developed Proprietary	51Sim: TIM	Simulation 3D scene generation and production technology	PRC	June 16, 2020	June 16, 2040
38	Lane line detection method, apparatus, storage medium and electronic device (車道綫檢測方法、裝置、存儲介質及電子設備)	Beijing 51Sim Technology Co., Ltd.	Self-developed Proprietary	51Sim: DataOne	Scene editing technology, data acquisition simulation technology	PRC	July 17, 2019	July 17, 2039
39	3D road modeling method, apparatus, electronic device and storage medium (三維道路建模方法、裝置、電子設備及存儲介質)	Beijing 51Sim Technology Co., Ltd.	Self-developed Proprietary	51Sim: TIM	Simulation 3D scene generation and production technology	PRC	July 31, 2019	July 31, 2039
40	Method, apparatus, storage medium and electronic device for displaying driving conditions (行駛狀況展示方法、裝置、存儲介質和電子設備)	Beijing 51Sim Technology Co., Ltd.	Self-developed Proprietary	51Sim: SimOne	Simulation visualization technology	PRC	June 16, 2020	June 16, 2040
41	Hardware-in-the-loop evaluation methods, devices, storage media, electronic devices and systems (硬件在環評價方法、裝置、存儲介質、電子設備與系統)	Beijing 51Sim Technology Co., Ltd.	Self-developed Proprietary	51Sim: SimOne	Simulation test and evaluation technology, V2X in-the-loop simulation technology, driving simulator technology	PRC	December 18, 2020	December 18, 2040
42	Intersection traffic simulation method, apparatus, medium and electronic device (交叉口交通仿真方法、裝置、介質及電子設備)	Beijing 51WORLD Digital Twin Technology Co., Ltd.	Self-developed Proprietary	51Sim: TIM	Scene editing technology	PRC	May 10, 2019	May 10, 2039

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No.	Intellectual Property	Name of Registered Proprietor	Origins and Ownership	Specialist Technology Product	Importance to our Specialist Technology*	Place of Registration	Date of Application/Registration	Expiry Date
43	Method, apparatus, storage medium and electronic device for adjusting camera parameters (調整攝像頭參數的方法、裝置、存儲介質及電子設備)	Beijing 51WORLD Digital Twin Technology Co., Ltd.	Self-developed Proprietary	51Sim: SimOne	Sensor simulation technology, scene simulation engine technology, camera in the loop simulation technology	PRC	November 16, 2020	November 16, 2040
44	Method, apparatus, storage medium, and electronic device for determining road connection relationships (道路連接關係確定方法、裝置、存儲介質及電子設備)	Beijing 51Sim Technology Co., Ltd.	Self-developed Proprietary	51Sim: TIM	Scene editing technology, acquisition data simulation technology	PRC	July 21, 2020	July 21, 2040
45	Method, apparatus, storage medium and electronic device for recognizing road elements and constructing road network (道路元素的識別和路網構建方法、裝置、存儲介質及電子設備)	Beijing 51WORLD Digital Twin Technology Co., Ltd.	Self-developed Proprietary	51Sim: TIM	Simulation 3D scene generation and production technology, acquisition data simulation technology	PRC	April 29, 2019	April 29, 2039
46	Simulated image processing method, apparatus, storage medium and electronic device (仿真圖像處理方法、裝置、存儲介質及電子設備)	Beijing 51Sim Technology Co., Ltd.	Self-developed Proprietary	51Sim: SimOne	Simulation synchronization and acceleration technology	PRC	April 29, 2019	April 29, 2039
47	Methods, apparatus, media, and electronic devices for regulating the speed of a simulation process (調節仿真過程的速度的方法、裝置、介質及電子設備)	Beijing 51Sim Technology Co., Ltd.	Self-developed Proprietary	51Sim: SimOne	Continuous traffic simulation technology, simulation synchronization and acceleration technology, distributed simulation technology	PRC	April 29, 2019	April 29, 2039
48	Lane line generation method, apparatus, storage medium and electronic device (車道綫生成方法、裝置、存儲介質及電子設備)	Beijing 51WORLD Digital Twin Technology Co., Ltd.	Self-developed Proprietary	51Sim: DataOne	Simulation map editing technology, acquisition data simulation technology, semantic scene generalization technology	PRC	June 16, 2020	June 16, 2040

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No.	Intellectual Property	Name of Registered Proprietor	Origins and Ownership	Specialist Technology Product	Importance to our Specialist Technology*	Place of Registration	Date of Application/Registration	Expiry Date
49	Simulation data synchronization method, apparatus, storage medium and electronic device (仿真數據同步方法、裝置、存儲介質及電子設備)	Beijing 51WORLD Digital Twin Technology Co., Ltd.	Self-developed Proprietary	51Sim: SimOne	Simulation map editing technology, simulation synchronization and acceleration technology, cloud simulation technology	PRC	April 29, 2019	April 29, 2039
50	Brake Pedal Simulator (制動踏板模擬器)	Beijing 51WORLD Digital Twin Technology Co., Ltd.	Self-developed Proprietary	51Sim: SimOne	V2X in-the-loop simulation technology, driving simulator technology	PRC	October 11, 2019	October 11, 2029
51	Pavement marking generation method and apparatus, storage medium and electronic device (路面標識生成方法及裝置、存儲介質及電子設備)	Beijing 51Sim Technology Co., Ltd.	Self-developed Proprietary	51Sim: TIM	Scene editing technology	PRC	August 10, 2020	August 10, 2040
52	Methods, devices, media, and equipment for determining wheel loads of a simulated vehicle (確定仿真車輛的車輪載荷的方法、裝置、介質及設備)	Beijing 51Sim Technology Co., Ltd.	Self-developed Proprietary	51Sim: SimOne	Dynamics simulation technology	PRC	September 29, 2020	September 29, 2040
53	Methods, apparatus, storage media, and electronic devices for file manipulation (文件操作的方法、裝置、存儲介質及電子設備)	Beijing 51WORLD Digital Twin Technology Co., Ltd.	Self-developed Proprietary	51Aes: WDP	Simulation engine technology	PRC	November 27, 2020	November 27, 2040
54	Method, apparatus, storage medium and electronic device for determining an object in a three-dimensional scene (三維場景中對象的確定方法、裝置、存儲介質和電子設備)	Beijing 51WORLD Digital Twin Technology Co., Ltd.	Self-developed Proprietary	51Aes: WDP	Multi-source data informatization technology	PRC	August 28, 2020	August 28, 2040
55	Rendering methods, apparatus, storage media and electronic devices (渲染方法、裝置、存儲介質及電子設備)	Beijing 51WORLD Digital Twin Technology Co., Ltd.	Self-developed Proprietary	51Aes: AES	Scene real-time editing technology, large-scale distributed cloud rendering technology	PRC	June 9, 2020	June 9, 2040

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No.	Intellectual Property	Name of Registered Proprietor	Origins and Ownership	Specialist Technology Product	Importance to our Specialist Technology*	Place of Registration	Date of Application/Registration	Expiry Date
56	Data processing methods, apparatuses, storage media and electronic devices (數據處理方法、裝置、存儲介質及電子設備)	Beijing 51Sim Technology Co., Ltd.	Self-developed Proprietary	51Sim: DataOne	Continuous traffic simulation technology	PRC	October 10, 2020	October 10, 2040
57	A method, device and apparatus for generating an autonomous driving simulation scenario (一種自動駕駛仿真場景的生成方法、裝置及設備)	Beijing 51Sim Technology Co., Ltd.	Self-developed Proprietary	51Sim: SimOne	Simulation 3D scene generation and production technology, scene construction and editing technology	PRC	December 27, 2023	December 27, 2043
58	Method, apparatus and electronic device for testing vehicles in virtual scenarios (虛擬場景下車輛的測試方法、裝置及電子設備)	Beijing 51Sim Technology Co., Ltd.	Self-developed Proprietary	51Sim: SimOne	Continuous traffic simulation technology, simulation test and evaluation technology, distributed simulation technology, multilevel traffic simulation technology	PRC	September 14, 2021	September 14, 2041
59	A method, apparatus and device for synchronized information processing of virtual objects (一種虛擬對象的同步信息處理方法、裝置及設備)	Beijing Mirrorverse Data Service Co., Ltd.	Self-developed Proprietary	51Earth	A large-scale terminal online synchronization method	PRC	January 9, 2024	January 9, 2044
60	A method, device, and apparatus for processing three-dimensional model review information (一種三維模型審閱信息的處理方法、裝置及設備)	Beijing Mirrorverse Data Service Co., Ltd.	Self-developed Proprietary	51Earth	Video and 3D model synchronization tool in time dimension	PRC	July 13, 2023	July 13, 2043
61	A method, apparatus and device for generating a virtual machine instruction set (一種虛擬機指令集的生成方法、裝置及設備)	Beijing 51Sim Technology Co., Ltd.	Self-developed Proprietary	51Sim: SimOne	Distributed simulation technology	PRC	December 19, 2023	December 19, 2043
62	A method, apparatus and device for generating a map (一種地圖的生成方法、裝置及設備)	Beijing 51Sim Technology Co., Ltd.	Self-developed Proprietary	51Sim: TIM	Simulation map editing technology	PRC	December 21, 2023	December 21, 2043

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No.	Intellectual Property	Name of Registered Proprietor	Origins and Ownership	Specialist Technology Product	Importance to our Specialist Technology*	Place of Registration	Date of Application/Registration	Expiry Date
63	Method, apparatus, storage medium, and electronic device for monolithizing a real-life three-dimensional model (實景三維模型單體化方法、裝置、存儲介質及電子設備)	Beijing 51WORLD Digital Twin Technology Co., Ltd.	Self-developed Proprietary	51Aes: AES	Multi-source data informatization technology, real-time scene editing technology	PRC	June 9, 2020	June 9, 2040
64	Intersection generation method, apparatus, storage medium and electronic device (路口生成方法、裝置、存儲介質及電子設備)	Beijing 51Sim Technology Co., Ltd.	Self-developed Proprietary	51Sim: TIM	Simulation map editing technology, semantic scene generalization technology	PRC	December 16, 2020	December 16, 2040

\* Represents areas that we have applied our material IP to and/or that we expect to apply our material IP to.

We also own numerous trademarks registered in China. We pursue additional trademark registrations to the extent we believe doing so will be beneficial to our competitive position. See “Appendix IV—Statutory and General Information—B. Further Information about the Business of the Company—2. Our Material Intellectual Property Rights” to this document for further details regarding our IP.

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any material proceedings in respect of IP right infringement claims against us or initiated by us. However, there are risks if we fail to protect our IP rights in the future. For details, see “Risk Factors—Risks Relating to Our Intellectual Property Rights.”

## COMPETITION

China’s digital twin solution market is experiencing rapid growth, and the current competitive landscape is fragmented, with numerous types of players offering a diverse range of solutions.

Players in the China digital twin solution market can be categorized into two types: one-stop solution providers and point solution providers. One-stop solution providers are equipped to offer a comprehensive range of products and services, spanning model asset development tools to applications, and digital twin applications across multiple domains. In contrast, point solution providers specialize in a specific type of product or service and offer digital twin applications within a single domain. One-stop solution providers have a number of significant advantages over point solution providers, including greater technical capabilities, technical comprehensiveness, industry knowledge, business model diversity, and growth potential.

According to Frost & Sullivan, we are the largest digital twin solution provider in China in terms of digital twin solution revenue in 2023 and the only one-stop solution provider among the leading players in the market.

For more information about our competitive strengths, our industry and the risks we face, please refer to the sections headed “Industry Overview” and “Risk factors—Risks Related to Our Business and Industry — We operate in highly competitive markets and some market participants may

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## BUSINESS

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have substantially greater resources. We compete against a large number of both established competitors and new market entrants.” included elsewhere in this document.

### SALES AND MARKETING

Our sales team is designed to cater to the diverse needs and broad geographic distribution of our user base, ensuring high-quality service and support across all customer segments. As of June 30, 2024, our sales team consisted of 106 employees and we have established sales offices in Hangzhou, Hefei, Nanjing, Wuhan, and Fuzhou among other cities in China.

#### Sales Model

We directly contract with end-users, who are the primary recipients of our products, and handle the entire process, from project design and production to testing and delivery, providing standard software products, customized software, and technical services directly to the end customer.

In addition, we sell our products and solutions to eco-partners and IT service providers in the digital twin industry, who will either further develop on top of our products and solutions or integrate our products and solutions into others and then sell to the end-users, or sell directly to end-users.

By adopting these combined sales models, we effectively cater to the diverse needs and broad geographic distribution of our user base, ensuring high-quality service and support across all customer segments.

#### Pricing

We price our solutions and services considering a variety of factors, such as our contract fulfillment costs, the value of our solutions or services to the customer, the scarcity of our solutions or services in the market, the urgency and certainty of the delivery of our solutions or services, our delivery capacity, competition in the market, market’s willingness to pay, the overall market condition, and competitors’ pricing strategies. Taking these factors into account, we may adopt either cost-driving pricing or target-return pricing for different solutions or services.

### SEASONALITY

We experience seasonality in our business, primarily because of seasonal fluctuations in customer procurement demands. During the Track Record Period, we generally recorded higher revenues for our products and solutions in the fourth quarter of the year, primarily because certain of our customers tend to complete their inspection and accept our products and solutions in the fourth quarter, which cause us to recognize revenue in the fourth quarter according to relevant revenue recognition policy. See “Risk Factors—Our business and results of operations are subject to seasonal fluctuations” for more details.

### OUR CUSTOMERS

During the Track Record Period, our customers mainly consisted of enterprises of varying sizes. In 2021, 2022, 2023 and for the six months ended June 30, 2024, revenue generated from our five largest customers amounted to RMB31.4 million, RMB40.1 million, RMB98.1 million and RMB9.4 million, respectively, accounting for 24.9%, 23.6%, 38.3% and 28.4%, respectively, of our revenue.

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Below is a summary of the key terms of a typical agreement with our customer:

**Products/Services.** We provide our customer with software products and software development services as specified in the agreement or quotation.

**Term.** Until both parties fulfill their obligations under the agreement.

**Pricing and payment.** The value of our agreements with customers can vary substantially from customer to customer. The price of the software products or the service fee shall be fixed as set forth in the agreement or quotation. The customer is required to make payments to us according to the payment schedule agreed by the parties. For further details, see “— Our products and solutions”

**Confidentiality.** The customer agrees to keep confidential any information in relation to the performance of the agreement, including but not limited to any documents, know-how and other information and data related to us, the agreement or the quotation.

**Intellectual Property:** The customer or its end users (if any) are only authorized by us to use the software products developed by us, and we are entitled to the full intellectual property rights to the source code, documentation, and materials of the delivered software products.

The following table sets forth details of our five largest customers for each year or period during the Track Record Period.

### Year ended December 31, 2021

<u>Customer</u>	<u>Commencement of relationship</u>	<u>Customer background and principal business</u>	<u>Products or services sold</u>	<u>Revenue amount</u> <i>(RMB in thousands)</i>	<u>Percentage of total revenue</u> <i>(%)</i>
Customer A . . . .	2018	A software and information technology services company established in July 2018 in China	Software products development	9,981	7.9
Customer B . . . .	2019	An intelligent speech and language technology company established in October 2002 in China	Software products development	9,975	7.9
Customer C . . . .	2020	A government administrative body established in 2001 under the approval of the Beijing Municipal Government. It operates under the jurisdiction of the Chaoyang District Government and is responsible for the development, construction, and management of Beijing’s Central Business District	Software products development	3,923	3.1



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<u>Customer</u>	<u>Commencement of relationship</u>	<u>Customer background and principal business</u>	<u>Products or services sold</u>	<u>Revenue amount</u> <i>(RMB in thousands)</i>	<u>Percentage of total revenue</u> <i>(%)</i>
Customer D . . . .	2020	A third-party national motor vehicle product inspection organization established in August 2016 in China	Software products and hardware devices development	3,738	3.0
Customer E . . . .	2020	A digital solution provider established in May 2018 in China	Software products development	3,733	3.0
<b>Total . . . . .</b>				<b><u>31,350</u></b>	<b><u>24.9</u></b>

### Year ended December 31, 2022

<u>Customer</u>	<u>Commencement of relationship</u>	<u>Customer background and principal business</u>	<u>Products or services sold</u>	<u>Revenue amount</u> <i>(RMB in thousands)</i>	<u>Percentage of total revenue</u> <i>(%)</i>
Customer F . . . . .	2020	A digital building platform service provider established in September 2020 in China	Software products development	11,989	7.1
Customer A . . . .	2018	A software and information technology services company established in July 2018 in China	Software products development	11,127	6.5
Customer G . . . .	2021	An Internet and related services company established in June 2001 in China	Software products and hardware devices development	6,517	3.8
Customer H . . . .	2021	A one-stop hardcover living service platform company established in November 2017 in China	Software products and hardware devices development	5,642	3.3
Customer D . . . .	2020	A third-party national motor vehicle product inspection organization established in August 2016 in China	Software products and hardware devices development	4,850	2.9
<b>Total . . . . .</b>				<b><u>40,125</u></b>	<b><u>23.6</u></b>

### Year ended December 31, 2023

<u>Customer</u>	<u>Commencement of relationship</u>	<u>Customer background and principal business</u>	<u>Products or services sold</u>	<u>Revenue amount</u> <i>(RMB in thousands)</i>	<u>Percentage of total revenue</u> <i>(%)</i>
Customer I . . . . .	2022	A full-featured GPU chip and one-stop solution provider established in June 2020 in China	Software products and hardware devices development	40,487	15.8

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Customer	Commencement of relationship	Customer background and principal business	Products or services sold	Revenue amount <i>(RMB in thousands)</i>	Percentage of total revenue <i>(%)</i>
Customer A . . . .	2018	A software and information technology services company established in July 2018 in China	Software products development	26,366	10.3
Customer J <sup>(1)</sup> . . .	2019	A big data service and software service provider established in March 2017 in China	Software products development	14,541	5.7
Customer K . . . .	2021	A technology promotion and application services company established in July 2016 in China	Software products and hardware devices development	8,909	3.5
Customer L . . . .	2022	A computer software research and development, application and service provider established in May 1996 in China	Software products and hardware devices development	7,787	3.0
<b>Total . . . . .</b>				<b><u>98,090</u></b>	<b><u>38.3</u></b>

Note:

(1) The same entity as Supplier C. For details, see “—Our suppliers.”

### Six months ended June 30, 2024

Customer	Commencement of relationship	Customer background and principal business	Products or services sold	Revenue amount <i>(RMB in thousands)</i>	Percentage of total revenue <i>(%)</i>
Customer M . . . .	2023	A tourism company established in 2014 in Indonesia	Software products development	2,182	6.6
Customer N . . . . .	2023	A manufacturer of power generation equipment and engines established in October 1989 in China	Software products and hardware devices development	2,090	6.3
Customer O . . . . .	2022	A cloud computing and AI technology company established in April 2008 in China	Software products development	1,752	5.3
Customer P . . . . .	2023	An AI company focused on digital transformation of industries established in February 2022 in China	Software products development	1,749	5.3
Customer Q	2022	An AI company specialized in R&D AI hardware and industrial internet platforms and application algorithms established in July 2019 in China	Software products development	1,636	4.9
<b>Total</b>				<b><u>9,409</u></b>	<b><u>28.4</u></b>

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During the Track Record Period and up to the Latest Practicable Date, none of our Directors, their respective associates, or any shareholders of our Company (who or which to the knowledge of the Directors owned over 5% of our Company’s issued share capital) had any interest in any of our five largest customers, except for Customer I, which is a Shareholder of our Company. See “History—[REDACTED] Investments.”

### OUR SUPPLIERS

During the Track Record Period, our suppliers mainly consisted of hardware vendors, such as all-in-one PCs and specialized equipment, and software vendors, such as scene design, art rendering, and digital model modeling. Purchases from our five largest suppliers in 2021, 2022, 2023 and for the six months ended June 30, 2024 amounted to RMB21.4 million, RMB46.5 million, RMB10.7 million and RMB5.0 million, respectively, representing 53.9%, 63.9%, 41.9% and 53.0% of our total purchases in the same periods, respectively.

To the best knowledge of our Directors, each of our five largest suppliers for each year during the Track Record Period is an Independent Third Party. In addition, to the best knowledge of our Directors, there was no other past or present relationships (including financing, trust or otherwise) between us and each of our five largest suppliers, their respective substantial shareholders, directors or senior management, or any of their respective associates during the Track Record Period. None of our Directors, their close associates, or any Shareholder, which to the best knowledge of our Directors owns more than 5.0% of the total number of issued Shares, had any interest in any of our five largest suppliers for each year during the Track Record Period.

Below is a summary of the key terms of a typical agreement with software and hardware devices suppliers:

**Products.** The supplier provides us with products, such as software products and hardware devices as specified in the master agreement or purchase order.

**Term.** Typically one to three years, or until both parties fulfill their obligations under the agreement.

**Price.** Unless otherwise agreed, the price of the products shall be fixed as set forth in the agreement or purchase order.

**Payment.** We are required to make payments to the supplier according to the payment schedule agreed by the parties. Certain suppliers also require prepayment.

**Confidentiality.** The supplier agrees to keep confidential any information in relation to the performance of the agreement, including but not limited to any documents, know-how and other information and data related to us, the agreement or the purchase order.

**Delay of Supply.** In the event of a delay in the delivery of ordered products, the supplier shall be liable to pay a daily late penalty calculated as a percentage of the total contract price, following our written notification. If the delay exceeds the pre-agreed number of days, we are entitled to terminate the agreement, and the supplier shall pay a penalty fee for breaching the agreement.

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Below is a summary of the key terms of a typical agreement with technical services providers:

**Services.** The supplier provides us with technical services including operational and maintenance services, as specified in the master agreement.

**Term.** Typically one to three years, or until both parties fulfill their obligations under the agreement.

**Fee.** The service fee shall be fixed as set forth in the agreement or service order.

**Payment.** We are required to make payments to the supplier according to the payment schedule agreed by the parties.

**Confidentiality.** The supplier agrees to keep confidential any information in relation to the performance of the agreement, including but not limited to any documents, know-how and other information related to us, the agreement or the purchase order.

**Intellectual Property:** We are entitled to the full intellectual property rights and ownership over the products and deliverables created during the provision of services by the supplier.

**Delay of Supply.** In the event of a delay in the delivery of services, the supplier shall be liable to pay a daily late penalty calculated as a percentage of the total contract price, following our written notification. If the delay exceeds the pre-agreed number of days, we are entitled to terminate the agreement, and the supplier shall pay a penalty fee for breaching the agreement.

The following table sets forth details of our five largest suppliers for each year or period during the Track Record Period.

### Year ended December 31, 2021

<u>Supplier</u>	<u>Commencement of relationship</u>	<u>Supplier background and principal business</u>	<u>Products or services purchased</u>	<u>Purchase amount</u> <i>(RMB in thousands)</i>	<u>Percentage of total purchases</u> <i>(%)</i>
Supplier A . . . . .	2020	A human resource service and digital technology solution provider established in March 2017 in China	technical services	8,640	21.7
Supplier B . . . . .	2021	A technical service and hardware device provider established in April 2018 in China	hardware devices	4,133	10.4
Supplier C <sup>(1)</sup> . . . . .	2021	A big data service and software service provider established in March 2017 in China	software services	3,266	8.2
Supplier D . . . . .	2019	A software service and design service provider established in December 2018 in China	software services	3,033	7.6
Supplier E . . . . .	2019	A technical service and software service provider established in June 2019 in China	software services	2,374	6.0
<b>Total . . . . .</b>				<b><u>21,446</u></b>	<b><u>53.9</u></b>

*Note:*

(1) The same entity as Customer J.

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### Year ended December 31, 2022

<u>Supplier</u>	<u>Commencement of relationship</u>	<u>Supplier background and principal business</u>	<u>Products or services purchased</u>	<u>Purchase amount</u> <i>(RMB in thousands)</i>	<u>Percentage of total purchases</u> <i>(%)</i>
Supplier F . . . . .	2022	A hardware and software manufacturer established in December 2016 in China	hardware devices	31,637	43.4
Supplier A . . . . .	2020	A human resource service and digital technology solution provider established in March 2017 in China	technical services	4,930	6.8
Supplier G . . . . .	2022	A technical service and software service provider established in June 2001 in China	software services	3,491	4.8
Supplier D . . . . .	2019	A software service and design service provider established in December 2018 in China	software services	3,404	4.7
Supplier H . . . . .	2022	An engineering construction service, technical service, computer device and software service provider established in April 2015 in China	software services/ hardware devices	3,031	4.2
<b>Total . . . . .</b>				<b><u>46,493</u></b>	<b><u>63.9</u></b>

### Year ended December 31, 2023

<u>Supplier</u>	<u>Commencement of relationship</u>	<u>Supplier background and principal business</u>	<u>Products or services purchased</u>	<u>Purchase amount</u> <i>(RMB in thousands)</i>	<u>Percentage of total purchases</u> <i>(%)</i>
Supplier I . . . . .	2023	A technology research and development service provider established in July 2010 in China	software services/ hardware devices	3,763	14.8
Supplier D . . . . .	2019	A software service and design service provider established in December 2018 in China	software services	2,158	8.5
Supplier J . . . . .	2021	A technical service, software service and hardware device provider established in August 2016 in China	software services	1,754	6.9
Supplier A . . . . .	2020	A human resource service and digital technology solution provider established in July 2018 in China	technical services	1,581	6.2
Supplier K . . . . .	2022	A design service and hardware device provider established in August 2007 in China	hardware devices	1,411	5.5
<b>Total . . . . .</b>				<b><u>10,667</u></b>	<b><u>41.9</u></b>

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### Six months ended June 30, 2024

<u>Supplier</u>	<u>Commencement of relationship</u>	<u>Supplier background and principal business</u>	<u>Products or services purchased</u>	<u>Purchase amount</u> <i>(RMB in thousands)</i>	<u>Percentage of total purchases</u> <i>(%)</i>
Supplier L . . . . .	2022	A technical service and AD1A software service provider established in August 2009 in China	software services	2,830	30.2
Supplier D . . . . .	2019	A software service and design service provider established in December 2018 in China	software services	832	8.9
Supplier M . . . . .	2020	A technical service and software service provider established in April 2016 in China	hardware devices	441	4.7
Supplier N . . . . .	2024	A software service and technical service provider established in November 2009 in China	hardware devices	435	4.6
Supplier O . . . . .	2024	A technical service and software service provider established in November 2019 in China	software services	433	4.6
<b>Total . . . . .</b>				<u><u>4,971</u></u>	<u><u>53.0</u></u>

### OVERLAPPING OF CUSTOMERS AND SUPPLIERS

During the Track Record Period, some of our customers were also our suppliers.

Supplier C, one of our five largest suppliers in 2021, was also one of our five largest customers in 2023, i.e. Customer J. As a supplier, Supplier C provided application and software development services to the Group, primarily focusing on front-end development, including building user interfaces for the digital twin system, creating data visualization displays, designing interactive interfaces, and optimizing interface performance. As a customer, Customer J purchased 51Aes products and solutions from the Group. In 2021, 2022, 2023, and the six months ended June 30, 2024, the procurement amount was RMB3.3 million, RMB2.4 million, RMB0.6 million and nil, respectively, and the sales amount was RMB2.1 million, RMB3.7 million, RMB14.5 million and RMB0.4 million, respectively.

Customer G, one of our five largest customers in 2022, was also a supplier during the Track Record Period. As a customer, Customer G purchased digital twin visualization products and solutions from the Group. As a supplier, Customer G provided AI knowledge graph and generative Q&A capabilities along with related development services to the Group. In 2021, 2022, 2023, and the six months ended June 30, 2024, the sales amount was approximately nil, RMB6.5 million, RMB1.4 million and RMB34,700, respectively, and the procurement amount was nil from 2021 to 2023 and approximately RMB25,000 for the six months ended June 30, 2024.

Supplier K, one of our five largest suppliers in 2023, was also a customer during the Track Record Period. As a supplier, Supplier K mainly provided high-end customized imported furniture and interior decorative items to the Group in connection with a metaverse project for one of our customers. As a customer, Supplier K purchased WDP from the Group. In 2021, 2022, 2023, and the six months ended June 30, 2024, the procurement amount was nil, nil, RMB1.4 million and nil, respectively, and the sales amount was approximately RMB1,300, RMB0.5 million, nil and nil, respectively.

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Our purchases and sales with these overlapping customers and suppliers were not interconditional with each other. Our Directors have confirmed that our sales to and purchases from these customers and suppliers were conducted in the ordinary course of business under normal commercial terms. The terms of our agreements with these customers and suppliers are substantially the same as those with our other suppliers and customers. Our revenue from and purchase amount attributable to the remaining overlapping customers and suppliers were immaterial during the Track Record Period.

### PATH TO PROFITABILITY

We are dedicated to accelerating the commercialization of our products and solutions.

The following chart illustrates the timeline of the commercialization of our products and solutions:

	51Aes	51Sim	51Earth
Commencement of revenue generation .....	2015	2018	2022

The following table sets forth a breakdown of our revenue by business lines during the Track Record Period, both in absolute amounts and as a percentage of total revenue, for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in RMB thousands, except for percentage data)</i>									
	<i>(unaudited)</i>									
51Aes .....	111,410	88.3	141,627	83.3	204,586	79.8	19,526	66.0	26,014	78.3
51Sim .....	14,697	11.7	25,926	15.3	42,453	16.6	8,277	28.0	3,804	11.5
51Earth .....	—	—	2,424	1.4	9,263	3.6	1,780	6.0	3,397	10.2
<b>Total .....</b>	<b>126,107</b>	<b>100.0</b>	<b>169,977</b>	<b>100.0</b>	<b>256,302</b>	<b>100.0</b>	<b>29,583</b>	<b>100.0</b>	<b>33,215</b>	<b>100.0</b>

We have experienced strong revenue growth during the Track Record Period, demonstrating our ability to successfully commercialize our products and solutions. Our revenue increased by 34.8% from RMB126.1 million in 2021 to RMB170.0 million in 2022, and further increased by 50.8% from RMB170.0 million in 2022 to RMB256.3 million in 2023. Our revenue increased by 12.3% from RMB29.6 million for the six months ended June 30, 2023 to RMB33.2 million for the six months ended June 30, 2024. According to Frost & Sullivan, the global digital twin solution market size grew from US\$2.8 billion in 2019 to US\$8.9 billion by 2023, at a CAGR of 33.4% from 2019 to 2023, and it is projected to grow further and reach US\$46.4 billion by 2028, at a CAGR of 39.2% from 2023 to 2028. With further penetration and development of the digital twin solution market, and by launching new products and solutions and upgrading existing products and solutions, we expect that we will capture the trend of industry growth and realize further increase of our revenue.

We recorded gross profit of RMB82.2 million, RMB110.4 million, RMB139.0 million, RMB17.1 million and RMB16.6 million, and gross profit margin of 65.2%, 65.0%, 54.2%, 57.7% and 50.0% for the years ended December 31, 2021, 2022, and 2023 and the six months ended June 30, 2023 and 2024, respectively.

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We had a net loss of RMB146.4 million, RMB189.8 million, RMB87.1 million, RMB100.2 million, and RMB65.1 million in 2021, 2022 and 2023 and for the six months ended June 30, 2023 and 2024, respectively. Eliminating impact of items including (i) changes in carrying amount of financial instruments issued to investors, (ii) share-based payment and (iii) [REDACTED] expenses, we generated an adjusted net loss (non-IFRS measure) of RMB114.2 million, RMB132.4 million, RMB68.1 million, RMB84.5 million, and RMB60.3 million in 2021, 2022 and 2023 and for the six months ended June 30, 2023 and 2024, respectively. See “Financial Information—Description of Major Components of Our Results of Operations—Non-IFRS Measure.” Our adjusted net losses (non-IFRS measure) were primarily due to the significant amounts of selling expenses, general and administrative expenses and research and development costs incurred during the Track Record Period. Historically, we have made significant investments in our R&D activities and selling efforts as we continued to develop and commercialize our products and solutions and expand our brand influence. However, as we expand the scale and scope of our business, we expect to make continuous improvement to our operational efficiency.

We may continue to incur net losses in the near future, primarily due to the expected substantial operating costs and expenses. In the future, we aim to improve profitability through: (i) enriching our business models, products and solutions, (ii) expanding customer base, and (iii) enhancing our operational efficiency.

### **Enriching our business models, products and solutions**

Our commitment to innovation and responsiveness to market demands is central to our strategy. We are the leader in the digital twin industry in China, where rapid technological advancements necessitate continuous improvement and diversification of our product offerings. Our future profitability depends significantly on further monetizing our core technologies and expanding into new application scenarios and commercialization opportunities. Our core business lines—51Aes, 51Sim, and 51Earth—are at the forefront of this strategy.

- **51Aes:** This platform includes AES (All Elements Scene), WDP (digital twin SaaS platform), and ISE (infinite simulation engine), providing comprehensive full-stack solutions. By offering products like 51CIM, 51WIM, and 51XIM, we cover sectors such as cities, parks, water conservation, industry and energy. These products and solutions are transaction-based, except for WDP, which is primarily subscription-based. We aim to further develop a city digital infrastructure that interact with multi-dimensional indicators such as demographics, economy, architecture, industry, transportation, supporting facilities, finance and more.
- **51Sim:** As a pioneer in synthetic data and simulation, 51Sim offers platforms like SimOne and DataOne, crucial for intelligent driving and robotics. Our simulation technologies help optimize automatic driving algorithms, enhancing safety and performance. We will continue to support the evolution of high-level intelligent driving through data-driven closed-loop simulation and end-to-end simulation, aiming to expand our intelligent driving customer base. Furthermore, leveraging our extensive expertise in simulation, we will broaden the application scenarios of our simulation products, upgrading the SimOne platform to a general AI simulation platform, and combining it with the DataOne platform to accelerate the intelligent transformation of sectors such as embodied intelligence, constructure machinery, and agriculture. Besides, our Synthverse AI synthetic data



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platform intends to comprehensively support the development of embodied AI with high quality, diverse, and cost-effective synthetic data tailored to complex real-world environments and diverse needs in the future.

- 51Earth:** Our latest venture, 51Earth.com, which was launched in March 2024, aims to revolutionize digital Earth technology. 51Earth.com aims to connect builders, developers and consumers worldwide, generating revenue through subscription and value-added services. As of the Latest Practicable Date, 51Earth.com had released UGA assets for Dubai, Singapore, Riyadh, Jeddah and had attracted thousands of builders and developers. This platform is set to become a major growth driver, as we intend to release more UGA assets and accomplish builder-developer-consumer loop in the near future.

By continuously enhancing these platforms and introducing new products and solutions, we intend to maintain our competitive edge and cater to evolving market needs, thereby driving sustainable growth moving forward.

### Expanding customer base

A diverse and expanding customer base is crucial for our growth. Our extensive customer base includes enterprise-level customers, university organizations, content developers, and consumers across multiple industries. Since our inception, we have provided products and solutions to more than 1,000 customers in more than 10 sectors. In particular, in the field of intelligent driving and transportation, we have served hundreds of customers, including OEMs, tier-one suppliers, intelligent driving AI companies and universities, and have established high customer recognition and brand awareness in this segment. As of the Latest Practicable Date, we had attracted thousands of developers and consumers to 51Earth.com. In terms of internationalization, as of the Latest Practicable Date, our solutions have been deployed in 19 countries and regions and provided to more than 80 overseas customers. Our strong industry reputation and high customer recognition are testaments to our product quality and reliability.

The table below set forth a breakdown of the number of our customers that contributed revenue for each period by business lines during the Track Record Period:

	As of December 31,									As of June 30,		
	2021			2022			2023			2024		
	51Aes	51Sim	51Earth	51Aes	51Sim	51Earth	51Aes	51Sim	51Earth	51Aes	51Sim	51Earth
Number of customers . . . . .	141	23	—	157	33	29	183	40	26	69	15	9

We leverage word-of-mouth marketing, industry reputation, and active participation in conferences and exhibitions to attract new customers. Our established customer base acts as a powerful endorsement, drawing new clients and enhancing our market presence.

Retaining existing customers is as important as acquiring new ones. We focus on delivering exceptional value and continuous support to our clients, ensuring high satisfaction and loyalty. Our diverse product portfolio allows us to meet various customer needs, fostering long-term relationships.

By strategically enriching our products and solutions and expanding our customer base, we intend to secure a stable and growing revenue stream. Besides, we are dedicated to attract and accommodate individual users through launching and upgrading 51Earth.com, being prepared for future commercialization in C-end market.

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### Enhancing our operational efficiency

Operational efficiency is vital for profitability. Effective cost management and optimization of resources enable us to improve profitability.

- **Cost Management:** Our cost of sales includes software and hardware purchases, overheads, and employee compensation. During the Track Record Period, we achieved gross profit margin of 65.2%, 65.0%, 54.2%, 57.7% and 50.0% in 2021, 2022 and 2023 and for the six months ended June 30, 2023 and 2024, respectively. Going forward, we aim to leverage our IPs and accumulated technologies to control development costs.
- **Enhance Cross-functional Capabilities and Efficiency:** We aim to recruit and cultivate multidisciplinary talents while leveraging AI technologies to improve operational efficiency. By nurturing cross-functional skills in our workforce and optimizing workflow automation, we can focus our internal teams on high-impact activities. We may also outsource non-core administrative tasks to further reduce costs. Besides, we expect our selling and general and administrative expenses as a proportion of our revenue will further decrease due to economies of scale as demands for our products and solutions grow.
- **Enhanced R&D Efficiency:** With our 51Aes and 51Sim products and solutions already successfully commercialized, our R&D focus will shift towards refining and upgrading these products and solutions, ensuring they remain competitive while optimizing resources. For 51Earth, which is on the path to full commercialization, we plan to leverage the existing technologies and expertise developed for our 51Aes and 51Sim products and solutions. This strategic approach will streamline development processes, reducing time-to-market and improving R&D efficiency. We will regularly review R&D projects to ensure they deliver maximum return on investment and align with our long-term goals.

Through these measures, we aim to improve our operational efficiency, ensuring sustainable growth and improved profitability.

Based on the foregoing, our Directors believe that our business is sustainable.

### EMPLOYEES

As of June 30, 2024, we had 361 employees, including a total of 83 employees with master’s or doctorate degrees, accounting for approximately 23.0% of our employees. Substantially all of our employees were located in China. The following table sets forth a breakdown of our employees by function as of June 30, 2024.

<u>Function</u>	<u>Number of Employees</u>	<u>Percentage of Total</u>
Administration Management .....	44	12.2
R&D .....	111	30.7
Sales .....	106	29.4
IT .....	90	24.9
Finance .....	10	2.8
<b>Total</b> .....	<b>361</b>	<b>100.0</b>

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Our success depends on our ability to attract, motivate, train and retain qualified personnel. We believe we offer our employees competitive compensation packages and an environment that fosters career development. To recruit new talent, we employ various means such as campus events and colleague referrals, which enables us to build and cultivate our own pool of skilled professionals. Our initiatives for talent retention encompass executive coaching, employee surveys or engagement, training and development, compensation and rewards. As a result of these efforts, we believe we have been generally successful in attracting and retaining qualified personnel, and have established a stable core management team.

To formalize our employment relations, we enter into individual employment contracts with our employees. These contracts cover matters such as salaries, bonuses, employee benefits, workplace safety, confidentiality obligations, work product assignment clause and grounds for termination. We have also entered into confidentiality and invention assignment agreements and non-competition agreements with all of our employees, or included confidentiality, invention assignment, and non-competition clauses in the employment contracts of our employees. In particular, we ensure that any inventions created by our employees during our employment are assigned to us through confidentiality and invention assignment agreements. See “Directors, Supervisors and Senior Management—Key Terms of Employment Contracts” for key terms of our employment contracts with senior management members and other key personnel.

To maintain the quality, knowledge and skill levels of our workforce, we provide continuing education and training programs, both internally and externally, to enhance their technical, professional or management skills. We also conduct periodic trainings sessions to ensure their awareness and compliance with our policies and procedures in various aspects. Furthermore, we provide various incentives and benefits to our employees, including competitive salaries, bonuses and incentive schemes to our employees, particularly our key employees.

As required by PRC laws and regulations, we participate in social security schemes organized by municipal and provincial government, including pension, medical insurance, work-related injury insurance, unemployment insurance, maternity insurance and housing funds. 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 have granted, and plan to continue to grant, share-based incentive awards to our employees in the future to incentivize their contributions to our growth and development. See “Risk Factors—Risks Related to Our Operations—Failure to make full contributions to social insurance and housing provident funds for our employees in accordance with the relevant PRC laws and regulations may subject us to penalties.”

We believe that we maintain a positive working relationship with our employees. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material disputes with our employees.

## INSURANCE

We maintain insurance policies that are required under PRC laws and regulations, and based on our assessment of our operational needs and industry practice. As required by regulations in China, we participate in various employee social security plans that are organized by municipal and provincial governments, including pension insurance, unemployment insurance, maternity insurance, work-

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related injury insurance, medical insurance and housing funds. In the future, to the extent that any of the foregoing types of insurances becomes mandatory due to changes in law or other reasons, we will acquire such insurance to ensure continued compliance with the law. Our Directors believe that our existing insurance coverage is sufficient for our present operations and aligns with the industry practice in the PRC.

During the Track Record Period and up to the Latest Practicable Date, we did not file any material insurance claims, nor did we encounter any material difficulties in renewing our insurance policies.

### PROPERTIES

#### Owned Properties

As of the Latest Practicable Date, we did not own any real property.

#### Leased Properties

Our principal place of business is located in Beijing, China. As of the Latest Practicable Date, we leased 11 properties in Beijing, Hangzhou, Nanjing Hefei, Wuhan, Shenzhen Shanghai, Chengdu, and Fuzhou. As of the Latest Practicable Date, our leased properties had a total gross floor area of approximately 5,142 sq.m. The relevant lease agreements generally have a term of one to five years.

Our leased properties are mainly used as research and development centers and office premises for our business operations, which are non-property activities as defined under Rule 5.01(2) of the Listing Rules. We believe our existing facilities are generally adequate to meet our current needs, but we expect to seek additional space as needed to accommodate future growth.

As of the Latest Practicable Date, there were defects in some of our leased properties in China. See “Risk Factors—Risks relating to our general operations and industry—Our leasehold interests in leased properties have not been registered with the relevant PRC governmental authorities as required by relevant PRC laws. The failure to register leasehold interests may expose us to potential fines.”

During the Track Record Period and up to the Latest Practicable Date, we did not encounter any material difficulties in renewing lease agreements or locating new premises for our facilities. We do not foresee any major challenges or impediments in renewing the relevant leases upon their expiration.

#### Property to be acquired

In November, 2024, we entered into a pre-purchase contract (標的物業預購合同) with First Moma Commercial Operation Management (Beijing) Co., Ltd. (第一摩碼商業運營管理(北京)有限公司), an Independent Third Party, pursuant to which First Moma Commercial Operation Management (Beijing) Co., Ltd. agreed to sell and we agreed to purchase a building (the “**Property**”) located in Dongcheng District, Beijing, PRC for a total consideration of approximately RMB60.0 million. The Property has a total gross floor area of 1,845.15 sq.m. and is currently leased by us as our principal place of business in Beijing. On November 22, 2024, we paid a deposit of RMB36.0 million to the seller. Subject to entering into and the effectiveness of a subsequent procurement agreement, the remaining balance shall be paid before March 31, 2025. The Property is scheduled for delivery on March 31, 2025.

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Each of our property interests, including the Property to be acquired, had a carrying amount less than 15% of our consolidated total assets as of June 30, 2024. Therefore, according to Chapter 5 of the Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), 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 require a valuation report with respect to all our interests in land or buildings.

### ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Our Board of Directors is responsible for the oversight and management of key environmental, social and governance (ESG) risks, and the implementation of our ESG strategies is taken care by our specialized ESG working group under the Board of Directors office and relevant departments. We expect to hold ESG working group meetings every quarter for ESG publicity and issue our annual ESG comprehensive report starting from 2025. Our ESG working group monitors not only the effectiveness of our ESG strategy implementation, but also regulatory and industry ESG trends to ensure our ESG-related compliance.

#### Environmental Protection

##### *Resource Consumption: Electricity*

We are committed to operating our business with a priority on environmental protection, including climate-related aspects. Our electricity consumption initiatives include:

- Monitoring monthly electricity consumption statistics.
- Requiring employees to turn off all electrical appliances after work to save energy.
- Promoting energy-saving measures to reduce power consumption.

##### *Resource Consumption: Water*

To promote water conservation, we have adopted several initiatives:

- Encouraging employees to turn off taps tightly to prevent leaks.
- Posting water-saving reminders to raise awareness.
- Implementing water conservation measures throughout the company.

#### *Pollution Management*

We advocate for all employees to engage in green commuting practices.

#### *Green Office Initiatives*

We adhere to the principles of green sustainable development and low-carbon requirements, integrating these principles into daily operations through:

- Following green sustainable development concepts in all aspects of daily operations.
- Encouraging and facilitating green office practices among all employees.

## **BUSINESS**

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### **Social Responsibility**

#### ***Employee Health and Safety***

We have established and maintained a series of rules, standard operating procedures, and measures to ensure a safe and healthy working environment for our employees. Key initiatives include:

- Implementing safety and health measures for new employees.
- Regular training and awareness programs on health and safety.

#### ***Employee Management***

We highly value a diverse company culture and continuously implement management practices that support diversity, ensuring fair treatment and opportunities for all employees.

#### ***Employee Care***

Our company strictly adheres to relevant laws and regulations, opposing employment discrimination and upholding the principles of equal employment. We ensure that employees are not discriminated against based on race, religion, physical disability, or other personal characteristics.

We attach great importance to the health and safety of employees, and in order to create a comfortable working environment for employees, we encourage employees to participate in more physical exercise, has established a number of clubs such as soccer, basketball, badminton, etc., and regularly organizes sports activities.

#### ***Employee Feedback***

We have established diverse channels for collecting opinions and suggestions from employees, ensuring their voices are heard. Employees are encouraged to communicate directly with their supervisors and participate in regular feedback sessions.

#### ***Vision and Corporate Culture***

Our company maintains an inclusive and open mindset to understand cultural differences between countries and regions, aligning with our vision and mission. We strive to foster a corporate culture that embraces these values.

#### ***Public Welfare***

Our company actively participates in various public welfare activities. For example, we designed a VR experience zone to support the “Earth Hour” campaign, attracting participation from children and adults alike.

#### ***Green Technology***

Digital twin technology is having a broad and profound impact on society and the economy. Our company collaborates with industry partners, associations, and research institutions to promote digitalization and intelligentization of various industries, improve the efficiency of energy and resource use, explore the application of green technology and low-carbon innovative technology, and contribute to the sustainable development of society.

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### *Product Responsibility*

Quality management is a key focus of our company. We continuously strive to improve the quality of our products and solutions to meet current customer demands and anticipate future needs.

### **Governance Initiatives**

We have a stringent governance structure with clear allocation of powers and responsibilities. Our robust oversight mechanisms ensure that the company operates in compliance with laws, regulations, and corporate bylaws.

### **DATA PRIVACY AND SECURITY**

We are committed to complying with data privacy laws and protecting the security of customer data. We have appointed a Head of Cyber Security, a Head of Data Security and a Head of Personal Information Protection, who are responsible for the company’s cyber security and data protection.

Combined with the specific provisions of relevant laws and regulations, we have established an information security management system, including security management organization, security management system, personnel security management, system construction management, monitoring and early warning, virus management, software development, information system incident and emergency management, backup management and other system documents, to form a systematic and effective network security, data security, personal information protection system. In particular, it includes the following data security and personal information protection system.

- 51WORLD Data Security Management System, which contains detailed requirements for personal information protection, is the basic data security and personal information protection system applicable to the entire company.
- 51WORLD Personal Information Security Incident Emergency Response Specification and Schedule, which is a guiding document for the company to deal with personal information security incidents, and at the same time, guides the company to carry out the emergency plan for personal information security incidents.
- 51WORLD Third-Party Data Compliance Management Standard, which is designed to continuously manage the data protection compliance capability of the Company’s business activities in cooperation with partners, and to ensure that the data processing activities conducted in the course of cooperation with partners are lawful and compliant; and
- 51WORLD Data Classification and Grading Guidelines, which is a basic document that guides the Company in conducting data resource inventory and data classification and grading, and assists the Company in fulfilling its data security obligations.

We have obtained relevant certifications, including ISO9001 Quality Management System Certification and ISO27001 Information Security Management System Certification. The information security management system that we have established meets the standard requirements of relevant international and domestic standards for the information security management system that an enterprise should establish, and has the basic system, organization, personnel, and technical facilities necessary for internal control management and information security assurance, and meets compliance requirements.

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We currently collect personal information primarily for product usage and development purposes, which requires the collection of, among others, registration and login information, and contact information such as customers and suppliers. For registration information, we inform users of the types of information collected through our privacy policy and process the relevant personal information only after establishing a legal basis for handling it. For contact information, the information we require is closely related to business purposes and the collection of the information is justified and necessary.

During the Track Record Period and up to the Latest Practicable Date, we had not experience any material data leakage or data loss, nor did we receive any third-party claim against us on the ground of infringement of such party’s right to data protection as provided by any applicable laws and regulations .

### LEGAL PROCEEDINGS AND COMPLIANCE

#### Legal Proceedings

From time to time, we may become involved in legal proceedings and claims that arise in the ordinary course of our business activities. During the Track Record Period and up to the Latest Practicable Date, there were no legal proceedings pending or threatened against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

On June 21, 2024, one of our service providers filed an arbitration against our Company, alleging breach of contract. During the Track Record Period, the service provider provided us with cloud hosting services. The claimant is seeking approximately RMB23 million in monetary damages from our Company. Additionally, the claimant submitted an application for property preservation corresponding to the claimed amount in our bank accounts, which has been approved. We intend to defend ourselves vigorously. On October 23, 2024, we filed counterclaims against the claimant for breach of contract, seeking recovery of paid service fees and other monetary damages. As of the Latest Practicable Date, the arbitration hearing has not commenced and is currently scheduled for the end of December 2024.

Based on advice from the litigation counsel retained for the aforementioned case, we believe we have a strong defense against the claimant’s claims and our Directors are of the view that this case will not have a material adverse effect on our business, financial condition and results of operations.

We will continue to monitor the development of the case and try to minimize any potential adverse effect on us. However, we cannot predict the results of litigation and claims. See “Risk Factors — Risks Related to Our General Operations and Industry — We may from time to time be subject to claims, disputes, other legal and administrative proceedings that could materially adversely affect our business and financial condition.”

#### Non-Compliance

During the Track Record Period and up to the Latest Practicable Date, except as disclosed elsewhere in this document, we had not been involved in any material non-compliance incidents that have led to fines, enforcement actions, or other penalties that would have a material adverse effect on our business, results of operations, financial condition or reputation.



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### INTERNAL CONTROL AND RISK MANAGEMENT

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 continually improving these systems. We have adopted and implemented comprehensive risk management policies in various aspects of our business operations such as information technology, financial reporting, and internal control. 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 of the subsidiaries and functional departments.

#### Compliance Risk Management

In order to effectively manage our compliance and legal risk exposures, we have adopted strict internal procedures to ensure the compliance of our business operations with the applicable rules and regulations. In accordance with these procedures, our in-house legal department performs the basic function of reviewing and updating the form of contracts we enter into with our customers and suppliers. Our legal department examines the contract terms and reviews all relevant documents for our business operations, including licenses and permits obtained by the counterparties to perform their obligations, our business contracts and all the necessary underlying due diligence materials, before we enter into any contract or business arrangements.

Our in-house legal department is responsible for obtaining any requisite governmental pre-approvals or consents, including preparing and submitting all necessary documents for filing with relevant government authorities, within the prescribed regulatory timelines. We continuously improve our internal policies according to changes in laws, regulations and industry standards, and update internal templates for legal documents. We undertake compliance management over various aspects of our operations and employee activities. We have also established an accountability system in respect of employees' violations of laws, regulations and internal policies. In addition, we continually review the implementation of our risk management policies and measures to ensure our policies and implementation are effective and sufficient. We have an employee code of conducts in place, which contains internal rules and guidelines regarding basic working rules, work ethics, confidentiality, negligence, anti-bribery and anti-corruption. We provide our employees with regular training and resources to explain the guidelines contained in the employee code of conducts.

In particular, as our employees and we deal with a variety of third parties in our operations, we have implemented internal procedures with respect to anti-bribery, anti-corruption and conflict of interest matters. First, we have adopted measures against receiving bribes and kickbacks, and misappropriation of company assets. We have anti-corruption and anti-bribery clauses in a majority of our business contracts, and require our suppliers and other business partners to comply with relevant laws and regulations. Second, employees and parties outside our Company are encouraged to report suspicious information via phone, email, letters and other means. Lastly, our internal control department conducts internal control inspections on a regular basis.

#### Financial Reporting Risk Management

We have in place a set of policies in connection with our financial reporting risk management, such as financial reporting management, internal audit, investment management, and budget management. We also have procedures in place to implement such policies, and our financial

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department reviews our management accounts and internal control procedures based on such procedures. In addition, we provide training to our financial department staff to ensure they understand our accounting policies and procedures.

### LICENSES, PERMITS AND APPROVALS

We are required to obtain permits, licenses, approvals, filings and certifications for certain business operated by us from the relevant government authorities as required under PRC laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we had obtained all licenses, permits, approvals, filings and certifications that are material to our operations, and such licenses, permits, approvals, filings and certifications all remain in full effect. Please refer to “Regulatory Overview” for more details regarding the laws and regulations to which we are subject. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material difficulty in renewing such licenses, permits, approvals and certificates. To the best of our Directors’ knowledge, we currently do not expect to encounter any material difficulty in renewing them when they expire, if applicable, and no material unexpected or adverse changes have occurred since the date of their respective issuance.

The following table sets forth the key licenses and permits that were material to our business and operations as of June 30, 2024.

<u>License/Permit</u>	<u>Holder</u>	<u>Grant Date</u>	<u>Expiration Date</u>
High and New Technology Enterprise (高新技術企業)	The Company	December 20, 2023	December 20, 2026
High and New Technology Enterprise (高新技術企業)	Beijing 51Sim Technology Co., Ltd.	December 20, 2023	December 20, 2026
High and New Technology Enterprise (高新技術企業)	Mirrorverse Technology (Chengdu) Co., Ltd.	December 12, 2023	December 12, 2026
Zhongguancun High-Tech Enterprise (中關村高新技術企業)	The Company	December 15, 2023	December 15, 2026
Zhongguancun High-Tech Enterprise (中關村高新技術企業)	Beijing 51Sim Technology Co., Ltd.	December 18, 2023	December 18, 2026
Software Enterprise (軟件企業)	The Company	December 27, 2023	December 27, 2024
Innovative and Outstanding "Small Giant" Enterprises (專精特新“小巨人”企業)	The Company	July 2023	June 2026
Beijing Specialized and Sophisticated Small And Medium-Sized Enterprises (北 京市“專精特新”中小企業)	The Company	March 2022	March 2025
CMMI Development V3.0 Maturity Level3	The Company	May 13, 2024	May 13, 2027

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<u>License/Permit</u>	<u>Holder</u>	<u>Grant Date</u>	<u>Expiration Date</u>
Certificate of Compliance With Information Technology Service Standards (Operation & Maintenance Service Assessment Level 3) (信息技術服務標準符合性證書 (運行維護服務評估等級三級))	The Company	May 15, 2024	July 13, 2027
Intellectual Property Management System Certification (知識產權管理體系認證)	The Company	March 7, 2023	March 17, 2026
Beijing Enterprise Technology Center (北京市企業技術中心)	The Company	2023	Not applicable
Beijing Municipal Enterprise Science and Technology Research and Development Organization (北京市級企業科技研究開發機構)	The Company	December 2022	December 2025

## AWARDS AND RECOGNITIONS

As of June 30, 2024, we had received various awards, honors and recognitions, including the following:

<u>Year of Grant</u>	<u>Award/Recognition</u>	<u>Issuing Organization/Authority</u>
2021	First Prize of Software Platform Group in 2021 ‘Gold Standard Cup’ Green Intelligent Community Innovation Competition (2021“金標杯”綠色智慧社區創新大賽軟件平台組一等獎)	Co-hosted by the Internet News Centre of China and the National Intelligent Standard Committee (中國互聯網新聞中心和全國智標委聯合主辦)
2021	2020 Beijing Top 100 Private Enterprises in Science and Technology Innovation (2020北京民營企業“科技創新百強”)	Beijing Municipal Federation of Industry and Commerce (北京市工商聯)
2021	2021 Typical Examples of Digital Twin Cities (2021年數字孿生城市典型案例)	Digital Twin Technology Application Working Committee of Internet Society of China (中國互聯網協會數字孿生技術應用工作委員會)
2022	Award of Excellence in the Third China Industrial Internet Competition ‘Industrial Internet + Intelligent Networked Vehicles’ Professional Competition (第三屆中國工業互聯網大賽“工業互聯網+智能網聯汽車”專業賽優秀獎)	Hosted by the Ministry of Industry and Information Technology, the State-owned Assets Supervision and Administration Commission of the State Council, and the People’s Government of Zhejiang Province, and co-organized by the Administrative Committee of the Dalian High-tech Industrial Park, the National Research Centre for the Development of Industrial Information Security, and the Bureau of Industry and Information Technology of Dalian (工業和信息化部、國務院國有資產監督管理委員會、浙江省人民政府主辦，大連高新技術產業園區管理委員會、國家工業信息安全發展研究中心、大連市工業和信息化局共同承辦)

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<u>Year of Grant</u>	<u>Award/Recognition</u>	<u>Issuing Organization/Authority</u>
2022	2021 Outstanding Contribution Unit (2021年突出貢獻單位)	Digital Twin Technology Application Working Committee of Internet Society of China (中國互聯網協會數字孿生技術應用工作委員會)
2022	Fourth place in the TOP 10 List of Intelligent Networked Vehicles (智能網聯汽車領域TOP10榜單第四名)	Department of Science, Technology and Informatization of Ministry of Education, Department of Achievement Transformation and Regional Innovation of Ministry of Science and Technology, Torch High Technology Industry Development Centre of Ministry of Science and Technology, Bureau of Science and Technology Promotion and Development of Chinese Academy of Sciences, Science and Technology Innovation Development Centre of Chinese Academy of Sciences, Science and Technology Communication Centre of China Association for Science and Technology, Beijing Municipal Science and Technology Committee, Zhongguancun Administrative Committee and other units. Zhongguancun Science City Management Committee, Zhongguancun Hi-Tech Industry Promotion Centre, Zhongguancun Frontier Science and Technology and Industry Service Alliance (教育部科學技術與信息化司，科技部成果轉化與區域創新司，科學技術部火炬高技術產業開發中心，中國科學院科技促進發展局，中國科學院科技創新發展中心，中國科協科技傳播中心，北京市科委、中關村管委會等單位聯合指導。中關村科學城管理委員會、中關村高科技產業促進中心、中關村前沿科技與產業服務聯盟)
2023	Top 100 Companies for 2022 Metaverse Industry Applications and Pioneering Technologies (2022元宇宙產業應用與先鋒技術百強企業)	Cai Lian Press (財聯社)
2023	The 6th Zhongguancun International Advanced Science and Technology Innovation Competition - Top10 in the Interconnected Vehicle Field (第六屆中關村國際前沿科技創新大賽—智能網聯汽車領域Top10)	Organizing Committee of Zhongguan International Advanced Technology Innovation Competition (中關村國際前沿科技創新大賽組委會)
2023	2023 Top 100 Digital Economy Enterprises in Beijing (2023北京數字經濟企業百強)	Beijing Federation of Enterprises, Beijing Entrepreneurs Association (北京企業聯合會、北京企業家協會)
2023	2023 National Cultural Metaverse Demonstration Cases and Pioneer Organizations, China Metaverse Star Providers (Cultural) (2023年全國文化元宇宙示範案例與先鋒機構、中國元宇宙星級供應商(文化類))	China Academy of Information and Communications Technology (中國信通院)

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Year of Grant	Award/Recognition	Issuing Organization/Authority
2023	2023 Digital Twin Excellent Case of the Year (2023年度數字孿生優秀案例)	Zhongguancun Smart City Industry Technology Innovation Strategic Alliance (中關村智慧城市產業技術創新戰略聯盟)
2023	2023 Integrity Enterprise in Software and Information Service Industry (2023年軟件和信息服務業誠信企業)	Beijing Software and Information Service Industry Association (北京軟件和信息服務業協會)
2023	High and New Technology Enterprise innovation ability evaluation grade AAAAAA (高新技術企業創新能力評價等級AAAAAA)	Beijing Zhongguancun High and New Technology Enterprise Association (北京中關村高新技術企業協會)
2023	2023 Special Prize of Science and Technology Progress Award of Chinese Association of Automation (2023中國自動化學會科技進步獎特等獎)	Chinese Association of Automation (中國自動化學會)
2023	CAICT typical application cases in 2023 (2023年信通院應用典型案例)	China Academy of Information and Communications Technology (中國信息通信研究院)
2023	CAICT potential cases of application of digital twin technology in 2023 (2023年信通院數字孿生技術應用潛力案例)	China Academy of Information and Communications Technology (中國信息通信研究院)
2023	Excellent Case Study of City Brain (城市大腦優秀案例)	National Information Technology Standardization Technical Committee (全國信息技術標準化技術委員會)
2024	First Prize of the Science and Technology Award of the China Intelligent Transportation Systems Association (中國智能交通協會科學技術獎一等獎)	China Intelligent Transportation Systems Association (中國智能交通協會)

## FINANCIAL INFORMATION

*The following discussion and our analysis should be read in conjunction with our consolidated financial statements included in “Appendix I—Accountants’ Report,” together with the accompanying notes. Our consolidated financial statements have been prepared in accordance with IFRS Accounting Standards.*

*The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis that we make in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed in “Risk Factors” and “Forward-Looking Statements” and elsewhere in this document.*

### OVERVIEW

We are a leading technology company in the digital twin industry in China dedicated to cloning 510 million square kilometers of the Earth. We have invested heavily in and developed core competencies in technology around three major areas: 3D graphics, simulation, and AI. We aim to provide eco-partners including enterprises, consumers and developers with solutions to access and build digital twins and work together with them to create a real, complete, and permanent “Digital Twin Earth” which will in the end enhance the efficiency, safety, and quality of the real world as well as provide people with new perspectives and technologies to understand and improve our world. We refer to this initiative as our Earth Clone Project.

During the Track Record Period, our revenue grew significantly. Our revenue increased by 34.8% from RMB126.1 million in 2021 to RMB170.0 million in 2022, and further increased by 50.8% from RMB170.0 million in 2022 to RMB256.3 million in 2023. Our revenue increased by 12.3% from RMB29.6 million for the six months ended June 30, 2023 to RMB33.2 million for the six months ended June 30, 2024.

### BASIS OF PREPARATION

The principal accounting policies applied in the preparation of our historical financial information are in accordance with IFRS Accounting Standards, issued by the International Accounting Standards Board, or IASB. Our historical financial information has been prepared on a historical cost basis, except for bank structured deposits and redemption liabilities, the measurement basis of which was disclosed in Notes 2(e) and 2(p) of the Accountants’ Report in Appendix I to this document respectively.

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 judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the historical financial information are disclosed in Note 3 of the Accountants’ Report in Appendix I to this document.

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### MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, financial condition, results of operations and prospects are affected by general factors affecting the digital twin industry, which include:

- demand for digital twin products and solutions;
- evolution and market acceptance of digital twin products and solutions;
- the competitive landscape;
- relevant laws and regulations, government policies and initiatives; and
- the general economic and business conditions in China and globally.

Unfavorable changes in any of these factors could negatively affect the demand for our products and services and materially and adversely affect our results of operations.

Our business, financial condition, results of operations and prospects are also affected by certain company-specific factors, including the following:

#### Technological Capabilities and Innovation

As a technology-driven company, our technological capabilities are the cornerstone of our success. Our robust research and development capabilities allow us to scale efficiently and effectively. We have made, and will continue to make, significant investments in our R&D efforts. During the Track Record Period, our research and development expenses were RMB107.5 million, RMB134.2 million, RMB102.9 million, RMB54.9 million and RMB28.6 million in 2021, 2022 and 2023 and for the six months ended June 30, 2023 and 2024, respectively, accounting for 85.2%, 79.0%, 40.2%, 185.6% and 86.1% of our total revenue in the same periods, respectively. Given the digital twin industry’s demands for interdisciplinary talent, our long-term competitiveness depends on attracting and retaining a strong R&D team. We are committed to maintaining our investment in talent acquisition.

#### Comprehensive and Dynamic Product Portfolio

Our digital twin products are versatile and responsive to frequent changes in customer demand. The global digital twin industry is characterized by rapid advancements in product innovation and technology. To maintain our leading position and achieve sustainable growth, we must continuously enhance our digital twin products and introduce new products and solutions promptly. Our ability to efficiently develop and launch new digital twin products and improve our existing offerings is critical to our growth. We have a proven track record, evidenced by our comprehensive product matrix:

- **51Aes:** This platform includes AES, WDP, and ISE, providing comprehensive one-stop solutions. By offering industry solutions like 51CIM, 51WIM, and 51XIM, 51Aes spans over 10 sectors such as cities, parks, water conservation, industry and energy. We will continue to expand the coverage of industry scenarios and extend segmented scenarios.
- **51Sim:** As a pioneer in synthetic data and simulation, 51Sim offers products like SimOne, DataOne and TIM. Our simulation technologies help optimize intelligent driving algorithms, enhancing safety and performance.

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- **51Earth:** Our latest venture, 51Earth.com, which was launched in March 2024, aims to revolutionize digital Earth technology. 51Earth.com aims to connect builders, developers and consumers worldwide, generating revenue through subscription and value-added services.

We aim to leverage our existing strengths and further strengthen our product matrix to drive growth.

### **Diverse and Expanding Customer Base**

We have adopted a transaction-based model for most of our products and solutions during the Track Record Period. Retaining existing customers and expanding our customer base are crucial for our operational results and continued growth. We serve a diverse customer base across over 10 different sectors, with 164, 219 and 249 contracted customers in 2021, 2022 and 2023, respectively. We expect our customer base to continue expanding in number and diversity. Besides, we anticipate substantial market opportunities for digital twin solutions abroad. We currently have subsidiaries or offices in Sydney, Australia, Silicon Valley, USA, and Riyadh, Saudi Arabia, and will strategically enter regions with high demand for digital twins and data emulation by participating in international exhibitions, establishing local marketing networks, and optimizing our global marketing team’s effectiveness.

We attract new customers primarily through word-of-mouth marketing, our strong industry reputation, and marketing activities such as hosting EC conferences and attending industry exhibitions. Our loyal and reputable customer base demonstrates strong support for our solutions and services, enhancing our brand and reputation and attracting more customers.

### **Effective Cost Management**

Effective cost management is vital for achieving profitability and sustainable growth. Our cost of sales primarily consists of (i) the purchase of software, (ii) the purchase of hardware, (iii) overhead costs, which consist primarily of our production personnel’s share of occupancy costs, equipment rent, utilities, depreciation and amortization, and (iv) employee compensation expenses, which consist primarily of the cost of salaries and bonuses related to our production personnel. We recorded gross profit of RMB82.2 million, RMB110.4 million, RMB139.0 million, RMB17.1 million and RMB16.6 million, and gross profit margin of 65.2%, 65.0%, 54.2%, 57.7% and 50.0% in 2021, 2022 and 2023 and for the six months ended June 30, 2023 and 2024, respectively. Changes in any major component of our cost of sales and our overall cost structure could impact our gross profit and gross profit margin.

Furthermore, our business and results of operations are significantly affected by our operating expenses, which primarily comprised selling expenses, general and administrative expenses and research and development expenses. Our selling expenses were RMB54.0 million, RMB58.2 million, RMB51.4 million, RMB24.0 million and RMB25.2 million in 2021, 2022 and 2023 and for the six months ended June 30, 2023 and 2024, respectively, accounting for 42.8%, 34.2%, 20.0%, 81.2% and 75.8% of our total revenue in the same periods, respectively, and our general and administrative expenses were RMB53.3 million, RMB54.1 million, RMB50.3 million, RMB25.5 million and RMB26.2 million in 2021, 2022 and 2023 and for the six months ended June 30, 2023 and 2024, respectively, accounting for 42.3%, 31.8%, 19.6%, 86.1% and 78.8% of our total revenue in the same periods, respectively.



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### CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments relating to accounting items. The estimates and assumptions that we use and the judgments that we make in applying our accounting policies have a significant impact on our financial condition and results of operations. Our management continually evaluates such estimates, assumptions, and judgments based on past experience and other factors, including expectation of future events 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.

Set forth below are discussions of the 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. Other material accounting policies, estimates, assumptions, and judgments, which are important for understanding our financial condition and results of operations, are set forth in detail in Notes 2 and 3 to the Accountants’ Report in Appendix I to this document.

#### **Revenue and other income**

Income is classified as revenue when it arises from the sale of goods or the provision of services in the ordinary course of our business.

Further details of our revenue and other income recognition policies are as follows:

#### ***Revenue from contracts with customers***

Revenue arising from the sale of software platform and also from the sale of software platform together with software-embedded hardware as an integrated solution is accounted for as a single performance obligation. Revenue is recognised at a point in time when the software and the hardware (if applicable) are delivered to the customer’s designated place, inspected and accepted by the customer. In other circumstance, the software platform is delivered to end users for usage with a subscription period, the revenue is recognized over the subscription period.

The maintenance and upgrade services after sale are provided to maintain and improve the effectiveness of the software and therefore are accounted for as a separate performance obligation, and accounted for as a separate performance obligation and is recognised over the service period.

#### ***Revenue from other sources and other income***

##### **(a) Dividends**

Dividend income is recognised in profit or loss on the date on which our right to receive payment is established.

##### **(b) Interest income**

Interest income is recognised using the effective interest method. The “effective interest rate” is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset.

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### (c) Government grants

Government grants are recognized in the statement of financial position initially when there is reasonable assurance that they will be received and that we will comply with the conditions attaching to them. Grants that compensate us for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate us for the cost of an asset are recognised as deferred income in the statement of financial position and are subsequently recognised in profit or loss over the useful life of the asset.

### **Allowance for credit losses**

Management estimates credit loss allowance using a provision matrix based on our historical credit loss experience, included customer credit-worthiness, and historical write-off experience, and adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date. If the financial conditions of the customers were to deteriorate, additional allowance may be required.

### **Inventories and other contract costs**

#### *Inventories*

Inventories are measured at the lower of cost and net realizable value. Cost is calculated using the specific cost method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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.

#### *Other contract costs*

Other contract costs are either the incremental costs of obtaining a contract with a customer or the cost to fulfil a contract with a customer which are not capitalized as inventory, property and equipment or intangible assets.

We take advantage of practical expedient in paragraph 94 of the IFRS 15 and recognizes the incremental costs of obtaining a contract as an expense if the amortization of the asset that we otherwise would have recognized is one year or less.

Costs to fulfill a contract are capitalized if the costs related directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Otherwise, costs of fulfilling a contract, which are not capitalized as inventory, property and equipment or intangible assets, are expensed as incurred.

### **Contract assets and contract liabilities**

A contract asset is recognized when we recognize revenue before being unconditionally entitled to the consideration under the terms in the contract. Contract assets are assessed for ECLs and are reclassified to receivables when the right to the consideration becomes unconditional.

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A contract liability is recognized when the customer pays non-refundable consideration before we recognize the related revenue. A contract liability is also recognized if we have an unconditional right to receive non-refundable consideration before the Group recognizes the related revenue. In such cases, a corresponding receivable would also be recognized.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

### **Trade and other receivables**

A receivable is recognized when we have an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortized cost.

### **Trade and other payables**

Trade and other payables are initially recognized at fair value. Subsequent to initial recognition, trade and other payables are stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

### **Redemption liabilities**

A contract that contains an obligation for us to purchase our own equity instruments for cash or another financial asset gives rise to a financial liability even if our obligation to purchase is conditional on the counterparty exercising its right to redeem. The redemption liability is initially measured at the present value of the redemption amount and subsequently measured at amortised cost with interest expense being included in change in the carrying amounts of financial instruments issued to investors.

The then carrying amount of the redemption liability is reclassified to equity upon a termination of the counterparty's right to request us to redeem our own equity instruments.

### **Recognition of deferred tax assets**

Deferred tax assets related to deductible temporary differences, tax credits and tax losses are recognized when management considers it is probable that future taxable profits will be available against which the deductible temporary differences, tax credits and tax losses can be utilized. When the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and tax expenses in the period in which such estimate is changed.

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### Share-based payments

The equity-settled share-based payments granted to employees is measured at grant date fair value. The amount is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service conditions at the vesting date.

### IMPACT OF COVID-19 ON OUR OPERATIONS

At its height, the COVID-19 pandemic had a severe impact on China and the rest of the world. In response to the pandemic, countries and regions around the world, including China, imposed various measures to contain the spread of the virus. During the pandemic, repeated outbreaks and the pandemic control measures taken in many countries, such as social distancing and travel restrictions, in China and the rest of the world mainly affected the timeliness of our contract processing and payments from our customers. As China and other regions continually optimized and adjusted COVID-19 prevention and control measures, most of the control measures have been lifted, and the situation in China and most of the rest of the world has significantly improved as of the date of this document.

Save for the foregoing, during the Track Record Period and up to the Latest Practicable Date, the COVID-19 outbreak had not had a material adverse effect on our business, results of operations and financial condition.

### DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

The following table sets forth a summary of our consolidated statements of comprehensive income with line items in absolute amounts and as percentages of our revenue for the periods indicated. This information should be read together with our consolidated financial statements and related notes included elsewhere in this document. The results of operations in any particular period are not necessarily indicative of our future trends.

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2021	%	2022	%	2023	%	2023	%	2024	%
	<i>(in RMB thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
Revenue . . . . .	126,107	100.0	169,977	100.0	256,302	100.0	29,583	100.0	33,215	100.0
Cost of sales . . . .	(43,944)	(34.8)	(59,571)	(35.0)	(117,280)	(45.8)	(12,512)	(42.3)	(16,617)	(50.0)
<b>Gross profit</b>	<b>82,163</b>	<b>65.2</b>	<b>110,406</b>	<b>65.0</b>	<b>139,022</b>	<b>54.2</b>	<b>17,071</b>	<b>57.7</b>	<b>16,598</b>	<b>50.0</b>
Other net income . . . . .	14,605	11.6	12,089	7.1	11,684	4.6	7,960	26.9	4,226	12.7
Selling expenses . . . . .	(54,029)	(42.8)	(58,217)	(34.2)	(51,352)	(20.0)	(24,014)	(81.2)	(25,182)	(75.8)
General and administrative expenses . . . . .	(53,291)	(42.3)	(54,058)	(31.8)	(50,332)	(19.6)	(25,464)	(86.1)	(26,172)	(78.8)
Research and development expenses . . . . .	(107,502)	(85.2)	(134,206)	(79.0)	(102,907)	(40.2)	(54,911)	(185.6)	(28,585)	(86.1)
Impairment losses on trade and other receivables . . . .	(930)	(0.7)	(4,183)	(2.5)	(9,902)	(3.9)	(1,387)	(4.7)	(2,337)	(7.0)

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	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2021	%	2022	%	2023	%	2023	%	2024	%
	<i>(in RMB thousands, except for percentages)</i>									
	<i>(unaudited)</i>									
<b>Loss from</b>										
<b>operations</b> . . . .	(118,984)	(94.4)	(128,169)	(75.4)	(63,787)	(24.9)	(80,745)	(272.9)	(61,452)	(185.0)
Finance costs . . . .	(2,715)	(2.2)	(3,949)	(2.3)	(6,307)	(2.5)	(3,155)	(10.7)	(2,963)	(8.9)
Changes in carrying amount of financial instruments issued to investors . . . . .	(24,969)	(19.8)	(57,400)	(33.8)	(15,676)	(6.1)	(15,676)	(53.0)	—	—
Share of results of associates . . . . .	229	0.2	(267)	(0.2)	(1,257)	(0.5)	(635)	(2.1)	(652)	(2.0)
<b>Loss before</b>										
<b>tax</b> . . . . .	(146,439)	(116.1)	(189,785)	(111.7)	(87,027)	(34.0)	(100,211)	(338.7)	(65,067)	(195.9)
Income tax . . . . .	—	—	—	—	(50)	—	—	—	—	—
<b>Loss for the year/   period</b> . . . . .	<u>(146,439)</u>	<u>(116.1)</u>	<u>(189,785)</u>	<u>(111.7)</u>	<u>(87,077)</u>	<u>(34.0)</u>	<u>(100,211)</u>	<u>(338.7)</u>	<u>(65,067)</u>	<u>(195.9)</u>

### Non-IFRS Measures

To supplement our consolidated financial statements that are presented in accordance with IFRS Accounting Standards, we also use adjusted net loss (non-IFRS measure) as additional financial measures, which are not required by, or presented in accordance with, IFRS Accounting Standards. We believe that these non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impact of items that our management does not consider to be indicative of our operating performance. We believe that these measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of adjusted net loss (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measures has limitations as an analytical tool, and you should not consider them in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS Accounting Standards.

We define adjusted net loss (non-IFRS measure) as net loss for the period adjusted by adding back changes in carrying amount of financial instruments issued to investors, share-based payment and [REDACTED] expenses.

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The following table sets forth a reconciliation of our adjusted net loss (non-IFRS measure) for the years ended December 31, 2021, 2022, and 2023 and the six months ended June 30, 2023 and 2024 to the nearest measure prepared in accordance with IFRS Accounting Standards, which is net loss for the year/period.

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2021	2022	2023	2023	2024
	<i>(in RMB thousands)</i>				
<b>Reconciliation of net loss and adjusted net loss (non-IFRS measure)</b>					
Net loss for the year/period . . . . .	(146,439)	(189,785)	(87,077)	(100,211)	(65,067)
Add:					
Changes in carrying amount of financial instruments issued to investors <sup>(1)</sup> . . . . .	24,969	57,400	15,676	15,676	—
Share-based payment <sup>(2)</sup> . . . . .	7,302	—	3,320	—	2,806
[REDACTED] expenses <sup>(3)</sup> . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>Adjusted Net Loss (non-IFRS measure)</b> . . . . .	<b>(114,168)</b>	<b>(132,385)</b>	<b>(68,081)</b>	<b>(84,535)</b>	<b>(60,280)</b>

*Notes:*

- (1) Changes in carrying amount of financial instruments issued to investors relate to the redemption rights granted to investors in historical financings.
- (2) Share based payment expenses mainly represent the non-cash employee benefit expenses incurred in connection with our award to our Directors, management and key employees. Such expenses in any specific period are not expected to result in future cash payments.
- (3) [REDACTED] expenses are one-off in nature relating to our [REDACTED] and will not recur after the [REDACTED].

### Revenue

During the Track Record Period, we primarily derived revenue from 51Aes and 51Sim. We generated substantially all of our revenue from China during the Track Record Period.

During the Track Record Period, we generally recorded higher revenues for our products and solutions in the fourth quarter of the year, primarily because certain of our customers tend to complete their inspection of and accept our products and solutions in the fourth quarter, which cause us to recognize revenue in the fourth quarter according to relevant revenue recognition policy. See “Risk Factors—Risks Relating To Our General Operations and Industry—Our business and results of operations are subject to seasonal fluctuations.”

### Revenue by business lines

The following table sets forth a breakdown of our revenue by business lines during the Track Record Period, both in absolute amounts and as a percentage of total revenue, for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in RMB thousands, except for percentage data)</i>									
	<i>(unaudited)</i>									
51Aes . . . . .	111,410	88.3	141,627	83.3	204,586	79.8	19,526	66.0	26,014	78.3
51Sim . . . . .	14,697	11.7	25,926	15.3	42,453	16.6	8,277	28.0	3,804	11.5
51Earth . . . . .	—	—	2,424	1.4	9,263	3.6	1,780	6.0	3,397	10.2
<b>Total</b> . . . . .	<b>126,107</b>	<b>100.0</b>	<b>169,977</b>	<b>100.0</b>	<b>256,302</b>	<b>100.0</b>	<b>29,583</b>	<b>100.0</b>	<b>33,215</b>	<b>100.0</b>

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### *Revenue by geological location of customers*

The following table sets forth a breakdown of our revenue by geological location of our customers during the Track Record Period, both in absolute amounts and as a percentage of total revenue, for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in RMB thousands, except for percentage data)</i>									
	<i>(unaudited)</i>									
Mainland China . . . . .	121,890	96.7	164,271	96.6	250,334	97.7	29,581	100.0	30,949	93.2
Others <sup>(1)</sup> . . . . .	4,217	3.3	5,706	3.4	5,968	2.3	2	—	2,266	6.8
<b>Total . . . . .</b>	<b>126,107</b>	<b>100.0</b>	<b>169,977</b>	<b>100.0</b>	<b>256,302</b>	<b>100.0</b>	<b>29,583</b>	<b>100.0</b>	<b>33,215</b>	<b>100.0</b>

Note:

(1) Primarily represent Australia, Japan, Turkey, Hong Kong, Singapore, France and Indonesia.

### **Cost of Sales**

Our cost of sales primarily comprises (i) purchase of software, (ii) employee compensation expenses, which consist primarily of the cost of salaries and bonuses related to our production personnel (iii) purchase of hardware, and (iv) overhead costs, which consist primarily of our production personnel’s share of occupancy costs, equipment rent, utilities, depreciation and amortization. The following table sets forth the breakdown of our cost of sales by nature, in absolute amount and percentages of total cost of sales, for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in RMB thousands, except for percentage data)</i>									
	<i>(unaudited)</i>									
<b>Cost of sales</b>										
Purchase of software . . .	19,561	44.5	25,615	43.0	35,995	30.7	2,861	22.9	3,111	18.7
Employee compensation expenses . . . . .	16,611	37.8	23,436	39.3	33,619	28.7	8,234	65.8	9,024	54.3
Purchase of hardware . .	5,087	11.6	7,423	12.5	41,104	35	363	2.9	536	3.2
Overhead costs . . . . .	2,685	6.1	3,097	5.2	6,562	5.6	1,054	8.4	3,946	23.8
<b>Total . . . . .</b>	<b>43,944</b>	<b>100.0</b>	<b>59,571</b>	<b>100.0</b>	<b>117,280</b>	<b>100.0</b>	<b>12,512</b>	<b>100.0</b>	<b>16,617</b>	<b>100.0</b>

The following table sets forth the breakdown of our cost of sales by business lines, in absolute amount and percentages of total cost of sales, for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in RMB thousands, except for percentage data)</i>									
	<i>(unaudited)</i>									
<b>Cost of sales</b>										
51Aes . . . . .	35,867	81.6	43,610	73.2	90,614	77.3	7,037	56.2	10,318	62.1
51Sim . . . . .	8,077	18.4	15,669	26.3	21,372	18.2	5,257	42.0	4,170	25.1
51Earth . . . . .	—	—	292	0.5	5,294	4.5	218	1.8	2,129	12.8
<b>Total . . . . .</b>	<b>43,944</b>	<b>100.0</b>	<b>59,571</b>	<b>100.0</b>	<b>117,280</b>	<b>100.0</b>	<b>12,512</b>	<b>100.0</b>	<b>16,617</b>	<b>100.0</b>

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### Gross Profit and Gross Profit Margin

The following table sets forth the breakdown of our gross profit and gross profit margin by business lines, for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	Gross profit	Gross profit margin%	Gross profit	Gross profit margin %	Gross profit	Gross profit margin %	Gross profit	Gross profit margin%	Gross profit	Gross profit margin%
	<i>(in RMB thousands, except for percentage data)</i>									
	<i>(unaudited)</i>									
<b>Gross profit</b>										
51Aes . . . . .	75,543	67.8	98,017	69.2	113,972	55.7	12,489	64.0	15,695	60.3
51Sim . . . . .	6,620	45.0	10,257	39.6	21,081	49.7	3,020	36.5	(366)	(9.6)
51Earth . . . . .	—	—	2,132	88.0	3,969	42.8	1,562	87.7	1,268	37.3
<b>Total . . . . .</b>	<b><u>82,163</u></b>	<b><u>65.2</u></b>	<b><u>110,406</u></b>	<b><u>65.0</u></b>	<b><u>139,022</u></b>	<b><u>54.2</u></b>	<b><u>17,071</u></b>	<b><u>57.7</u></b>	<b><u>16,598</u></b>	<b><u>50.0</u></b>

We recorded gross profit of RMB82.2 million, RMB110.4 million, RMB139.0 million, RMB17.1 million and RMB16.6 million, and gross profit margin of 65.2%, 65.0%, 54.2%, 57.7% and 50.0% in 2021, 2022 and 2023 and for the six months ended June 30, 2023 and 2024, respectively.

51Sim business line recorded gross loss of RMB0.4 million for the six months ended June 30, 2024, primarily due to the inventory write-down in relation to simulation solutions.

### Research and Development Expenses

Our research and development expenses primarily comprise (i) employee compensation expenses, which primarily include the salaries, wages, bonuses and share-based payments expenses for our research and development personnel, (ii) housing rental and property expenses, (iii) equipment rental expenses, (iv) depreciation and amortization, and (v) technology service fees. Historically, we have made significant investments in our research and development activities as we continued to develop our products and solutions and expanded our research and development team. We do not capitalize research and development costs nor allocate them by solutions or products.



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The following table sets forth the breakdown of our research and development expenses by nature, in absolute amount and percentages of our total research and development expenses, for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in RMB thousands, except for percentage data)</i>									
	<i>(unaudited)</i>									
<b>Research and Development Expenses</b>										
Employee compensation expenses	90,153	83.9	112,737	84.0	82,018	79.7	46,121	84.0	23,736	83.0
Housing rental and property expenses	6,353	5.9	8,575	6.4	7,101	6.9	4,003	7.3	2,607	9.1
Equipment rental expenses	2,789	2.6	1,387	1.0	616	0.6	429	0.8	116	0.4
Depreciation and amortization	2,481	2.3	2,612	1.9	2,006	1.9	1,008	1.8	603	2.1
Technology service fees	2,173	2.0	5,118	3.8	8,845	8.6	2,158	3.9	1,043	3.6
Office, utility and travelling expenses	1,462	1.4	948	0.7	1,139	1.1	503	0.9	106	0.4
Professional service fees	1,357	1.3	1,099	0.8	345	0.3	346	0.6	12	0.0
Others	734	0.7	1,728	1.3	837	0.8	343	0.6	362	1.3
<b>Total</b>	<b>107,502</b>	<b>100.0</b>	<b>134,206</b>	<b>100.0</b>	<b>102,907</b>	<b>100.0</b>	<b>54,911</b>	<b>100.0</b>	<b>28,585</b>	<b>100.0</b>

### Selling Expenses

Our selling expenses consist primarily of (i) employee compensation expenses, which primarily include the salaries, wages, bonuses and share-based payments expenses for our selling personnel, (ii) advertising and promotion expenses, and (iii) housing rental and property expenses. The following table sets forth a breakdown of our selling expenses, in absolute amounts and as percentages of our total selling expenses, for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in RMB thousands, except for percentage data)</i>									
	<i>(unaudited)</i>									
<b>Selling expenses</b>										
Employee compensation expenses	45,211	83.7	49,959	85.8	40,243	78.4	20,365	84.8	24,424	85.1
Advertising and promotion expenses	4,325	8.0	3,202	5.5	4,885	9.5	1,092	4.5	768	3.0
Housing rental and property expenses	2,673	4.9	3,484	6.0	2,868	5.6	1,392	5.8	1,810	7.2
Depreciation and amortization	426	0.8	349	0.6	406	0.8	194	0.8	116	0.5
Equipment rental and service fees	199	0.4	205	0.4	398	0.8	355	1.5	53	0.2
Others	1,197	2.2	1,018	1.7	2,552	5.0	616	2.6	1,011	4.0
<b>Total</b>	<b>54,029</b>	<b>100.0</b>	<b>58,217</b>	<b>100.0</b>	<b>51,352</b>	<b>100.0</b>	<b>24,014</b>	<b>100.0</b>	<b>25,182</b>	<b>100.0</b>

## FINANCIAL INFORMATION

### General and Administrative Expenses

Our general and administrative expenses primarily include (i) employee compensation expenses, which primarily include the salaries, wages, bonuses and share-based payments expenses for our administrative personnel, (ii) depreciation and amortization, which are primarily related to our property and equipment, (iii) housing rental and property expenses, (iv) professional service fees and (v) [REDACTED] expenses. The following table sets forth a breakdown of our general and administrative expenses, in absolute amounts and as percentages of our total general and administrative expenses, for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in RMB thousands, except for percentage data)</i>						<i>(unaudited)</i>			
<b>General and administrative expenses</b>										
Employee compensation expenses .....	38,169	71.6	42,096	77.9	38,706	76.9	20,383	80.0	17,125	65.4
Depreciation and amortization .....	1,412	2.6	1,956	3.6	2,200	4.4	995	3.9	2,012	7.7
Housing rental and property expenses ...	3,228	6.1	2,954	5.5	2,778	5.5	1,189	4.7	1,461	5.6
Professional service fees .....	5,271	9.9	3,161	5.8	3,093	6.1	934	3.7	2,041	7.8
[REDACTED] expenses .....	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Office, recruitment and travelling expenses .....	2,676	5.0	1,068	2.0	1,525	3.0	680	2.7	654	2.5
Equipment rental and service fees .....	1,498	2.8	1,951	3.6	1,314	2.6	964	3.8	548	2.1
Others .....	1,037	1.9	872	1.6	716	1.4	319	1.3	350	1.3
<b>Total .....</b>	<b>53,291</b>	<b>100.0</b>	<b>54,058</b>	<b>100.0</b>	<b>50,332</b>	<b>100.0</b>	<b>25,464</b>	<b>100.0</b>	<b>26,172</b>	<b>100.0</b>

### Other Net Income

Other net income primarily includes government grants and interest income. Government grants mainly consist of non-recurring financial assistance from government authorities, including (i) tax refund, and (ii) subsidies for our business operation. We recognize certain financial assistance as government grants in other income only when we satisfy the applicable certain conditions.

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The following table sets forth the breakdown of other net income in absolute amount and percentages of total other net income for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in RMB thousands, except for percentage data)</i>									
	<i>(unaudited)</i>									
<b>Other net income</b>										
Government grants	6,550	44.8	3,573	29.6	2,997	25.7	2,463	30.9	1,445	34.2
Interest income	6,955	47.6	6,376	52.7	5,369	46.0	3,369	42.3	2,300	54.4
Additional deductible value added tax (“VAT”)	262	1.8	87	0.7	1,293	11.1	1,008	12.7	—	—
Net gain on disposals of property and equipment and termination of right-of-use assets	59	0.4	1,704	14.1	501	4.3	882	11.1	—	—
Others	779	5.3	349	2.9	1,524	13.0	238	3.0	481	11.4
<b>Total</b>	<b>14,605</b>	<b>100.0</b>	<b>12,089</b>	<b>100.0</b>	<b>11,684</b>	<b>100.0</b>	<b>7,960</b>	<b>100.0</b>	<b>4,226</b>	<b>100.0</b>

### Impairment Losses on Trade and Other Receivables

Impairment losses on trade and other receivables primarily represent provision of trade and other receivables. In the years ended December 31, 2021, 2022, and 2023 and the six months ended June 30, 2023 and 2024, we recorded impairment losses on trade and other receivables of RMB0.9 million, RMB4.2 million, RMB9.9 million, RMB1.4 million and RMB2.3 million, respectively.

### Finance Costs

Finance costs primarily represent interest on bank and other loans and interest on lease liabilities. In the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, we recorded finance costs of RMB2.7 million, RMB3.9 million, RMB6.3 million, RMB3.2 million and RMB3.0 million, respectively.

### Changes in Carrying Amount of Financial Instruments Issued to Investors

Changes in carrying amount of financial instruments issued to investors primarily related to the changes in the carrying amount of redemption rights granted to investors in historical financings. See Note 22 to the Accountants’ Report in Appendix I to this document for details. In 2021, 2022 and 2023 and for the six months ended June 30, 2023 and 2024, we recorded losses due to increases of carrying amount of financial instruments issued to investors of RMB25.0 million, RMB57.4 million, RMB15.7 million, RMB15.7 million and nil, respectively.

### Income Tax

As of the Latest Practicable Date, we did not have any dispute with any tax authority. Our income tax is accrued on an entity basis on profits arising in or derived from the jurisdictions in which our subsidiaries are domiciled and operate. The following summarizes the tax rates of our principal subsidiaries.

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## FINANCIAL INFORMATION

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### Taxation

#### *China*

In China, pursuant to the Enterprise Income Tax Law and Implementation Regulation of the Enterprise Income Tax Law, the tax rate of our Company and our subsidiaries in China was 25% for the years ended December 31, 2021, 2022, and 2023 and six months ended June 30, 2023 and 2024. We and certain of our subsidiaries in China enjoyed preferential tax treatments, mainly including tax rate of 15% due to preferential tax policies for being approved as High and New Technology Enterprise. Certain of our subsidiaries in China enjoy accelerated tax deduction on their research and development expenses. For details, see Note 7 to the Accountants’ Report in Appendix I to this document.

#### *Other jurisdictions*

Our subsidiaries incorporated in other jurisdictions are subject to income tax in accordance with the prevailing practice of the jurisdictions in which they operate.

### PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

#### Six Months Ended June 30, 2024 Compared to Six Months Ended June 30, 2023

##### *Revenue*

Our revenue increased by 12.3% from RMB29.6 million for the six months ended June 30, 2023 to RMB33.2 million for the six months ended June 30, 2024, primarily attributable to the increase in revenue from 51Aes and 51Earth, and partially offset by the decrease in revenue from 51Sim.

- Our revenue from 51Aes increased by 33.2% from RMB19.5 million for the six months ended June 30, 2023 to RMB26.0 million for the six months ended June 30, 2024, primarily due to increase customer orders driven by smart city and overseas projects.
- Our revenue from 51Sim decreased by 54.0% from RMB8.3 million for the six months ended June 30, 2023 to RMB3.8 million for the six months ended June 30, 2024, primarily due to limited delivery and acceptance of projects in the first half of 2024 as customers tend to complete their inspection of and accept our products and solutions in the fourth quarter, leading to limited revenue recognition during the period.
- Our revenue from 51Earth increased by 90.8% from RMB1.8 million for the six months ended June 30, 2023 to RMB3.4 million for the six months ended June 30, 2024, mainly due to increased sales of 51Earth products and services.

##### *Cost of sales*

Our cost of sales increased by 32.8% from RMB12.5 million for the six months ended June 30, 2023 to RMB16.6 million for the six months ended June 30, 2024, mainly due to higher delivery costs associated with increased provision of customized solutions during the six months ended June 30, 2024.

- Our cost of sales for 51Aes increased by 46.6% from RMB7.0 million for the six months ended June 30, 2023 to RMB10.3 million for the six months ended June 30, 2024, mainly due to an increase in customized solutions.
- Our cost of sales for 51Sim decreased by 20.7% from RMB5.3 million for the six months ended June 30, 2023 to RMB4.2 million for the six months ended June 30, 2024, mainly due to the inventory write-down in relation to simulation solutions.

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## FINANCIAL INFORMATION

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- Our cost of sales for 51Earth increased by 876.6% from RMB0.2 million for the six months ended June 30, 2023 to RMB2.1 million for the six months ended June 30, 2024, mainly due to an increase in customized solutions.

### ***Gross profit and gross profit margin***

As a result of the foregoing, our gross profit decreased by 2.8% from RMB17.1 million for the six months ended June 30, 2023 to RMB16.6 million for the six months ended June 30, 2024, and our overall gross profit margin decreased from 57.7% for the six months ended June 30, 2023 to 50.0% for six months ended June 30, 2024.

- Our gross profit for 51Aes increased from RMB12.5 million for the six months ended June 30, 2023 to RMB15.7 million for the six months ended June 30, 2024 with gross profit margin decreasing from 64.0% to 60.3% during the same period. The decrease in gross profit margin was mainly due to the increased revenue contribution of customized solutions, generally resulting in lower profit margin.
- We recorded gross profit for 51Sim of RMB3.0 million for the six months ended June 30, 2023, compared to gross loss of RMB0.4 million for the six months ended June 30, 2024 with gross profit margin of 36.5% and gross loss margin of 9.6% during the same periods, respectively. The change in gross profit/loss margin was primarily due to the inventory write-down in relation to simulation solutions.
- Our gross profit for 51Earth decreased from RMB1.6 million for the six months ended June 30, 2023 to RMB1.3 million for the six months ended June 30, 2024 with gross profit margin decreasing from 87.8% to 37.3% during the same period. The decrease in gross profit margin was mainly due to the increased revenue contribution of customized solutions, generally resulting in lower profit margin.

### ***Research and development expenses***

Our research and development expenses decreased by 47.9% from RMB54.9 million for the six months ended June 30, 2023 to RMB28.6 million for the six months ended June 30, 2024. This was mainly due to a decrease in employee compensation expenses resulting from an optimization of our R&D team.

### ***Selling expenses***

Our selling expenses remained relatively stable at RMB24.0 million for the six months ended June 30, 2023 and RMB25.2 million for the six months ended June 30, 2024.

### ***General and administrative expenses***

Our general and administrative expenses increased by 2.8% from RMB25.5 million for the six months ended June 30, 2023 to RMB26.2 million for the six months ended June 30, 2024, mainly due to an increase in [REDACTED] expenses.

### ***Other net income***

Our other net income decreased by 46.9% from RMB8.0 million for the six months ended June 30, 2023 to RMB4.2 million for the six months ended June 30, 2024, primarily attributable to a decrease in government grants, interest income and additional deductible value added tax.

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## FINANCIAL INFORMATION

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### *Impairment losses on trade and other receivables*

Our impairment losses on trade and other receivables increased by 68.5% from RMB1.4 million for the six months ended June 30, 2023 to RMB2.3 million for the six months ended June 30, 2024, primarily due to the increase in trade and other receivables following our business growth and resulting in corresponding increase in provision.

### *Finance costs*

Our finance costs decreased by 6.1% from RMB3.2 million for the six months ended June 30, 2023 to RMB3.0 million for the six months ended June 30, 2024, primarily attributable to a decrease in interest on lease liabilities.

### *Changes in carrying amount of financial instruments issued to investors*

We recorded losses from changes in carrying amount of financial instruments issued to investors of RMB15.7 million for the six months ended June 30, 2023, compared to nil for the six months ended June 30, 2024, relating to termination of redemption rights granted to investors upon which the then carrying amount of the redemption liabilities recognized was reclassified to equity. See Note 22 to the Accountants’ Report in Appendix I to this document for details.

### *Loss for the period*

As a result of the foregoing, we incurred a loss of RMB65.1 million for the six months ended June 30, 2024, compared to a loss of RMB100.2 million for the six months ended June 30, 2023.

## **Year Ended December 31, 2023 Compared to Year Ended December 31, 2022**

### *Revenue*

Our revenue increased by 50.8% from RMB170.0 million in 2022 to RMB256.3 million in 2023, primarily attributable to the increase in revenue from 51Aes, 51Sim and 51Earth.

- Our revenue from 51Aes increased by 44.5% from RMB141.6 million in 2022 to RMB204.6 million in 2023, primarily due to increased customer orders driven by the growing demand from water conservation and smart cities.
- Our revenue from 51Sim increased by 63.7% from RMB25.9 million in 2022 to RMB42.5 million in 2023, primarily due to (i) increased sales of transportation products and solutions driven by an optimized product system and growing market recognition, and (ii) expansion of our data closed-loop products and solutions driven by growing demand from intelligent driving industry.
- Our revenue from 51Earth increased by 282.1% from RMB2.4 million in 2022 to RMB9.3 million in 2023, mainly due to increased sales of 51Earth products and services.

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## FINANCIAL INFORMATION

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### *Cost of sales*

Our cost of sales increased by 96.9% from RMB59.6 million in 2022 to RMB117.3 million in 2023, in line with revenue from 51Aes, 51Sim and 51Earth.

- Our cost of sales for 51Aes increased by 107.8% from RMB43.6 million in 2022 to RMB90.6 million in 2023, primarily attributable to an increase in procurement of hardware components in line with an increase in revenue from solutions with a higher proportion of hardware components, which typically result in a lower profit margin.
- Our cost of sales for 51Sim increased by 36.3% from RMB15.7 million in 2022 to RMB21.4 million in 2023, which was in line with an increase in revenue.
- Our cost of sales for 51Earth increased by 1,713.0% from RMB0.3 million in 2022 to RMB5.3 million in 2023, primarily due to increased sales of 51Earth products and services.

### *Gross profit and gross profit margin*

As a result of the foregoing, our gross profit increased by 25.9% from RMB110.4 million in 2022 to RMB139.0 million in 2023, and our overall gross profit margin decreased from 65.0% in 2022 to 54.2% in 2023.

- Our gross profit for 51Aes increased from RMB98.0 million in 2022 to RMB114.0 million in 2023 with gross profit margin decreasing from 69.2% to 55.7% during the same period. The decrease in gross profit margin was primarily due to the increased revenue contribution of customized solutions, generally resulting in lower profit margin.
- Our gross profit for 51Sim increased from RMB10.3 million in 2022 to RMB21.1 million in 2023 with gross profit margin increasing from 39.6% to 49.7% during the same period. The increase in gross profit margin was mainly as a result of optimized product system, which was gaining market acceptance and demonstrating a positive development trajectory.
- Our gross profit for 51Earth increased from RMB2.1 million in 2022 to RMB4.0 million in 2023 with gross profit margin decreasing from 88.0% to 42.8% during the same period. The decrease in gross profit margin was primarily due to the increased revenue contribution of customized solutions, generally resulting in lower profit margin.

### *Research and development expenses*

Our research and development expenses decreased by 23.3% from RMB134.2 million in 2022 to RMB102.9 million in 2023. This was mainly due to a decrease in employee compensation expenses resulting from an optimization of our R&D team.

### *Selling expenses*

Our selling expenses decreased by 11.8% from RMB58.2 million in 2022 to RMB51.4 million in 2023. This was mainly due to a decrease in employee compensation expenses, resulting from the optimization of our sales team and their compensation structure.

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## FINANCIAL INFORMATION

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### *General and administrative expenses*

Our general and administrative expenses decreased by 6.9% from RMB54.1 million in 2022 to RMB50.3 million in 2023, mainly as a result of a decrease in employee compensation expenses due to an optimization of our administrative team.

### *Other net income*

Our other net income decreased by 3.4% from RMB12.1 million in 2022 to RMB11.7 million in 2023, primarily attributable to a decrease in interest yield from bank deposit products.

### *Impairment losses on trade and other receivables*

Our impairment losses on trade and other receivables increased by 136.7% from RMB4.2 million in 2022 to RMB9.9 million in 2023, primarily due to an increase in the trade and other receivables.

### *Finance costs*

Our finance costs increased by 59.7% from RMB3.9 million in 2022 to RMB6.3 million in 2023, primarily attributable to an increase in bank loans.

### *Changes in carrying amount of financial instruments issued to investors*

The loss in carrying amount of financial instruments issued to investors decreased by 72.7% from RMB57.4 million in 2022 to RMB15.7 million in 2023, relating to changes in the carrying amount of the redemption rights granted to investors in historical financings. See Note 22 to the Accountants’ Report in Appendix I to this document for details.

### *Loss for the year*

As a result of the foregoing, we incurred a loss of RMB87.1 million in 2023, compared to a loss of RMB189.8 million in 2022.

## **Year Ended December 31, 2022 Compared to Year Ended December 31, 2021**

### *Revenue*

Our revenue increased by 34.8% from RMB126.1 million in 2021 to RMB170.0 million in 2022, primarily attributable to the increase in revenue from 51Aes and 51Sim.

- Our revenue from 51Aes increased by 27.1% from RMB111.4 million in 2021 to RMB141.6 million in 2022, primarily due to (i) increased revenue from WDP, and (ii) increased customer orders driven by the growing demand from smart cities and parks.
- Our revenue from 51Sim increased by 76.4% from RMB14.7 million in 2021 to RMB25.9 million in 2022, primarily due to (i) expansion of our transportation products and solutions, and (ii) increased revenue driven by the growing demand from intelligent driving industry.
- Our revenue from 51Earth increased from nil in 2021 to RMB2.4 million in 2022, as we first launched our 51Earth products and solutions in 2022.



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## FINANCIAL INFORMATION

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### *Cost of sales*

Our cost of sales increased by 35.6% from RMB43.9 million in 2021 to RMB59.6 million in 2022, in line with revenue from 51Aes and 51Sim.

- The cost of sales for 51Aes increased by 21.6% from RMB35.9 million in 2021 to RMB43.6 million in 2022 in line with the increased revenues.
- The cost of sales for 51Sim increased by 94.0% from RMB8.1 million in 2021 to RMB15.7 million in 2022 in line with the increased revenues.

### *Gross profit and gross profit margin*

As a result of the foregoing, our gross profit increased by 34.4% from RMB82.2 million in 2021 to RMB110.4 million in 2022, and our overall gross profit margin remained relatively stable at 65.2% and 65.0% in 2021 and 2022, respectively.

- Our gross profit for 51Aes increased from RMB75.5 million in 2021 to RMB98.0 million in 2022 with gross profit margin remaining relatively stable at 67.8% in 2021 and 69.2% in 2022.
- Our gross profit for 51Sim increased from RMB6.6 million in 2021 to RMB10.3 million in 2022 with gross profit margin increasing from 45.0% to 39.6% during the same period. The increase in gross profit margin was mainly due to increased revenue contribution of standardized solutions, generally resulting in higher profit margin.

### *Research and development expenses*

Our research and development expenses increased by 24.8% from RMB107.5 million in 2021 to RMB134.2 million in 2022, mainly due to an increase in employee compensation expenses resulting from the expansion of our R&D team.

### *Selling expenses*

Our selling expenses increased by 7.8% from RMB54.0 million in 2021 to RMB58.2 million in 2022, mainly as we expanded our sales team in 2022.

### *General and administrative expenses*

Our general and administrative expenses remained relatively stable at RMB53.3 million in 2021 and RMB54.1 million in 2022.

### *Other net income*

Our other net income decreased by 17.2% from RMB14.6 million in 2021 to RMB12.1 million in 2022, primarily attributable to a decrease in government grants.

### *Impairment losses on trade and other receivables*

Our impairment losses on trade and other receivables increased by 349.8% from RMB0.9 million in 2021 to RMB4.2 million in 2022, primarily due to an increase in trade and other receivables in line with our business growth.

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### *Finance costs*

Our finance costs increased by 45.5% from RMB2.7 million in 2021 to RMB3.9 million in 2022, primarily attributable to an increase in bank loans.

### *Changes in carrying amount of financial instruments issued to investors*

The losses in carrying amount of financial instruments issued to investors increased by 129.9% from RMB25.0 million in 2021 to RMB57.4 million in 2022, relating to changes in the carrying amount of the redemption rights granted to investors in historical financings. See Note 22 to the Accountants’ Report in Appendix I to this document for details.

### *Loss for the year*

As a result of the foregoing, we incurred a loss of RMB189.8 million in 2022, compared to a loss of RMB146.4 million in 2021.

## DISCUSSION OF CERTAIN KEY ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth our current assets and liabilities as of the dates indicated:

	As of December 31,			As of	As of
	2021	2022	2023	June 30, 2024	September 30, 2024
	<i>(in RMB thousands)</i>				<i>(unaudited)</i>
<b>Current assets</b>					
Inventories	38,251	78,954	19,629	30,326	42,145
Contract assets	4,025	6,715	8,026	8,819	11,609
Trade and other receivables	63,100	76,254	107,849	95,568	93,473
Prepayments	1,818	3,083	2,560	24,756	46,359
Other financial assets	—	—	88,000	48,233	16,941
Restricted cash	1,288	9,699	3,100	2,150	24,950
Cash and cash equivalents	176,941	78,911	40,326	271,738	248,641
<b>Total current assets</b>	<b>285,423</b>	<b>253,616</b>	<b>269,490</b>	<b>481,590</b>	<b>484,118</b>
<b>Current liabilities</b>					
Trade and other payables	86,628	127,747	93,295	89,429	88,606
Contract liabilities	74,944	111,345	26,490	54,034	92,582
Bank and other loans	20,918	92,939	118,662	133,711	128,460
Lease liabilities	12,571	14,913	12,265	14,042	12,195
Financial instruments issued to investors	915,992	1,056,739	—	—	—
Income tax payable	—	—	50	36	68
<b>Total current liabilities</b>	<b>1,111,053</b>	<b>1,403,683</b>	<b>250,762</b>	<b>291,252</b>	<b>321,911</b>
<b>Net current (liabilities)/assets</b>	<b>(825,630)</b>	<b>(1,150,067)</b>	<b>18,728</b>	<b>190,338</b>	<b>162,207</b>

We recorded net current liabilities of RMB1,150.1 million as of December 31, 2022 and net current liabilities of RMB825.6 million as of December 31, 2021, primarily due to financial instruments issued to investors. See Note 22 to the Accountants’ Report in Appendix I to this document for details.

We recorded net current assets of RMB18.7 million as of December 31, 2023, as compared to net current liabilities of RMB1,150.1 million as of December 31, 2022, primarily due to termination of

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redemption rights granted to investors upon which the then carrying amount of the redemption liabilities recognized was reclassified to equity. See Note 22 to the Accountants’ Report in Appendix I to this document for details.

Our net current assets increased from RMB18.7 million as of December 31, 2023 to RMB190.3 million as of June 30, 2024, primarily due to an increase of RMB231.4 million in cash and cash equivalents.

Our net current assets decreased from RMB190.3 million as of June 30, 2024 to RMB162.2 million as of September 30, 2024, primarily due to an increase of RMB38.5 million in contract liabilities, mainly attributable to advance payments from customer orders, and a decrease of RMB38.0 million in other financial assets due to reduced certificates of deposit, partially offset by an increase of RMB21.6 million in prepayments.

The following table sets forth the breakdown of our non-current assets and liabilities as of the dates indicated:

	As of December 31,			As of
	2021	2022	2023	June 30, 2024
	<i>(in RMB thousands)</i>			
<b>Non-current assets</b>				
Property and equipment	10,678	9,062	6,566	4,241
Right-of-use assets	58,242	49,347	32,378	26,338
Intangible assets	3,468	1,759	2,616	2,198
Interest in associates	6,671	3,751	2,494	1,842
Other financial assets	122,235	186,807	61,144	30,000
<b>Total non-current assets</b>	<b>201,294</b>	<b>250,726</b>	<b>105,198</b>	<b>64,619</b>
<b>Non-current liabilities</b>				
Lease liabilities	46,463	36,285	20,847	14,539
<b>Total non-current liabilities</b>	<b>46,463</b>	<b>36,285</b>	<b>20,847</b>	<b>14,539</b>
<b>Net non-current (liabilities) / assets</b>	<b>154,831</b>	<b>214,441</b>	<b>84,351</b>	<b>50,080</b>

### *Inventories*

Our inventories primarily comprise purchased hardware and software and contract fulfilment cost. The following table sets forth details of our inventories as of the dates indicated:

	As of December 31,			As of
	2021	2022	2023	June 30, 2024
	<i>(in RMB thousands)</i>			
<b>Inventories</b>				
Purchased hardware and software	23,022	60,785	9,403	13,611
Contract fulfilment cost	17,175	19,578	12,684	20,430
Less: write down of inventories	(1,946)	(1,409)	(2,458)	(3,715)
<b>Total</b>	<b>38,251</b>	<b>78,954</b>	<b>19,629</b>	<b>30,326</b>

Our inventories increased from RMB38.3 million as of December 31, 2021 to RMB79.0 million as of December 31, 2022, attributable to an increase in sales orders in 2022 and longer product cycles. Our inventories decreased from RMB79.0 million as of December 31, 2022 to

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RMB19.6 million as of December 31, 2023, primarily because we had some large orders scheduled for 2022, which resulted in higher inventory levels as of December 31, 2022, and many orders were completed and delivered in 2023, which resulted in lower inventory levels as of December 31, 2023. Our inventories increased from RMB19.6 million as of December 31, 2023 to RMB30.3 million as of June 30, 2024 in line with the increase in sales orders.

The following table sets forth our inventories turnover days for the periods indicated:

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2021	2022	2023	2023	2024
Inventories turnover days <sup>(1)</sup> . . . . .	233	364	161	1,064	357

*Note:*

(1) Calculated as the average of beginning and ending balance of inventories (excluding provision for impairment of inventories) for the period divided by cost of sales (excluding inventory provision) for that period and multiplied by the number of days during such period.

Our inventory turnover days increased from 233 days in 2021 to 364 days in 2022, and then decreased to 161 days in 2023. This fluctuation was primarily attributable to large orders scheduled for 2022, which resulted in longer inventory turnover days for that year, followed by orders being completed and delivered in 2023, resulting in lower inventory turnover days for 2023. Our inventory turnover days reached 1,064 days for the six months ended June 30, 2023 primarily due to a large order that was completed and delivered in the second half of 2023, which correspondingly contributed to the relatively lower inventory turnover days for the year ended December 31, 2023.

As of September 30, 2024, RMB2.3 million, or approximately 7.6% of our inventories as of June 30, 2024 had been subsequently consumed or sold.

### *Trade and other receivables*

Our trade and other receivables mainly represent trade receivables. The following table sets forth details of our trade and other receivables as of the dates indicated:

	As of December 31,			As of
	2021	2022	2023	June 30, 2024
	<i>(in RMB thousands)</i>			
<b>Trade and other receivables</b>				
Trade receivables — due from third parties . . . . .	54,696	65,924	96,780	85,116
Trade receivables — due from an associate . . . . .	—	—	3,553	3,807
Bills receivables . . . . .	2,052	2,797	1,817	1,788
Deposits . . . . .	3,585	3,588	2,913	2,317
Input VAT recoverable . . . . .	2,394	2,781	1,541	1,283
Other receivables . . . . .	373	1,164	1,245	1,257
<b>Total</b> . . . . .	<b>63,100</b>	<b>76,254</b>	<b>107,849</b>	<b>95,568</b>

Our trade and other receivables increased from RMB63.1 million as of December 31, 2021 to RMB76.3 million as of December 31, 2022 and further to RMB107.8 million as of December 31, 2023, which was in line with our growing revenues. Our trade and other receivables decreased from RMB107.8 million as of December 31, 2023 to RMB95.6 million as of June 30, 2024, as we generally recorded higher revenues in the fourth quarter compared to other quarters of the years, which resulted in higher trade and other receivables at year end as compared to June 30, 2024.

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The following is an aging analysis of our trade receivables as of the dates indicated, based on the date of revenue recognition and net of loss allowance.

	As of December 31,			As of
	2021	2022	2023	June 30, 2024
	<i>(in RMB thousands)</i>			
<b>Trade receivables</b>				
Within 1 year	40,996	49,097	75,324	59,341
1 to 2 years	12,260	12,764	20,327	23,079
2 to 3 years	1,440	4,063	4,682	6,503
<b>Total</b>	<b>54,696</b>	<b>65,924</b>	<b>100,333</b>	<b>88,923</b>

We typically set forth the credit terms with our customers in the relevant sales contracts. During the Track Record Period, we believe that we have implemented effective credit management system and policies. We normally provide our customers with a credit term of 30 to 180 days subject to the creditworthiness of the relevant customers according to our customer credit management system.

The following table sets forth our trade and bill receivables turnover days for the periods indicated:

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2021	2022	2023	2023	2024
Trade and bills receivables turnover days <sup>(1)</sup>	149	141	135	491	608

*Note:*

(1) Calculated as the average of beginning and ending balance of trade and bill receivables (excluding loss allowance for trade receivables) for the year/period divided by revenue for that period and multiplied by the number of days during such period.

Our trade and bills receivables turnover days were 149 days, 141 days, 135 days, 491 days and 608 days in 2021, 2022, 2023 and for the six months ended June 30, 2023 and 2024, respectively. Our trade and bills receivables turnover days decreased from 2022 to 2023 due to our enhanced collection efforts. We had relatively long turnover days for the six months ended June 30, 2023 and 2024, as we typically recorded lower revenues for the first six months of the years. See “Risk Factors—Risks Relating To Our General Operations and Industry—Our business and results of operations are subject to seasonal fluctuations.”

As of September 30, 2024, RMB9.6 million, or 9.1% of our trade and other receivables as of June 30, 2024 had been settled.

We measure loss allowance for trade receivables at an amount equal to lifetime Expected Credit Losses (ECLs), which is calculated using a provision matrix. Expected loss rates are based on actual loss experience over the past four years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and our view of economic conditions over the expected lives of the trade receivables. As of December 31, 2021, 2022 and 2023 and June 30, 2024, we recorded loss allowance for impairment of trade receivables of RMB1.2 million, RMB5.0 million, RMB14.2 million, and RMB16.2 million, respectively. For details of our impairment analysis for trade receivables, including our credit risk exposure on trade receivables using a provision matrix, see Note 26(a) to the Accountants’ Report in Appendix I to this document.

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In order to mitigate the credit risk, a variety of measures have been implemented. We determine and update credit periods for customers based on their credit profiles. Designated personnel are responsible for closely monitoring overdue payments. Our finance and business departments are also synchronized on a monthly basis regarding overdue payments to ensure that recovery efforts are initiated in a timely manner. If the outstanding payments remain overdue for more than 90 days, our legal department may take necessary legal actions as the case may be.

### *Other financial assets*

Our other financial assets primarily represent certificates of deposit, bank structured deposits and fixed deposits. The certificates of deposit have fixed interest rates. The structured deposits have floating interest rates. The fixed deposits bear an annual interest rate of 3.98% and are due in December 2027.

Our other financial assets increased from RMB122.2 million as of December 31, 2021 to RMB186.8 million as of December 31, 2022, primarily due to the increase in fixed deposits and certificates of deposit. Our other financial assets decreased from RMB186.8 million as of December 31, 2022 to RMB149.1 million as of December 31, 2023, and further to RMB78.2 million as of June 30, 2024, primarily due to the decrease in certificates of deposit.

The fair value of our financial instruments measured at the end of each reporting period on a recurring basis are categorized into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The fair value measurement of the bank structured deposits falls into level 3 of the fair value hierarchy. See Note 26(e) to the Accountants’ Report in Appendix I to this document.

### *Trade and other payables*

Our trade and other payables primarily represent trade payables, staff cost payables and bills payable. The following table sets forth details of our trade and other payables as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	<i>(in RMB thousands)</i>			
<b>Trade and other payables</b>				
Trade payables	25,835	50,923	28,533	23,761
Bills payable	918	1,963	4,911	654
Staff cost payables	45,070	59,144	42,968	46,525
Other taxes payables	6,653	9,490	9,491	9,571
Deposits	1,234	105	—	—
Amounts due to a shareholder	3,918	4,173	4,405	4,396
Accrued [REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Other payables	2,600	1,930	2,925	1,115
Provision	400	19	62	1,196
<b>Total</b>	<b>86,628</b>	<b>127,747</b>	<b>93,295</b>	<b>89,429</b>

Our trade and other payables was relatively higher as of December 31, 2022 primarily due to higher software and hardware procurement needs driven by larger customer orders in 2022.

As of September 30, 2024, RMB36.0 million, or 40.0% of our trade and other payables as of June 30, 2024 had been settled.

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The following is an aging analysis of our trade payables, based on invoice date, as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	<i>(in RMB thousands)</i>			
<b>Trade payables</b>				
Within 1 year .....	21,830	48,995	17,773	10,151
1 to 2 years .....	2,627	772	9,253	9,784
2 to 3 years .....	1,378	1,156	1,507	3,826
<b>Total</b> .....	<b>25,835</b>	<b>50,923</b>	<b>28,533</b>	<b>23,761</b>

Our suppliers typically provide us with a credit term of 3 to 12 months.

The following table sets forth our trade and bills payables turnover days for the periods indicated:

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2021	2022	2023	2023	2024
Trade and bills payables turnover days <sup>(1)</sup> .....	205	244	134	443	315

*Note:*

(1) Calculated as the average of beginning and ending balance of trade and bills payables for the period divided by cost of sales for that period and multiplied by the number of days during such period.

Our trade and bills payables turnover days were 205 days, 244 days, 134 days, 443 days and 315 days in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively. The relatively high turnover days for the six months ended June 30, 2023 and 2024 mainly reflected the seasonal nature of our business, where we typically recorded lower cost of sales in the first half of the years.

### ***Contract liabilities***

Our contract liabilities primarily represent the advance payments received from our customers before revenue recognition. These will be recognized as revenue when our products or services are delivered, inspected and accepted by customers, which is expected to occur over the following year. Our contract liabilities increased from RMB74.9 million as of December 31, 2021 to RMB111.3 million as of December 31, 2022, primarily due to an increase in large projects with longer lead time. Our contract liabilities decreased from RMB111.3 million as of December 31, 2022 to RMB26.5 million as of December 31, 2023, primarily as we recognized revenue for certain large projects in 2023. Our contract liabilities increased from RMB26.5 million as of December 31, 2023 to RMB54.0 million as of June 30, 2024, mainly due to reduced delivery and acceptance of projects for the first six months of 2024. See “Risk Factors—Risks Relating To Our General Operations and Industry—Our business and results of operations are subject to seasonal fluctuations.”

### ***Right-of-use assets***

Our right-of-use assets represent the leased office premises. The addition of right-of-use assets during the Track Record Period represent the capitalised lease payments payable under new tenancy agreements. Our right-of-use assets decreased from RMB58.2 million as of December 31, 2021 to RMB49.3 million as of December 31, 2022, to RMB32.4 million as of December 31, 2023, and further to RMB26.3 million as of June 30, 2024, primarily due to a reduction in the lease amount for our Beijing office and the reduction of leased office space for our Shenzhen office.

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### KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of the dates/for the periods indicated:

	As of/for the year ended December 31,			As of/for the six months ended June 30,
	2021	2022	2023	2024
Gross profit margin (%) <sup>(1)</sup> .....	65.2	65.0	54.2	50.0
Current ratio <sup>(2)</sup> .....	0.26	0.18	1.07	1.65
Quick ratio <sup>(3)</sup> .....	0.22	0.12	1.00	1.55

*Notes:*

(1) Gross profit margin is calculated by dividing gross profit by our revenue for the period indicated.

(2) Current ratio is calculated by dividing current assets by current liabilities as of the date indicated.

(3) Quick ratio is calculated by dividing current assets less inventories by current liabilities as of the date indicated.

### Gross profit margin

See “—Period to Period Comparison of Results of Operations” for a discussion of the factors affecting our gross profit margin during the Track Record Period.

### Current ratio

Our current ratio changed from 0.26 as of December 31, 2021 and 0.18 as of December 31, 2022 to 1.07 as of December 31, 2023 and 1.65 as of June 30, 2024, primarily due to changes in the current liabilities recorded as of December 31, 2022 in relation to the redemption rights granted to our investors.

### Quick ratio

Our quick ratio changed from 0.22 as of December 31, 2021 and 0.12 as of December 31, 2022 to 1.00 as of December 31, 2023 and 1.55 as of June 30, 2024, primarily due to changes in the current liabilities recorded as of December 31, 2022 in relation to the redemption rights granted to our investors.

## LIQUIDITY AND CAPITAL RESOURCES

### Overview

We have historically funded our working capital primarily from equity financing and external indebtedness as we are at the ramp-up stage. Going forward, we believe that our liquidity requirements will be satisfied by using a combination of cash generated from operating activities, equity financing from time to time and the net [REDACTED] received from the [REDACTED]. We currently do not have any other plans for material additional external financing.

Our Directors are of the view that, taking into account the financial resources available to us, including cash and cash equivalents, our available banking facilities and [REDACTED] from the [REDACTED], we have sufficient working capital for our present requirements, that is at least 12 months from the date of this document.

As of December 31, 2021, 2022 and 2023, June 30, 2024 and September 30, 2024, we had cash and cash equivalents of RMB176.9 million, RMB78.9 million, RMB40.3 million, RMB271.7 million



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and RMB248.6 million, respectively, restricted cash of RMB1.3 million, RMB9.7 million, RMB3.1 million, RMB2.2 million and RMB25.0 million, respectively, and other financial assets of RMB122.2 million, RMB186.8 million, RMB149.1 million, RMB78.2 million and RMB46.9 million, respectively. Other financial assets primarily represent certificates of deposits, fixed deposits and bank structured deposits.

The following table sets forth a summary of our cash flows for the years/periods indicated.

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2021	2022	2023	2023	2024
	<i>(in RMB thousands)</i>				
	<i>(unaudited)</i>				
Net cash used in operating activities . . . . .	(114,060)	(104,285)	(132,879)	(96,076)	(49,989)
Net cash generated from/(used in) investing activities . .	93,751	(58,724)	37,559	8,570	73,790
Net cash generated from financing activities . . . . .	90,310	64,969	56,704	53,072	207,605
<b>Net increase/(decrease) in cash and cash equivalents . . . . .</b>	<b>70,001</b>	<b>(98,040)</b>	<b>(38,616)</b>	<b>(34,435)</b>	<b>231,406</b>
<b>Cash and cash equivalents at the beginning of the year/period . . . . .</b>	<b>106,941</b>	<b>176,941</b>	<b>78,911</b>	<b>78,911</b>	<b>40,326</b>
Effect of foreign exchange rate changes . . . . .	(1)	10	31	15	6
<b>Cash and cash equivalents at the end of year/period . . . . .</b>	<b><u>176,941</u></b>	<b><u>78,911</u></b>	<b><u>40,326</u></b>	<b><u>44,491</u></b>	<b><u>271,738</u></b>

### *Net cash used in operating activities*

Net cash used in operating activities for the six months ended June 30, 2024 was RMB50.0 million. The difference between net cash used in operating activities and the loss before income tax of RMB65.1 million was the result of an increase in contract liabilities of RMB27.5 million, partially offset by (i) a decrease in trade and other receivables and prepayments of RMB13.4 million and (ii) a decrease in inventories of RMB10.7 million.

Net cash used in operating activities in 2023 was RMB132.9 million. The difference between net cash used in operating activities and the loss before income tax of RMB87.0 million was the result of (i) a decrease in contract liabilities of RMB84.9 million, (ii) a decrease in trade and other payables of RMB34.4 million, and (iii) an increase in trade and other receivables and prepayments of RMB40.5 million, partially offset by a decrease in inventories of RMB59.3 million.

Net cash used in operating activities in 2022 was RMB104.3 million. The difference between net cash used in operating activities and the loss before income tax of RMB189.8 million was the result of (i) an increase in trade and other payables of RMB41.3 million, and (ii) an increase in contract liabilities of RMB36.4 million, partially offset by an increase in inventories of RMB40.7 million and an increase in trade and other receivables and prepayments of RMB19.0 million.

Net cash used in operating activities in 2021 was RMB114.1 million. The difference between net cash used in operating activities and the loss before income tax of RMB146.4 million was the result of (i) an increase in trade and other payables of RMB15.4 million, and (ii) an increase in contract liabilities of RMB20.0 million, partially offset by (i) an increase in trade and other receivables and prepayments of RMB19.1 million and (ii) an increase in inventories of RMB22.4 million.

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Our ability to improve our net operating cash flow is largely depending on our ability to improve profitability. In this regard, we plan to improve our net operating cash outflow positions by (i) enriching our business models, products and solutions, (ii) expanding customer base, and (iii) enhancing our operational efficiency. For details of our plan to improve our financial performance, see “Business-Path to Profitability.”

### *Net cash generated from / (used in) investing activities*

Net cash generated from investing activities for the six months ended June 30, 2024 was RMB73.8 million, primarily due to proceeds from disposal of other financial assets of RMB87.9 million, partially offset by payment for purchase of other financial assets of RMB20.0 million.

Net cash generated from investing activities in 2023 was RMB37.6 million, primarily due to proceeds from disposal of other financial assets of RMB80.0 million, partially offset by payment for purchase of other financial assets of RMB42.9 million.

Net cash used in investing activities in 2022 was RMB58.7 million, primarily due to payment for purchase of other financial assets of RMB60.0 million.

Net cash generated from investing activities in 2021 was RMB93.8 million, primarily due to proceeds from disposal of other financial assets of RMB484.5 million, partially offset by payment for purchase of other financial assets of RMB374.7 million.

### *Net cash generated from financing activities*

Net cash generated from financing activities for the six months ended June 30, 2024 was RMB207.6 million, primarily due to proceeds from shares issued of RMB200.0 million.

Net cash generated from financing activities in 2023 was RMB56.7 million, primarily due to proceeds from bank and other loans of RMB144.2 million, partially offset by repayment of bank and other loans of RMB118.5 million.

Net cash generated from financing activities in 2022 was RMB65.0 million, primarily due to proceeds from bank and other loans of RMB92.9 million, partially offset by repayment of bank and other loans of RMB20.9 million and capital element of lease rentals paid of RMB11.6 million.

Net cash generated from financing activities in 2021 was RMB90.3 million, primarily due to (i) proceeds from shares issued of RMB88.2 million and (ii) proceeds from bank and other loans of RMB20.9 million.

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### Cash Operating Costs

The following table sets forth key information relating to our cash operating costs for the years and periods indicated.

	For the Year ended December 31,			For the Six Months Ended June 30,	
	2021	2022	2023	2023	2024
	<i>(in RMB thousands)</i>				
Workforce employment	173,533	204,792	160,968	86,870	62,285
Research and development expenses <sup>(1)</sup>	17,349	21,469	20,889	8,789	4,849
Direct production costs, including materials	24,647	33,038	77,099	3,224	3,647
Product marketing <sup>(2)</sup>	8,818	8,258	11,109	3,649	3,758
Non-income taxes and other charges	13,623	10,029	9,434	4,095	6,955

*Notes:*

- (1) Research and development expenses under cash operating costs represent research and development expenses (excluding employee compensation expenses and depreciation and amortization under research and development expenses).
- (2) Cash operating costs relating to product marketing represent the selling expenses (excluding employee compensation expenses and depreciation and amortization under selling expenses).

### INDEBTEDNESS

The following table sets forth the breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of	As of
	2021	2022	2023	June 30, 2024	September 30, 2024
	<i>(in RMB thousands)</i>				<i>(unaudited)</i>
<b>Non-current:</b>					
Lease liabilities	46,463	36,285	20,847	14,539	12,232
<b>Subtotal</b>	<b>46,463</b>	<b>36,285</b>	<b>20,847</b>	<b>14,539</b>	<b>12,232</b>
<b>Current:</b>					
Bank and other loans	20,918	92,939	118,662	133,711	128,460
Lease liabilities	12,571	14,913	12,265	14,042	12,195
Financial instruments issued to investors	915,992	1,056,739	—	—	—
<b>Subtotal</b>	<b>949,481</b>	<b>1,164,591</b>	<b>130,927</b>	<b>147,753</b>	<b>140,655</b>
<b>Total</b>	<b>995,944</b>	<b>1,200,876</b>	<b>151,774</b>	<b>162,292</b>	<b>152,887</b>

### Bank and other loans

Our bank and other loans primarily represent unsecured loans. The effective interest rate of our interest-bearing bank loans was 3.4%.

We had bank and other loans of RMB20.9 million, RMB92.9 million, RMB118.7 million, RMB133.7 million and RMB128.5 million as of December 31, 2021, 2022 and 2023, June 30, 2024 and September 30, 2024, respectively. As of the Latest Practicable Date, we had unutilized banking facilities of RMB156.0 million.

Our bank loans contain standard terms, conditions and covenants that are customary for commercial bank loans in China.

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### Lease Liabilities

The following table sets forth the remaining contractual maturities of our lease liabilities as of the dates indicated:

	As of December 31,			As of	As of
	2021	2022	2023	June 30, 2024	September 30, 2024
	<i>(in RMB thousands)</i>				<i>(unaudited)</i>
Within one year . . . . .	12,571	14,913	12,265	14,042	12,195
1 to 2 years . . . . .	13,640	12,282	11,983	10,170	8,675
2 to 5 years . . . . .	<u>32,823</u>	<u>24,003</u>	<u>8,864</u>	<u>4,369</u>	<u>2,172</u>
<b>Total lease liabilities . . . . .</b>	<b><u>59,034</u></b>	<b><u>51,198</u></b>	<b><u>33,112</u></b>	<b><u>28,581</u></b>	<b><u>23,042</u></b>

### Financial instruments issued to investors

We recorded financial instruments issued to investors of RMB916.0 million, RMB1,056.7 million, nil, nil and nil as of December 31, 2021, 2022 and 2023, June 30, 2024 and September 30, 2024, respectively. The financial instruments issued to investors related to the redemption rights granted to our investors in historical financings. See Note 22 to the Accountants’ Report in Appendix I to this document for details.

### Indebtedness Statement

Except as disclosed above, as of September 30, 2024, being the most recent practicable date for determining our indebtedness, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, hire purchase commitments, guarantees or other material contingent liabilities. Our Directors have confirmed that there is no material change in our indebtedness since September 30, 2024 and up to the Latest Practicable Date. Our Directors have confirmed that there were no material covenants on any of our outstanding debts and that we had no default in repayment or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

Our Directors have further confirmed that we did not experience any difficulty in obtaining bank loans and other borrowings, default in repayment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

### CONTINGENT LIABILITIES

In July 2024, our Company received notice that a service provider filed an arbitration against the Company, alleging breach of contract. If our Company is found to be liable, the total expected monetary compensation may amount to approximately RMB23 million. The claimant’s application for property preservation corresponding to the claimed amount in our bank accounts, has been approved. We continue to deny any liability in respect of the compensation and, based on the advice from the litigation counsel retained for the case, our Directors do not believe it is probable that the court will find against our Company. No provision has therefore been made in respect of this claim.

## FINANCIAL INFORMATION

### R&D EXPENDITURE AND TOTAL OPERATING EXPENDITURE

During the Track Record Period, our R&D expenditure primarily consisted of R&D expenses adjusted by adding back intangible assets acquired from third parties and capitalized and deducting amortization expenses for capitalized intangible assets included in R&D expenditure. The table below sets forth our annual and total R&D expenditure for the years indicated:

	Year ended December 31,		
	2021	2022	2023
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
<b>Research and development expenses</b> .....	107,502	134,206	102,907
<b>Adjustments:</b>			
Add: Intangible assets acquired from third parties and capitalized .....	620	102	2,038
Less: Amortization expenses of capitalized intangible assets included in R&D expenditure .....	<u>(1,774)</u>	<u>(1,811)</u>	<u>(1,181)</u>
<b>Annual R&amp;D expenditure</b> .....	<u><b>106,348</b></u>	<u><b>132,497</b></u>	<u><b>103,764</b></u>
<b>Total R&amp;D expenditure for the three financial years prior to [REDACTED]</b> .....			<u><b>342,609</b></u>

The table below sets forth our annual and total operating expenditure for the years indicated:

	Year ended December 31,		
	2021	2022	2023
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
<b>Research and development expenses</b> .....	107,502	134,206	102,907
<b>General and administrative expenses</b> .....	53,291	54,058	50,332
<b>Selling expenses</b> .....	54,029	58,217	51,352
<b>Adjustments:</b>			
Add: Intangible assets acquired from third parties and capitalized .....	620	102	2,038
Less: Amortization expenses of capitalized intangible assets included in R&D expenditure .....	<u>(1,774)</u>	<u>(1,811)</u>	<u>(1,181)</u>
<b>Annual total operating expenditure</b> .....	<u><b>213,668</b></u>	<u><b>244,772</b></u>	<u><b>205,448</b></u>
<b>Total operating expenditure for the three financial years prior to [REDACTED]</b> .....			<u><b>663,888</b></u>

The table below sets forth our annual R&D expenditure ratio and total R&D expenditure ratio for the years indicated:

	Year ended December 31,		
	2021	2022	2023
<b>Annual R&amp;D expenditure ratio<sup>(1)</sup></b> .....	49.8%	54.1%	50.5%
<b>Total R&amp;D expenditure ratio<sup>(2)</sup></b> .....			51.6%

*Notes:*

(1) Calculated by dividing annual R&D expenditure by annual total operating expenditure.

(2) Calculated by dividing total R&D expenditure for the three financial years prior to [REDACTED] by total operating expenditure for the three financial years prior to [REDACTED].

### CAPITAL COMMITMENT

We did not have any material capital commitment as of December 31, 2021, 2022 and 2023, June 30, 2024 and September 30, 2024, respectively.

## FINANCIAL INFORMATION

### CAPITAL EXPENDITURES

Our capital expenditures primarily comprise expenditures for the purchase of property and equipment and intangible assets. The following table sets forth details of our capital expenditures for the years/periods presented:

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2021	2022	2023	2023	2024
	<i>(in RMB thousands)</i>				
	<i>(unaudited)</i>				
Addition of property and equipment .....	12,656	2,518	1,367	154	83
Addition of intangible assets .....	620	102	2,038	2,038	—
<b>Total</b> .....	<b>13,276</b>	<b>2,620</b>	<b>3,405</b>	<b>2,192</b>	<b>83</b>

We funded these expenditures primarily with our operating cash flow, and we expect to fund our capital expenditures with our operating cash flow and [REDACTED] from the [REDACTED].

### RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. For details relating to our related party transactions, see Note 27 to the Accountants’ Report set out in Appendix I to this document. Our Directors believe that our transactions with related parties during the Track Record Period were conducted on an arm’s length basis, and they did not distort our results of operations or make our historical results not reflective of our future performance.

### OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we did not have any outstanding off-balance sheet arrangements.

### QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT FINANCIAL RISKS

We are exposed to a variety of financial risks, including credit risk, liquidity risk, and interest rate risk. For details, see Note 26 to the Accountants’ Report set out in Appendix I to this document.

#### Credit risks

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to us. Our credit risk is primarily attributable to trade and other receivables. Our exposure to credit risk arising from other financial assets and cash and cash equivalents is limited because the counterparties are banks with good credit rating. The carrying amount of each class of the financial assets represent our maximum exposure to credit risk in relation to financial assets. We do not provide any guarantees which would expose us to credit risk. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

#### Liquidity risks

It is our policy to monitor our liquidity management and cash management on a regular basis, including the raising of loans to cover expected cash demands. We also monitor our liquidity requirements and the adequacy of committed lines of funding from major financial institutions to meet our liquidity requirements in the short and longer term.

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## FINANCIAL INFORMATION

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### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Our fixed deposits, certificates of deposit and borrowings are all borrowings, issued at fixed rates. The balance of bank structured deposits is not significant. Fluctuation of interest rate will not have significant impact to us.

### DIVIDEND POLICY

We are a holding company incorporated under PRC laws. During the Track Record Period, we did not declare or pay any dividends. Pursuant to our Articles of Association, our Board will formulate the dividends distribution plan after taking into account our future operations and earnings, capital requirements and surplus, general financial condition, contractual restriction and other factors which our Directors consider relevant. Any declaration and payment as well as the amount of dividends will be subject to our Articles of Association, applicable PRC law and approval by our Shareholders. Our Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. As advised by our PRC Legal Advisor, no dividend shall be declared or payable, unless we have profits and reserves lawfully available for distribution. Any future net profit that we make will have to be first applied to make up for our historically accumulated losses, after which we will be obliged to allocate 10% of our net profit to our statutory common reserve fund until such fund has reached more than 50% of our registered capital.

### WORKING CAPITAL SUFFICIENCY

The Directors are of the opinion that, taking into account of the following financial resources available to us described below, we have sufficient working capital for our requirements for at least the next 12 months from the date of this document: (i) our future operating cash flows; (ii) cash and cash equivalents on hand; (iii) available banking facilities; and (iv) estimated net [REDACTED] from the [REDACTED].

Our cash burn rate refers to the average monthly aggregate amount of (i) net cash used in operating activities, (ii) payment for the purchase of property and equipment, and intangible assets, and (iii) lease payment. Our historical monthly average cash burn rate was RMB11.6 million, RMB10.1 million, RMB12.6 million and RMB9.2 million in 2021, 2022 and 2023 and for the six months ended June 30, 2024, respectively. We had cash and cash equivalents, restricted cash, and current portion of other financial asset of RMB290.5 million in aggregate as of September 30, 2024. We estimate that we will receive net [REDACTED] of approximately [REDACTED] after deducting the [REDACTED] expenses in the [REDACTED], assuming no [REDACTED] is exercised and assuming an [REDACTED] of [REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] in this document.

Assuming that the average cash burn rate going forward will be RMB12.6 million, similar to the cash burn rate level in the year ended December 31, 2023 based on the underlying assumptions that (i) the number of our employees will not increase significantly; (ii) no substantial capital expenditures; (iii) no other acquisitions or investments, we estimate that our cash and cash equivalents, restricted cash and current portion of other financial assets as of September 30, 2024 will be able to maintain our financial viability for approximately [23] months or, if we take into account [REDACTED] of the estimated net [REDACTED] from the [REDACTED] (namely, the portion allocated for our working capital and other general corporate purposes), approximately [REDACTED] months or, if we also take into account [REDACTED] of the estimated net [REDACTED] from the [REDACTED], approximately [REDACTED] months. We will continue to monitor our cash flows from operations closely. We do not expect to have next round of financing before the [REDACTED]. For more information, see “Indebtedness Statement”.

## FINANCIAL INFORMATION

### DISTRIBUTABLE RESERVES

As of June 30, 2024, we had no distributable reserves.

### [REDACTED] EXPENSES

Our [REDACTED] expenses mainly include [REDACTED] fees and commissions and professional fees paid to legal, accounting and other advisors for their services rendered in relation to the [REDACTED] and the [REDACTED]. Assuming full payment of the discretionary incentive fee, the estimated total [REDACTED] expenses (based on the mid-point of the [REDACTED] Range and assuming that the [REDACTED] is not exercised) for the [REDACTED] will be approximately [REDACTED] (including (i) [REDACTED] commission of approximately [REDACTED], and (ii) non-[REDACTED] related expenses of approximately [REDACTED], which consist of fees and expenses of legal advisors and Reporting Accountants of [REDACTED] and other fees and expenses of approximately [REDACTED]), accounting for approximately of [REDACTED] of our gross [REDACTED] from the [REDACTED]. An estimated amount of [REDACTED] for our [REDACTED] expenses, accounting for approximately [REDACTED] of our gross [REDACTED], has been expensed or is expected to be expensed through profit or loss and the remaining amount of [REDACTED] is expected to be recognized directly as a deduction from equity upon the [REDACTED]. We incurred [REDACTED] expenses of approximately [REDACTED] (equivalent to [REDACTED]) by June 30, 2024.

### UNAUDITED [REDACTED] ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited [REDACTED] statement of adjusted net tangible assets of our Group prepared in accordance with paragraph 4.29 of the Listing Rules and on the basis of the notes set out below for the purpose of illustrating the effect of the [REDACTED] on the consolidated net tangible assets of the Group attributable to equity shareholders of the Company as of June 30, 2024 as if the [REDACTED] had taken place on June 30, 2024.

This unaudited [REDACTED] statement of adjusted net tangible assets of our Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the [REDACTED] been completed as of June 30, 2024 or any future dates.

	Consolidated net tangible assets attributable to the equity shareholders of the Company as of June 30, 2024	Estimated net [REDACTED] from the [REDACTED]	Unaudited [REDACTED] adjusted consolidated net tangible assets attributable to the equity shareholders of the Company	Unaudited [REDACTED] adjusted net tangible assets per Share
	RMB'000 (note 1)	RMB'000 (notes 2 and 4)	RMB'000	RMB (note 3)      HK\$ (note 4)
Based on an [REDACTED] of [REDACTED] per H Share . . . .	235,403	[REDACTED]	[REDACTED]	[REDACTED] [REDACTED]
Based on an [REDACTED] of [REDACTED] per H Share . . . .	235,403	[REDACTED]	[REDACTED]	[REDACTED] [REDACTED]

*Notes:*

- (1) The consolidated net tangible assets attributable to equity shareholders of the Company as at June 30, 2024 is arrived at after (i) deducting intangible assets of RMB2,198,000; and (ii) adjusting the share of intangible assets attributable to non-controlling interests of RMB17,000 from the consolidated total equity attributable to equity shareholders of the Company of RMB237,584,000 as at June 30, 2024, which is extracted from the Accountants' Report set out in Appendix I to this document.



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## FINANCIAL INFORMATION

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- (2) The estimated net [REDACTED] from the [REDACTED] are based on the [REDACTED] of [REDACTED] and [REDACTED] per H Share, being the lower end price and higher end price of the indicative [REDACTED] range respectively, and the issuance of [REDACTED] H Shares, after deduction of the [REDACTED] fees and other related expenses paid or payable by the Company (excluding the [REDACTED] expenses charged to profit or loss during the Track Record Period), and do not take into account any H Shares which may be issued upon the exercise of the [REDACTED] and the options granted under the [REDACTED] Share Option Scheme of the Company.
- (3) The unaudited [REDACTED] adjusted net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that [REDACTED] Shares (being the outstanding 382,381,000 Shares as at June 30, 2024 and [REDACTED] H Shares to be issued pursuant to the [REDACTED]) were in issue immediately following the completion of the [REDACTED], and does not take into account any H Shares which may be issued upon the exercise of the [REDACTED] and the options granted under the [REDACTED] Share Option Scheme of the Company.
- (4) The estimated net [REDACTED] from the [REDACTED] and the unaudited [REDACTED] adjusted net tangible assets per Share are converted from or into Hong Kong dollars (the “HK\$”) at an exchange rate of HK\$1.00 to RMB0.91268. No representation is made that HK\$ amounts have been, could have been or may be converted to RMB, or vice versa, at that rate.
- (5) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to June 30, 2024.

### NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this document, there have been no material adverse change in our financial, trading position or prospects since June 30, 2024, being the end date of our latest audited financial statements, and there has been no event since June 30, 2024 that would materially affect the information shown in the Accountants’ Report set out in Appendix I to this document.

### DISCLOSURE REQUIRED UNDER THE HONG KONG LISTING RULES

Save as otherwise disclosed in this document, our Directors have confirmed that as of the Latest Practicable Date, there are no circumstances that would give rise to a disclosure requirement under Rule 13.13 to Rule 13.19 of the Hong Kong Listing Rules.

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## RELATIONSHIP WITH OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

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### OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

As of the Latest Practicable Date, Mr. Li held approximately 12.5% direct interest in our Company. Separately, our Company was held as to approximately 12.3% by Starcraft Technology, which was in turn held as to 92.7% by Mr. Li, and together with the Shares held directly by Mr. Li, Mr. Li was interested in approximately 24.7% in our Company.

Immediately following the completion of the [REDACTED] and assuming that no new Shares are issued under the [REDACTED] and no new Shares are issued under our [REDACTED] Share Option Scheme, and no other changes are made to the issued share capital of the Company between the Latest Practicable Date and [REDACTED], Mr. Li will directly and indirectly hold an aggregate of approximately [REDACTED] of the issued share capital of our Company. Accordingly, Mr. Li and Starcraft Technology will be our Single Largest Group of Shareholders immediately upon the [REDACTED], and our Company will not have any controlling shareholder as defined under the Listing Rules upon [REDACTED].

### INDEPENDENCE FROM OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

#### Management independence

Our business is managed and conducted by our Board and senior management. Upon the [REDACTED], our Board consists of nine Directors, comprising five executive Directors, one non-executive Director and three independent non-executive Directors, and we also have three Supervisors and six senior management members. Mr. Li, an executive Director and a senior management member, is also a member of our Single Largest Group of Shareholders and the chairman of the board of directors of Starcraft Technology. Ms. Zhang Yuwei, an executive Director, is a director of Starcraft Technology and Ms. Du Jinyan, secretary to the Board, chief legal officer and one of the joint company secretaries of the Company effective upon [REDACTED], is a supervisor of Starcraft Technology. Each of our Directors, Supervisors and members of the senior management possesses relevant management, financial or industry-related experience to contribute to the management of our business. For further information on the qualifications and experience of our Directors, Supervisors and senior management, see “Directors, Supervisors and Senior Management” in this document.

Our Directors consider that our Board, Supervisory Committee and senior management of our Company are capable of operating our business and managing all actual or potential conflicts of interest independently of our Single Largest Group of Shareholders after the [REDACTED] because:

- (a) save for Mr. Li, Ms. Zhang Yuwei and Ms. Du Jinyan, all of our Directors, Supervisors and senior management do not hold any position in Starcraft Technology or its close associates, and are capable to contribute sufficient time and efforts to manage the daily operations of our Group. Although Mr. Li, Ms. Zhang and Ms. Du hold positions in Starcraft Technology, Starcraft Technology is only an investment holding company and they have historically been able to devote, and will continue upon [REDACTED] to devote, sufficient time and capacity for the affairs of our Group. Further, when performing their respective duties, they will be supported by a separate and independent senior management team. In addition, the management personnel of our Company have clear reporting lines, and ultimately the management team reports to the executive Directors, who are responsible for reporting to our Board. Our Board supervises and monitors the performance of our Company’s management team generally through the regular reports made by our executive Directors to our Board, regular meetings of our Board and ad hoc

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## RELATIONSHIP WITH OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

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- meetings of our Board to consider, deliberate and approve material matters which exceed the delegated authorities of management team, as well as the regular updates of operational and financial data and information that are provided to our Directors;
- (b) each Director is aware of his fiduciary duties as a Director which require, among other things, that he acts for the benefit and in the interest of our Company and does not allow any conflict between his duties as a Director and his personal interests;
  - (c) our daily management and operations are carried out by our executive Directors and the members of our senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group. Further, a majority of our senior management team are independent of our Single Largest Group of Shareholders;
  - (d) we have three independent non-executive Directors, representing one-third of the Board. The independent non-executive Directors will represent an element of independence at the board level, and certain matters of our Company must always be referred to the independent non-executive Directors for review, to protect the interests of our Company and the Shareholders as a whole;
  - (e) there is no business dealings between the Company and Starcraft Technology, and therefore, despite the overlap between members of the Board and the directors of Starcraft Technology, there is no material conflict of interest. In the event that there is a material conflict of interest arising out of any transaction to be entered into between our Group and a Director or his or her respective associates, the interested Director shall abstain from voting and shall not be counted in the quorum in respect of such transactions; and
  - (f) we have adopted other corporate governance measures to manage potential conflicts of interest, if any, between our Group and our Single Largest Group of Shareholders, which would enhance our independent management, as detailed in the sub-section headed "—Corporate governance measures" below.

Based on the above, our Directors believe that our Board as a whole and together with our senior management team are able to perform the managerial role our Group independently.

### **Operational independence**

Our Directors believe that our Group is operationally independent from our Single Largest Group of Shareholders. Our Company (through our subsidiaries) holds all relevant licenses. We own or are legally licensed to use all relevant intellectual properties and own facilities necessary to carry on our business. We have sufficient capital, facilities, equipment and employees to operate our business independently from our Single Largest Group of Shareholders. We also have independent access to our customers and suppliers, and independent departments, each with specific areas of responsibilities. We have adopted a set of internal control procedures to maintain effective and independent operation of our business.

In addition, we have established our internal organizational and management structure which includes Shareholders' meetings, our Board and other committees, and formulated the terms of reference of these bodies in accordance with the requirements of the applicable laws and regulations, the Listing Rules and the Articles of Association, so as to establish a regulated and effective corporate governance structure.

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## RELATIONSHIP WITH OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

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Based on the above, our Directors believe that our business is operationally independent of our Single Largest Group of Shareholders.

### Financial independence

Our financial system and financial operations are independent from our Single Largest Group of Shareholders. Our Group makes financial decisions according to our own business needs and our Group's financial operations are handled by our finance team, without sharing any financial management functions or resources with our Single Largest Group of Shareholders.

There was no outstanding loans or guarantees or other financial assistance provided by, or granted to, our Single Largest Group of Shareholders or their respective associates as of the Latest Practicable Date.

In light of the above, our Directors are of the view that we are able to maintain financial independence from our Single Largest Group of Shareholders.

### Competition

Our Single Largest Group of Shareholders do not currently have any interest in a business (save for the business of our Group) that competes or is likely to compete, whether directly or indirectly, with our Group's business, which would otherwise require disclosure under Rule 8.10 of the Listing Rules.

## CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance in protecting our Shareholders' interests. We have adopted the following measures to ensure good corporate governance standards and to avoid potential conflicts of interest between our Group and our Single Largest Group of Shareholders:

- (a) under the Articles, where a Shareholders' meeting is held to consider proposed transactions in which our Single Largest Group of Shareholders are, under the Listing Rules, required to abstain, our Single Largest Group of Shareholders shall abstain from voting and their votes shall not be counted in respect of such transactions;
- (b) our Company has established internal control mechanisms to identify connected transactions. Upon the [REDACTED], if our Company enters into connected transactions with our Single Largest Group of Shareholders or any of their respective associates, our Company will comply with the applicable requirements under the Listing Rules;
- (c) the independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between our Group and our Single Largest Group of Shareholders and provide impartial and professional advice to protect the interests of our minority Shareholders;
- (d) our Single Largest Group of Shareholders will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the purpose of their annual review;

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## RELATIONSHIP WITH OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

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- (e) our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its interim and annual reports or by way of announcements as required by the Listing Rules;
- (f) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company's expense;
- (g) we have appointed Somerley Capital Limited as our compliance adviser to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance; and
- (h) we have established our audit committee, remuneration committee and nomination committee with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code in Appendix C1 to the Listing Rules.

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 Group and our Single Largest Group of Shareholders, and to protect our minority Shareholders' interests after the [REDACTED].

## SHARE CAPITAL

This section presents certain information regarding our share capital before and upon completion of the [REDACTED].

### BEFORE THE [REDACTED]

As of the Latest Practicable Date, the registered share capital of our Company was RMB382,380,952, divided into 382,380,952 Unlisted Shares with a nominal value of RMB1.00 each.

### UPON COMPLETION OF THE [REDACTED]

Immediately following the completion of the [REDACTED] and [REDACTED] of Unlisted Shares into H Shares, assuming that the [REDACTED] is not exercised and the share options granted under our [REDACTED] Share Option Scheme are not exercised, the share capital of our Company will be as follows.

Description of Shares	Number of Shares	Approximate % of the enlarged issued share capital after the [REDACTED]
Unlisted Shares	[REDACTED]	[REDACTED]
H Shares to be [REDACTED] from Unlisted Shares <sup>Note</sup>	[REDACTED]	[REDACTED]
H Shares to be issued pursuant to the [REDACTED]	[REDACTED]	[REDACTED]
<b>Total</b>	<b>[REDACTED]</b>	<b>[REDACTED]</b>

*Note: Please refer to “History, Reorganization and Corporate Structure – Capitalization of our Company” for details of the identities of the shareholders whose Shares will be [REDACTED] into H Shares upon [REDACTED].*

Immediately following the completion of the [REDACTED] and [REDACTED] of Unlisted Shares into H Shares, assuming that the [REDACTED] is fully exercised and the share options granted under our [REDACTED] Share Option Scheme are not exercised, the share capital of our Company will be as follows.

Description of Shares	Number of Shares	Approximate % of the enlarged issued share capital after the [REDACTED]
Unlisted Shares	[REDACTED]	[REDACTED]
H Shares to be [REDACTED] from Unlisted Shares <sup>Note</sup>	[REDACTED]	[REDACTED]
H Shares to be issued pursuant to the [REDACTED]	[REDACTED]	[REDACTED]
<b>Total</b>	<b>[REDACTED]</b>	<b>[REDACTED]</b>

*Note: Please refer to “History, Reorganization and Corporate Structure – Capitalization of our Company” for details of the identities of the shareholders whose Shares will be [REDACTED] into H Shares upon [REDACTED].*

### OUR SHARES

The H Shares in issue following the completion of the [REDACTED] and the Unlisted Shares are ordinary Shares in the share capital of our Company, and are considered as one class of Shares. However, apart from certain qualified domestic institutional investors in the PRC, qualified PRC investors under the Shanghai-Hong Kong stock exchanges connectivity mechanism (Shanghai-Hong Kong Stock Connect) and the Shenzhen-Hong Kong stock exchanges connectivity mechanism (Shenzhen-Hong Kong Stock Connect) and other persons entitled to hold H Shares pursuant to the relevant PRC laws and regulations or upon approval by any competent authorities, H Shares generally may not be subscribed for by, or traded between, legal or natural persons of the PRC. H Shares may only be subscribed for and traded in Hong Kong dollars.

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## SHARE CAPITAL

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### RANKING

Unlisted Shares and H Shares shall rank *pari passu* with each other in all other respects and, in particular, will rank equally for dividends or distributions declared, paid or made after the date of this document. All dividends in respect of our Shares will be paid in Hong Kong dollars or Renminbi, as the case may be. Other than cash, dividends could also be paid in the form of Shares.

### [REDACTED] OF OUR UNLISTED SHARES INTO H SHARES

[The Company has filed for a “full circulation” of all the existing [REDACTED] Unlisted Shares into H Shares on a [REDACTED] basis and submitted the application reports, authorization documents of the shareholders of Unlisted Shares for which an H-share “full circulation” are applied, explanation about the compliance of share acquisition and other documents in accordance with the requirements of the CSRC.

The relevant filings of the [REDACTED] of the existing [REDACTED] Unlisted Shares held by the existing Shareholders into H Shares on a [REDACTED] basis have been completed on [●].

Upon completion of the [REDACTED], if any of our Shares are not [REDACTED] or [REDACTED] on any stock exchange, the holders of our Unlisted Shares may [REDACTED] their Shares into H Shares provided such [REDACTED] shall have gone through any requisite internal approval process and complied with the regulations prescribed by the securities regulatory authorities of the State Council and the regulations, requirements and procedures prescribed by the overseas stock exchange(s) and have completed the required filing with the securities regulatory authorities of the State Council, including the CSRC. The [REDACTED] of such [REDACTED] Shares on the Hong Kong Stock Exchange will also require the approval of the Hong Kong Stock Exchange.

Based on the procedures for the [REDACTED] of our Unlisted Shares into H Shares as disclosed in this section, we can apply for the [REDACTED] of all or any portion of our Unlisted Shares on the Hong Kong Stock Exchange as H Shares in advance of any proposed [REDACTED] to ensure that the [REDACTED] process can be completed promptly upon notice to the Hong Kong Stock Exchange and delivery of Shares for entry on the H Share register. As any [REDACTED] of additional Shares after our [REDACTED] on the Hong Kong Stock Exchange is ordinarily considered by the Hong Kong Stock Exchange to be a purely administrative matter, it will not require such prior application for [REDACTED] at the time of our [REDACTED] in Hong Kong.

No class Shareholder voting is required for the [REDACTED] and [REDACTED] of the [REDACTED] Shares on the Hong Kong Stock Exchange. Any application for [REDACTED] of the [REDACTED] Shares on the Hong Kong Stock Exchange after our [REDACTED] is subject to prior notification by way of announcement to inform Shareholders and the public of such proposed [REDACTED].

After all the requisite approvals have been obtained, the following procedures will need to be completed: the relevant Unlisted Shares will be withdrawn from the Share register and we will re-register such Shares on our [REDACTED] maintained in Hong Kong and instruct the [REDACTED] to issue H Share certificates. Registration on our [REDACTED] will be on the condition that (a) our [REDACTED] lodges with the Hong Kong Stock Exchange a letter confirming the proper entry of the relevant H Shares on the [REDACTED] of members and the due dispatch of H Share certificates and (b) the admission of the H Shares to [REDACTED] on the Hong Kong Stock Exchange will comply with the Listing Rules and the [REDACTED] and the [REDACTED] in force from time to time. Until the [REDACTED] Shares are re-registered on our [REDACTED], such Shares would not be [REDACTED] as H Shares.

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## SHARE CAPITAL

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For further details, see “Risk Factors—Risks Relating to the [REDACTED]—Future sales or perceived sales of substantial amounts of our H Shares in the [REDACTED] could have a material adverse effect on the prevailing [REDACTED] of our H Shares and our ability to raise additional capital in the future, or may result in dilution of your shareholding.”

### TRANSFER OF SHARES ISSUED PRIOR TO THE [REDACTED]

The PRC Company Law provides that in relation to the public offering of a company, the shares issued prior to the public offering shall not be transferred within a period of one year from the date on which the publicly offered shares are listed on any stock exchange. Accordingly, Shares issued by our Company prior to the [REDACTED] shall be subject to this statutory restriction and not be transferred within a period of one year from the [REDACTED].

### CIRCUMSTANCES UNDER WHICH GENERAL MEETING IS REQUIRED

For details of circumstances under which our Shareholders’ general meeting is required, please refer to the section headed “Appendix V—Summary of the Articles of Association”.

### [REDACTED] SHARE INCENTIVE SCHEME AND [REDACTED] SHARE OPTION SCHEME

Our Company adopted (i) the [REDACTED] Share Incentive Scheme on June 28, 2023 which was further amended and approved on August 9, 2024; and (ii) the [REDACTED] Share Option Scheme on August 9, 2024. See “Appendix VI—Statutory and General Information—4. Our Incentive Schemes”.



## SUBSTANTIAL SHAREHOLDERS

### SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the [REDACTED] and assuming that no new Shares are issued under the [REDACTED], the share options granted under our [REDACTED] Share Option Scheme are not exercised and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and [REDACTED], the following persons will have an interest or short position (as applicable) in our Shares or underlying Shares which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, 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 meetings of our Company:

#### Substantial Shareholders of our Company

Name of Shareholder	Nature of interests	As of the Latest Practicable Date <sup>(1)</sup>		Immediately after the [REDACTED] (without taking into account any H Shares which may be issued pursuant to the exercise of the [REDACTED] and the share options granted under our [REDACTED] Share Option Scheme are not exercised) <sup>(2)</sup>		
		Number and Type of Shares	Approximate percentage of interest in the total issued share capital	Number and Type of Shares	Approximate percentage of shareholding in the relevant type of Shares after the [REDACTED] <sup>(2)</sup>	Approximate percentage of shareholding in the total share capital of our Company after the [REDACTED] <sup>(2)</sup>
Mr. Li <sup>(3)</sup> . . . .	Beneficial owner <sup>(4)</sup>	47,670,825 Unlisted Shares	12.5%	[REDACTED]	[REDACTED]	[REDACTED]
	Interest in controlled corporations	46,933,525 Unlisted Shares	12.3%	[REDACTED]	[REDACTED]	[REDACTED]
Starcraft Technology <sup>(3)</sup>	Beneficial owner	46,933,525 Unlisted Shares	12.3%	[REDACTED]	[REDACTED]	[REDACTED]
LS 51World <sup>(5)</sup>	Beneficial owner	66,209,905 Unlisted Shares	17.3%	[REDACTED]	[REDACTED]	[REDACTED]
Qingdao Mirrorverse <sup>(6)</sup>	Beneficial owner	26,708,875 Unlisted Shares	7.0%	[REDACTED]	[REDACTED]	[REDACTED]
Hao Lili (郝麗麗) <sup>(6)</sup> . . . .	Interest in controlled corporations	27,104,170 Unlisted Shares	7.0%	[REDACTED]	[REDACTED]	[REDACTED]

*Notes:*

- (1) The calculation is based on the total number of [REDACTED] Unlisted Shares in issue and [REDACTED] H Shares in issue upon [REDACTED].
- (2) The table above assumes the [REDACTED] becomes unconditional and the [REDACTED] are issued pursuant to the [REDACTED] and no new Shares are issued under the [REDACTED], the share options granted under our [REDACTED] Share Option Scheme are not exercised and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and [REDACTED].
- (3) Mr. Li is interested in approximately 92.7% of Starcraft Technology and is deemed to be interested in all the Shares held by Starcraft Technology. Starcraft Technology is owned as to 7.3% by Xi'an Qujiang Puyao Aviation Investment Partnership (Limited Partnership)\* (西安曲江普耀航發投資合夥企業(有限合夥)) (“Xi'an Qujiang Puyao”). The general partner of Xi'an Qujiang Puyao is Tongchuan Yao Jiuzhou Fund Management Co., Ltd.\* (銅川普耀九州基金管理有限公司) which is controlled by Pudahang Investment Management (Beijing) Co., Ltd.\* (普達行投資管理(北京)有限公司) (“Pudahang Investment”). Pudahang Investment, in turn, is controlled by Mr. Qingwei Kong, an Independent Third Party. Hongshi Yiyi (Zibo) Enterprise Management Partnership (Limited Partnership)\* (紅石熠熠(淄博)企業管理合夥企業(有限合夥)) (“Hongshi Yiyi”) holds 66.1% economic interest in Xi'an Qujiang Puyao as a limited partner and none of the other limited partners of Xi'an Qujiang Puyao holds more than one-third of its economic interest. The general partner of Hongshi Yiyi is Ms. Laiki Yuen and none of the limited partners of Hongshi Yiyi holds more than one-third of its economic interest. Xi'an Qujiang Puyao is a passive financial investor and does not control Starcraft Technology.

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## SUBSTANTIAL SHAREHOLDERS

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- (4) As of the Latest Practicable Date, Mr. Li was granted 38,238,095 CEO Options by our Company, upon the vesting and exercise of which the same number of H Shares will be issued to him.
- (5) LS 51World is a limited company incorporated in Hong Kong and is wholly owned by Lightspeed China Partners II, L.P.. Lightspeed China Partners II, L.P. is managed by its general partner, Lightspeed China Partners II GP, LLC, which is owned equally by Mr. James Qun Mi (50%) and Mr. Ronald Cao (50%). The limited partners of Lightspeed China Partners II, L.P. are Independent Third Parties. None of the limited partners holds more than one-third of the economic interest therein.
- (6) The general partner of Qingdao Mirrorverse, our employee incentive platform, is Nanjing Mirrorverse No. 1. The general partner of Nanjing Mirrorverse No. 1 is Ms. Hao Lili and none of the limited partners holds more than one-third of the limited partnership interest therein. As such, Ms. Hao Lili is deemed to be interested in the 26,708,875 Shares held by Qingdao Mirrorverse under the SFO. Ms. Hao Lili is also the general partner of Xinyi Ruizhi and therefore deemed to be interested in the 395,295 Shares held by Xinyi Ruizhi under the SFO.

For further information on any other person who will be, immediately following completion of the [REDACTED], directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group, see section headed “Appendix VI—Statutory and General Information—3. Further Information About Our Directors and Supervisors—C. Disclosure of Interests—(ii) Interests of Substantial Shareholders in Members of Our Group (Excluding Our Company)”.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### OVERVIEW

Our Board consists of nine Directors, comprising five executive Directors, one non-executive Director and three independent non-executive Directors.

The following table sets out certain information in respect of our Directors:

### DIRECTORS

The following table provides information about our Directors:

Name	Age	Position(s)	Date of joining our Group	Date of appointment as a Director	Roles and responsibilities
Mr. Li Yi (李熠) . . . . .	39	Executive Director, chief executive officer and chairman of the Board and general manager	February 2015	February 2015	Overall strategic planning and overall management of our Group
Mr. Wang Chenkang (王辰康) . . . . .	35	Executive Director and vice president	February 2015	November 2023 <sup>(1)</sup>	Overall business direction and management of our Group
Ms. Zhang Yuwei (張雨薇) . . . . .	36	Executive Director and vice president	July 2017	March 2020	Responsible for the capital markets activities and consumer businesses development of our Group
Ms. Tong Shan (佟珊) . . . . .	37	Executive Director	September 2015	April 2024	Responsible for managing the sales activities of 51Aes
Ms. Pu Ge (蒲鵠, formerly known as 蒲戈) . . . . .	36	Executive Director	February 2019	August 2024	Responsible for managing the marketing activities of our Group
Mr. Lyu Jinrong (呂金榮) . . . . .	42	Non-executive Director	March 2021	March 2021	Providing advice on the operation and management of our Company
Mr. Li Pan (李攀) . . . . .	41	Independent non-executive Director	August 2024	September 2024	Supervising and providing independent opinion and judgment to the Board
Mr. Lin Chen (林晨) . . . . .	46	Independent non-executive Director	August 2024	September 2024	Supervising and providing independent opinion and judgment to the Board
Mr. Zhang Lening (張樂寧) . . . . .	47	Independent non-executive Director	August 2024	September 2024	Supervising and providing independent opinion and judgment to the Board

Note:

(1) Mr. Wang was elected as a Director of the Company in April 2018 and resigned in December 2019. He was reappointed as a Director of the Company in November 2023.

None of our Directors, Supervisors and members of senior management is related to other Directors, Supervisors or members of senior management. Save as disclosed in this section, (i) none of

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

our Directors held any directorships in public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this document; (ii) to the best knowledge, information and belief of the Directors having made all reasonable inquiries, there were no other matters with respect to the appointment of the Directors that need 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) of the Listing Rules.

### Executive Directors

**Mr. Li Yi (李熠)**, aged 39, is an executive Director, chief executive officer, the chairman of our Board, and the general manager of our Company. Mr. Li is responsible for the overall strategic planning and overall management of our Group. Mr. Li has served as the chief executive officer since February 2015, the chairman of our Board since November 2016 and the general manager of our Company since April 2018. Mr. Li served as the president of First Moma Asset Management (Beijing) Co., Ltd. (第一摩碼資產管理(北京)有限公司), an asset management company, from January 2013 to December 2019, the general manager of First Moma Commercial Operation Management (Beijing) Co., Ltd. (第一摩碼商業運營管理(北京)有限公司), a commercial leasing, sales, and operations company, from January 2011 to December 2012, and the vice president of First Moma Asset Management (Beijing) Co., Ltd. from March 2009 to December 2010. He also served as the operation manager at First Property Service (Beijing) Co., Ltd. (第一物業服務(北京)有限公司) (formerly known as First Property (Beijing) Co., Ltd. (第一物業(北京)股份有限公司), a property management services company, from July 2008 to March 2009. Mr. Li received his master’s degree in business administration from Tsinghua University (清華大學) in the PRC in June 2023 and his bachelor’s degree in engineering cost from Chongqing University (重慶大學) in the PRC in June 2008.

Mr. Li Yi was a director or supervisor of certain companies established in the PRC below prior to their dissolution:

Name of the company	Principal business	Reason for dissolution	Method of dissolution	Date of dissolution	Position
First Momo Network Technology (Beijing) Co., Ltd.* (第一摩碼網絡科技(北京)有限公司)	Technology development	Voluntarily deregistered	Deregistration	May 24, 2024	Executive director and general manager
Xinyi Earth Clone Information Technology Co., Ltd.* (新沂地球克隆信息技術有限公司)	Technology development	Voluntarily deregistered	Deregistration	June 30, 2023	Supervisor
Shichi Information Technology (Shanghai) Co., Ltd.* (視馳信息科技(上海)有限公司)	Technology development	Voluntarily deregistered	Deregistration	January 17, 2022	Executive director and general manager
Chengdu Wuyou Innovation Technology Co., Ltd.* (成都無憂創新科技有限公司)	Investment holding	Voluntarily deregistered	Deregistration	August 5, 2021	Executive director and general manager
Dangjiang Technology (Shanghai) Co., Ltd.* (當匠科技(上海)有限公司)	Investment holding	Voluntarily deregistered	Deregistration	May 25, 2021	Executive director and general manager
Dangxue Network Technology (Shanghai) Co., Ltd.* (當學網絡科技(上海)有限公司)	Investment holding	Voluntarily deregistered	Deregistration	June 17, 2021	Executive director and general manager
First Mo Code Entertainment Technology (Beijing) Co., Ltd.* (第一摩碼娛樂科技(北京)有限公司)	Investment holding	Voluntarily deregistered	Deregistration	October 8, 2021	Executive director and general manager

To the best knowledge, information and belief of Mr. Li, he confirmed that (i) the above companies were solvent immediately prior to their respective dissolution; (ii) there was no wrongful act on his part leading to the dissolution of the above companies; (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of above companies; and (iv) he has not received any notification in respect of penalty, action or proceeding from the relevant authorities as a result of the dissolution.

**Mr. Wang Chenkang (王辰康)**, aged 35, is an executive Director and the vice president of our Company. He is responsible for the overall business direction and management of our Group. Mr. Wang is also currently the general manager of 51Aes. Mr. Wang joined our Group in February 2015 as a product manager. Prior to joining our Group, Mr. Wang served as an assistant to president responsible for the North America market at Modern Green Development Co., Ltd. (當代節能置業股份有限公司), a real estate development company, from July 2013 to January 2015. Mr. Wang received his master’s degree in foreign linguistics and applied foreign linguistics from Beijing International Studies University (北京第二外國語學院) in July 2013 and his bachelor’s degree in English (international trade) from Nanjing Institute of Technology (南京工程學院) in the PRC in June 2011. Mr. Wang has served as a standard committee expert of Z-Park Strategic Alliance of Smart City Industry Technology Innovation (中關村智慧城市產業技術創新戰略聯盟), an alliance formed by institutions actively involved in technology and innovation, since June 2023. He was also certified as a senior engineer of city information modelling integration and application by the Ministry of Industry and Information Technology (工業和信息化部) in April 2022 and a Level 2 interpreter of the China Accreditation Test for Translators and Interpreters (CATTI) by the Ministry of Human Resources and Social Security (人力資源和社會保障部) in May 2012.

Mr. Wang Chenkang was a director of a company established in the PRC below prior to their dissolution:

Name of the company	Principal business	Reason for dissolution	Method of dissolution	Date of dissolution	Position
Xinyi Digital Twin Information Technology Co., Ltd.* (新沂數字孿生信息技術有限公司)	Technology development	Voluntarily deregistered	Deregistration	June 29, 2023	Executive director and general manager

To the best knowledge, information and belief of Mr. Wang Chenkang, he confirmed that (i) the above company was solvent immediately prior to their respective dissolution; (ii) there was no wrongful act on his part leading to the dissolution of the above company; (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of above company; and (iv) he has not received any notification in respect of penalty, action or proceeding from the relevant authorities as a result of the dissolution.

**Ms. Zhang Yuwei (張雨薇)**, aged 36, is an executive Director and vice president of our Company. She is responsible for the capital markets activities and consumer businesses development of our Group. Ms. Zhang joined our Group in July 2017 as the legal director and the director of investor relations of Host Mobile. She has been the vice president and the Board secretary of our Company since February 2021. She has also been a director of Starcraft Technology since March 2022. Prior to joining our Group, Ms. Zhang worked as a content developer at Reed Elsevier Information Technology (Beijing) Co., Ltd. (勵德愛思唯爾

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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信息技術(北京)有限公司), an information and data analysis company, from January 2016 to July 2017, and a lawyer at Beijing Zhonglun W&D (Chengdu) Law Firm (北京市中倫文德(成都)律師事務所) from October 2014 to December 2015. She worked as a legal assistant in Beijing Zhonglun W&D (Chengdu) Law Firm from July 2011 to June 2013. Ms. Zhang received her master’s degree in law from University of Bristol in the United Kingdom in November 2014 and her bachelor’s degree in law from Sichuan Normal University (四川師範大學) in the PRC in June 2011.

**Ms. Tong Shan (佟珊)**, aged 37, is an executive Director. She is responsible for managing the sales activities of 51Aes. Ms. Tong joined our Group in September 2015 and she currently is the sales general manager of 51Aes. Prior to joining our Group, Ms. Tong served as a financial project manager at the crowdfunding department of Jingdong Technology Holding Co., Ltd. (北京京東世紀貿易有限公司), a company that provides digital solutions for financial institutions, from December 2014 to July 2015, where she was responsible for business development. Ms. Tong received her bachelor’s degree in computer science and technology from Shenyang Normal University (瀋陽師範大學) in the PRC in June 2010.

**Ms. Pu Ge (蒲鵠, formerly known as 蒲戈)**, aged 36, is an executive Director. She is responsible for managing the marketing activities of our Group. Ms. Pu joined our Group in February 2019 and she has served as the head of the branding department of our Company since February 2019 and the head of marketing of 51Earth since June 2024. Prior to joining our Group, Ms. Pu worked at Beijing Zhibai Technology Co. (北京智百科技有限公司), an AI technology developer, from April 2017 and was subsequently transferred to Beijing Innovative Lezhi Information Technology Co. (北京創新樂知信息技術有限公司), an information technology and services company, where she served as the department manager from June 2017 to October 2018. She was the founder and served as an editor-in-chief of Beijing Xiaowang Technology Co., Ltd. (北京小望科技有限公司), a technology development company, from August 2016 to April 2017. She also served as an industry editor-in-chief at Beijing Venture Future Media Technology Co., Ltd.\* (北京創業未來傳媒技術有限公司), a company that provides business innovation and entrepreneurship services, from January 2015 to July 2016. Prior to that, she worked at Beijing Wenchuang International Group Limited (北京文創國際集團有限公司), an advertisement agency, from March 2013 to October 2014. Ms. Pu received her master’s degree in English language and literature from Beijing Foreign Studies University (北京外國語大學) in the PRC in March 2013 and her bachelor’s degree in Chinese language and literature from Beijing International Studies University (北京第二外國語學院) in the PRC in July 2009.

### Non-Executive Director

**Mr. Lyu Jinrong (呂金榮)**, aged 42, is a non-executive Director. He is responsible for providing advice on the operation and management of our Company. He has served as the chairman of First MOMA Sports Culture Development (Beijing) Co., Ltd (第一摩碼體育文化發展(北京)股份有限公司), a fitness company that offers health customization and monitoring service, from March 2024 to August 2024. He has served as the chief executive officer of First Moma Education Investment (Beijing) Co., Ltd. (第一摩碼教育投資(北京)有限公司), youth education management company, from January 2021 to August 2024 and the vice president of First Moma Asset Management (Beijing) Co., Ltd. (第一摩碼資產管理(北京)有限公司) from September 2019 to August 2024. Mr. Lyu served as the general manager of the human resources centre at Modern Land (China) Co., Limited. (當代置業(中國)有限公司), a company listed on the Stock Exchange (stock code: 1107.hk), a real estate company, from April 2014 to August 2019. He worked at Beijing Alliance PKU Management Consultants Ltd. (北京北大縱橫管理諮詢有限責任公司), a management consulting company, from June 2012 to October 2013. Mr. Lyu received his executive master of business administration degree (EMBA) from Peking University (北京大學) in July

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

2022, his master of business administration degree (MBA) from Trinity College Dublin in Ireland in November 2011 and his bachelor’s degree in English from Anhui Education College (安徽教育學院) in the PRC in November 2004.

Mr. Lyu Jinrong was a director of certain companies and partnerships established in the PRC below prior to their dissolution:

<u>Name of the company</u>	<u>Principal business</u>	<u>Reason for dissolution</u>	<u>Method of dissolution</u>	<u>Date of dissolution</u>	<u>Position</u>
Guizhou Moma Education Technology Co., Ltd.* (貴州摩碼教育科技有限公司)	Education consulting services	Voluntarily deregistered	Deregistration	December 1, 2021	Executive director and general manager
Guizhou Moma Education Consulting Co., Ltd.* (貴州摩碼教育諮詢有限公司)	Education consulting services	Voluntarily deregistered	Deregistration	January 17, 2024	Executive director and general manager

To the best knowledge, information and belief of Mr. Lyu Jinrong, he confirmed that (i) the above companies or partnerships were solvent immediately prior to their respective dissolution; (ii) there was no wrongful act on his part leading to the dissolution of the above companies or partnerships; (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of above companies or partnerships; and (iv) he has not received any notification in respect of penalty, action or proceeding from the relevant authorities as a result of the dissolution.

### Independent Non-Executive Directors

**Mr. Li Pan (李攀)**, aged 41, is an independent non-executive Director. He is responsible for supervising and providing independent opinion and judgment to the Board. Mr. Li has been with Case Western Reserve University since August 2015, with his current position as tenured professor. He was with Mississippi State University from August 2009 to August 2015, with his last position as tenured professor. Mr. Li received his PhD degree in engineering from University of Florida in the United States in August 2009 and his bachelor’s degree in electronic information engineering from Huazhong University of Science and Technology (華中科技大學) in the PRC in June 2005.

Mr. Li was a director of certain companies established in the PRC below prior to their dissolution:

<u>Name of the company</u>	<u>Principal business</u>	<u>Reason for dissolution</u>	<u>Method of dissolution</u>	<u>Date of dissolution</u>	<u>Position</u>
Wuhan Qingyun Health Technology Co., Ltd* (武漢市清雲健康科技有限責任公司)	R&D of intelligent medical technology products	Cessation of business	Deregistration	April 23, 2021	Director

To the best knowledge, information and belief of Mr. Li, he confirmed that (i) the above company was solvent immediately prior to its dissolution; (ii) there was no wrongful act on his part leading to the dissolution of the above company; (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of above company; and (iv) he has not received any notification in respect of penalty, action or proceeding from the relevant authorities as a result of the dissolution.

**Mr. Lin Chen (林晨)**, aged 46, is an independent non-executive Director. He is responsible for supervising and providing independent opinion and judgment to the Board. Mr. Lin has served as an independent non-executive director of Shiyue Daotian Group Co., Limited (十月稻田集團股份有限公司), a company listed on the Stock Exchange (stock code: 9676.hk), a kitchen staple food company, since October 2023. Mr. Lin has served as a director of CNCB (Hong Kong) Investment Limited since January 2022 and a director of China Merchants Land Asset Management Co., Limited (the manager of China Merchants Commercial REIT, a company listed on the Stock Exchange (stock code: 1503.hk)) since December 2019. Mr. Lin has served at various positions at The University of Hong Kong, including as the Chair of Finance and Stelux Professor in Finance since August 2013 and the Associate Vice President since January 2023.

Mr. Lin obtained his PhD degree in economics in August 2006, master of arts degree in economics in August 2005 and master of business administration degree (MBA) in May 2004 from University of Florida in the United States. He received his bachelor’s degree in engineering from South China University of Technology (華南理工大學) in the PRC in July 2000. He is a non-official member of the Task Force on Promoting Web3 Development of the Government of Hong Kong since July 2023, a Fellow of the Academy of Social Sciences, UK since March 2023, a Member of the Academia Europaea since June 2022, a member of the Hang Seng Index Advisory Committee since August 2021, a member of the Fintech Advisory Group of the Securities and Futures Commission since March 2021 and an advisory member of the Hong Kong Institute for Monetary and Financial Research of the Hong Kong Monetary Authority since June 2019. Mr. Lin also served as a member of the Currency Board Sub-Committee of the Exchange Fund Advisory Committee of Hong Kong from January 2017 to December 2022.

**Mr. Zhang Lening (張樂寧)**, aged 47, is an independent non-executive Director. He is responsible for supervising and providing independent opinion and judgment to the Board. Mr. Zhang has over 10 years of experience in his capacity as a financing and investment management professional, through which he has gained financial management expertise required under Rule 3.10(2) of the Listing Rules.

Mr. Zhang has been a partner of Guizhou Yunli High Tech Industry Investment Partnership Enterprise (Limited Partnership)\* (貴州省雲力高新技術產業投資合夥企業(有限合夥)), a partnership that manages a private equity fund. Mr. Zhang served as the deputy general manager of Beijing Hydsoft Technology Co., Ltd.\* (北京慧博雲通科技股份有限公司), a company listed on the Shenzhen Stock

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Exchange (stock code: 301316), a company that offers software technology services, professional technical services, and products and solutions, from April 2020 to September 2024, where he was responsible for overseeing corporate strategy, operation and financing. He was a senior director of corporate investment at Alibaba Group, a company listed on the Stock Exchange (stock code: 9988.hk) from June 2017 to December 2017, where he was in charge of investment strategy. Prior to this, he was the founder and served as the chief executive officer of Beijing HaoLe Technology Co., Ltd.\* (北京昊樂科技有限公司), a company that focuses on venture capital fund and direct investment opportunities, from May 2014 to June 2016, where he was responsible for overseeing company strategy and operation. He served as the executive director of the investment banking division of Goldman Sachs (Asia) LLC from January 2010 to May 2014, where he was working closely with companies in the preparation of their offer document disclosures and other related financial documents in advance of their public offerings in the Hong Kong Stock Exchange or other offerings on the Hong Kong Stock Exchange or Nasdaq as well as other corporate finance transactions. In connection with such corporate finance transactions, he was also responsible for discussing financial statements and other financial information with audit committees, external auditors, financial advisors and other professional parties, overseeing the implementation and evaluation of internal audit and compliance controls.

Mr. Zhang received his master of science degree in chemical engineering from Stanford University in the United States in January 2005 and his master’s degree in mechanical engineering in December 2002 from Texas A&M University in the United States.

### SUPERVISORS

The following table provides information about our Supervisors:

Name	Age	Position	Date of joining our Group	Date of appointment as a Supervisor	Roles and responsibilities
Mr. Kuang Peng (匡鵬) . . . . .	37	Chairperson of Supervisory Committee	October 2021	August 2024	Responsible for the daily management of the Supervisory Committee and supervising the daily operation of the Group
Mr. Hou Tao (侯濤) . . . . .	46	Supervisor	April 2018	December 2020	Responsible for the daily management of the Supervisory Committee and supervising the daily operation of the Group
Ms. Hou Jingjing (侯靜靜) . . . . .	35	Supervisor	February 2015	December 2020	Responsible for the daily management of the Supervisory Committee and supervising the daily operation of the Group

**Mr. Kuang Peng (匡鵬)**, aged 37, is the chairperson of the Supervisory Committee. Mr. Kuang joined our Group since October 2021, with his current position as human resources manager of our Company, where he is responsible for overseeing talent development, training programs, performance incentives, employee relations, and the promotion of company culture. From October 2013 to August 2021, Mr. Kuang held key training and talent development roles in various companies. From October

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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2013 to May 2015, Mr. Kuang served as a training supervisor at Beijing Luneng Property Services Co., Ltd. (北京魯能物業服務有限責任公司), a property management company, overseeing the training management and talent development for various company levels. From May 2015 to April 2016, Mr. Kuang worked at Modern Land (China) Co., Limited. (當代置業(中國)有限公司), a company listed on the Stock Exchange (stock code: 1107.hk), where he was responsible for comprehensive training and talent advancement within the real estate sector. Subsequently, from May 2016 to August 2021, Mr. Kuang served as a senior training supervisor at Beijing MTR Corporation Limited (北京京港地鐵有限公司), a company involved in the investment, construction, and operation of several Beijing Metro lines, where he managed training programs and personnel development across all levels for Beijing’s subway operations.

Mr. Kuang graduated from Beihang University (北京航空航天大學) in the PRC with a Bachelor’s degree in human resource management in July 2012. In December 2013, Mr. Kuang obtained the Intermediate Human Resources Manager Certificate (中級人力資源管理師證) issued by the Ministry of Human Resources and Social Security of the People’s Republic of China (中華人民共和國社會保障部制(職業鑑定中心)).

**Mr. Hou Tao (侯濤)**, aged 46, is a Supervisor. Mr. Hou joined our Group in April 2018 and has served as the Supervisor since November 2020. He has also served as the R&D director of our Company since April 2018. Prior to joining our Group, Mr. Hou served as a senior research and development engineer of Shanghai Huimo Information Technology Co., Ltd. (上海匯模信息科技有限公 司), a company that specializes in computer graphics for manufacturing and medical industries, from August 2016 to April 2018. Mr Hou served as a senior software engineer at Autodesk (China) Software Research and Development Co., Ltd. (歐特克(中國)軟件研發有限公司), a software development company, from July 2011 to February 2016. Mr Hou worked at Geo Star Information Technology Co., Ltd. (吉奧時空信息技術股份有限公司), a company that provides software and information technology services, from September 2008 to August 2011. Mr. Hou received his doctor’s degree in cartography and geographic information system from Institute of Remote Sensing Applications, Chinese Academy of Sciences (中國科學院遙感應用研究所) in the PRC in July 2006, his master’s degree in cartography and geographic information system from Wuhan University (武漢大學) in the PRC in June 2003, and his bachelor’s degree in resource environmental zoning and management from Wuhan Technical University of Surveying and Mapping (武漢測繪科技大學) in the PRC in July 2000.

**Ms. Hou Jingjing (侯靜靜)**, aged 35, is a Supervisor. Ms. Hou joined our Group in February 2015. She has served as the senior front-end engineer of our Company since February 2015 and the Supervisor since November 2020. Prior to joining our Group, she served as a senior front-end engineer at First Moma Network Technology (Beijing) Co., Ltd. (第一摩碼網絡科技(北京)有限公司), a company that delivers internet information services, from July 2014 to June 2020. Ms. Hou received her bachelor’s degree in network engineering from Hebei Agricultural University (河北農業大學) in the PRC in June 2014.



## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### SENIOR MANAGEMENT

The following table provides information about members of the senior management of our Company:

Name	Age	Positions	Date of joining our Group	Date of appointment as senior management	Roles and responsibilities
Mr. Li Yi (李熠) . . . . .	39	Executive Director, chief executive officer, chairman of the Board and general manager	February 2015	April 2018	Overall strategic planning and overall management of our Group
Mr. Wang Chenkang (王辰康) . . . . .	35	Executive Director and vice president	February 2015	June 2023	Overall business direction and management of our Group
Ms. Ding Ronghui (丁蓉慧) . . . . .	38	Vice president and chief operating officer of 51Sim	February 2016	June 2023	Responsible for managing the sales activities of our Group
Ms. Zhang Jing (張敬, formerly known as 張靖) . . . . .	35	Director of finance	January 2021	August 2024	Responsible for managing the finance activities of our Group
Ms. Tong Shan (佟珊) . . . . .	37	Executive Director and sales general manager of 51Aes	September 2015	August 2024	Responsible for managing the sales activities of 51Aes
Ms. Du Jinyan (杜金艷) . . . . .	35	Secretary to the Board, chief legal officer and one of the joint company secretaries of the Company effective upon [REDACTED]	October 2021	August 2024	Responsible for overall corporate governance, information disclosure, investor relation and other Board-related matters

For the biographies of Mr. Li Yi, Mr. Wang Chenkang and Ms. Tong Shan, see the section headed “Directors — Executive Directors” above.

**Ms. Ding Ronghui (丁蓉慧)**, aged 38, is our vice president and chief operating officer of 51Sim. Ms. Ding is responsible for managing the sales activities of our Group. Ms. Ding joined our Group in February 2016, with her current position as vice president and chief operating officer of 51Sim. Ms. Ding received her bachelor’s degree in information and computing science from Anhui University of Technology (安徽工業大學) in the PRC in June 2009.

**Ms. Zhang Jing (張敬, formerly known as 張靖)**, aged 35, is our director of finance. Ms. Zhang is responsible for managing the finance activities of our Group. Ms. Zhang joined our Group in January 2021 and is currently the head of finance of our Company. Prior to joining our Group, Ms. Zhang served as a financial manager of BizConf Telecom Co., Ltd., a domestic smart cloud video company for AI information creation, (上海會暢通訊股份有限公司) (SZSE Stock Code: 300578) from August 2018 to November 2020 and a project manager of Da Hua Certified Public Accountants (Special General Partnership) (大華會計師事務所(特殊普通合伙)) from November 2014 to

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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August 2018. Ms. Zhang received her bachelor’s degree in international economics and trade from Tianjin University of Commerce (天津商業大學) in the PRC in June 2013.

### JOINT COMPANY SECRETARIES

**Ms. Chu Cheuk Ting (朱卓婷)**, has been [appointed] as one of our joint company secretaries. Ms. Chu currently serves as a manager of the listing services department of TMF Hong Kong Limited and is responsible for the provision of corporate secretarial and compliance services to listed company clients. She has over 12 years of experience in the corporate service field. Ms. Chu is an associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. Ms. Chu received her master’s degree in science in professional accounting and corporate governance from City University of Hong Kong in 2011 and her bachelor’s degree in arts from The Hong Kong Polytechnic University in 2007.

**Ms. Du Jinyan (杜金艷)**, aged 35, is the secretary to the Board and our chief legal officer and has been appointed as one of our joint company secretaries effective upon [REDACTED]. Ms. Du joined our Group in August 2018, with her current position as legal director and procurement director of our Company. She has also served as a supervisor of other members of the Group, including Mirrorverse Technology (Chengdu) Co., Ltd. (萬物鏡像科技(成都)有限公司), a company that specializes in software and information technology services, since December 2020. She has also served as a supervisor of Starcraft Technology since December 2019. Prior to joining our Group, Ms. Du was engaged in legal work in the international business department of Beijing Dadi Law Firm (北京市大地律師事務所) from August 2014 to August 2018. Ms. Du received her master’s degree in law from Beijing Institute of Technology (北京理工大學) in the PRC in July 2014. Ms. Du obtained the Legal Professional Qualification Certificate (法律職業資格證書) issued by the Ministry of Justice of the People’s Republic of China (中華人民共和國司法部) in March 2014 and was qualified as a corporate compliance officer (senior) issued by China Enterprise Evaluation Association (中國企業評價協會) in November 2023.

### COMPETING INTERESTS

Each of the Directors confirms that as of the Latest Practicable Date, he or she did not have any interest in a business which materially competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10(2) of the Listing Rules.

### MANAGEMENT AND CORPORATE GOVERNANCE

#### Board Committees

We have established four Board Committees in accordance with the relevant laws and regulations in China, the Articles and the code of corporate governance practices under the Listing Rules, namely the audit committee, the remuneration committee, the nomination committee and the strategy committee. The functions of the committees are summarized as follows:

#### *Audit Committee*

We have established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of the audit committee are to review and supervise the financial

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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reporting process and internal controls system of our Group, review and approve connected transactions and provide advice and comments to the Board. The audit committee comprises three members, namely Mr. Zhang Lening, Mr. Li Pan and Mr. Lyu Jinrong, with Mr. Zhang Lening as the chairman of the audit committee and the Director appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

### *Remuneration Committee*

We have established a remuneration committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of the remuneration committee are to review and make recommendations to the Board on the terms of remuneration packages, bonuses and other compensation payable to our Directors and other senior management. The remuneration committee comprises three members, namely Mr. Zhang Lening, Mr. Lin Chen and Ms. Zhang Yuwei, with Mr. Zhang Lening as the chairman of the remuneration committee.

### *Nomination Committee*

We have established a nomination committee with written terms of reference in compliance with the Code on Corporate Governance in Appendix C1 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to our Board on the appointment of Directors and management of Board succession. The nomination committee comprises three members, namely Mr. Li Yi, Mr. Lin Chen and Mr. Li Pan, with Mr. Li Yi as the chairman of the nomination committee.

### *Strategy Committee*

We have established a strategy committee with written terms of reference. The primary duties of the strategy committee are to study and advise on the long term strategy and operation plans of our Group. The strategy committee will assist the Board, in conjunction with our management, in addressing our Company’s overall mission, vision and strategic direction. The strategy committee comprises three members, namely Mr. Li Yi, Mr. Lin Chen and Mr. Wang Chenkang, with Mr. Li Yi as the chairman of the strategy committee.

### **Corporate Governance Code**

We aim to achieve high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. To accomplish this, we expect to comply with the Corporate Governance Code set out in Appendix C1 to the Listing Rules after the [REDACTED] save that Mr. Li Yi will serve as both our chairman and chief executive officer as discussed below.

Pursuant to code provision C.2.1 of the Corporate Governance Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the roles of chairman and 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 Mr. Li Yi currently performs these two roles. Our Board believes that Mr. Li Yi will provide solid and continuous leadership to the Group with his extensive experience and knowledge in management and the support of other members of the Board. Further, vesting the roles of both chief executive officer and chairman of our Board in the same person has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning for our Group. The Board

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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considers that the balance of power and authority for such arrangement will not be impaired and this structure will be more conducive to the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of our Board and the chief executive officer of our Company at a time when it is appropriate by taking into account circumstances of our Group as a whole.

### **Board diversity**

Our Company has adopted a board diversity policy which sets out the approach to achieve diversity of the Board. Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining our Company’s competitive advantage and enhancing our ability to attract, retain and motivate employees from the widest possible pool of available talent. Pursuant to the board diversity policy, in reviewing and assessing suitable candidates to serve as a director of our Company, the nomination committee of our Board will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry and regional experience. In particular, our Company currently has three female Directors in the Board and will continue to work towards enhancing the gender diversity of the Board. Our Directors have a balanced mix of knowledge and skills, and we have four non-executive Directors, including three independent non-executive Directors, with different industry backgrounds. 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. Pursuant to the board diversity policy, the nomination committee of our Board will discuss periodically and when necessary, agree on the measurable objectives for achieving diversity, including gender diversity, on the Board and recommend them to the Board for formal adoption.

### **Management presence**

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong. This will normally mean that at least two of its executive directors must be ordinarily resident in Hong Kong. We do not have sufficient management presence in Hong Kong for the purposes of Rule 8.12 of the Listing Rules.

Accordingly, we have applied for[, and the Hong Kong Stock Exchange has granted], a waiver from strict compliance with Rule 8.12 of the Listing Rules. See “Waivers and Exemptions” for further details.

### **Confirmation from our Directors**

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 August 2024, and (ii) understands his or her obligations as a director of a listed issuer under the Listing Rules.

Each of our independent non-executive Directors has confirmed (i) his or her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) he or 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 or her independence at the time of his or her appointment.

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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### REMUNERATION

Our Directors and Supervisors receive remuneration, including salaries, allowances and benefits in kind, including our contribution to the pension plan on their behalf.

For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, the aggregate amount of remuneration (including basic salaries, housing allowances, other allowances and benefits in kind, contributions to pension plans, discretionary bonuses and share-based payment expenses) paid to our Directors amounted to RMB9.3 million, RMB3.3 million, RMB3.4 million, and RMB1.3 million, respectively.

For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, the aggregate amount of remuneration (including basic salaries, housing allowances, other allowances and benefits in kind, contributions to pension plans, discretionary bonuses and share-based payment expenses) paid to our Supervisors amounted to RMB1.8 million, RMB1.7 million, RMB1.6 million, and RMB0.9 million, respectively.

The five highest paid individuals of our Company for the years ended December 31, 2021, 2022 and 2023 included two Directors, one Director and one Director, respectively. The five highest paid individuals of our Company for the six months ended June 30, 2024 did not include any Directors. The aggregate amount of remuneration (including basic salaries, housing allowances, other allowances and benefits in kind, contributions to pension plans and discretionary bonuses) for the remaining highest paid individuals for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024 other than our Directors was approximately RMB3.8 million, RMB5.6 million, RMB5.5 million and RMB3.2 million, respectively.

No remuneration was paid to our Directors, Supervisors or the five highest paid individuals as an inducement to join, or upon joining, our Company. No compensation was paid to, or receivable by, our Directors, past directors, Supervisors or past supervisors for the Track Record Period for the loss of office as director or supervisor or any member of our Company or of any other office in connection with the management of the affairs of any member of our Company. None of our Directors or Supervisors waived any emoluments during the same period.

Save as disclosed above and in “Financial Information,” “Accountants’ Report” and “Statutory and General Information,” no other payments have been paid or are payable, in respect of the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024 by our Company to our Directors and Supervisors.

Our Company adopted (i) the **[REDACTED]** Share Incentive Scheme on June 28, 2023 which was further amended and approved on August 9, 2024; and (ii) the **[REDACTED]** Share Option Scheme on August 9, 2024. See “Appendix VI —Statutory and General Information —4. Our Incentive Schemes”.

### COMPLIANCE ADVISER

We have appointed Somerley Capital Limited as our Compliance Adviser pursuant to Rule 3A.19 of the Listing Rules. The Compliance Adviser will provide us with guidance and advice as to compliance with the requirements under the Listing Rules and applicable Hong Kong laws. Pursuant to

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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Rule 3A.23 of the Listing Rules, the Compliance Adviser will advise our Company, among others, in the following circumstances:

- 1) before the publication of any regulatory announcement, circular, or financial report;
- 2) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues, sales or transfer of treasury shares and share repurchases;
- 3) where we propose to use the [REDACTED] of the [REDACTED] in a manner different from that detailed in this document or where the business activities, development or results of our Group deviate from any forecast, estimate or other information in this document; and
- 4) where the Hong Kong Stock Exchange makes an inquiry to our Company regarding unusual movements in the [REDACTED] or [REDACTED] of its [REDACTED] securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of appointment of the Compliance Adviser shall commence on the [REDACTED] and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [REDACTED] and such appointment may be subject to extension by mutual agreement.

### KEY TERMS OF EMPLOYMENT CONTRACTS

We normally enter into employment contracts, confidentiality and IP protection agreements and non-competition agreements with our senior management members and other key personnel. Below sets forth the key terms of the employment contracts we enter into with our senior management and other key personnel.

#### Confidentiality

The employee shall, during the course of employment with the Group and thereafter, keep in confidence all technical, operational information or trade secrets belonging to our Company or other third parties to whom the Group owes confidentiality obligations. Without the Group's prior consent, the employee shall not leak, disclose, publish, announce, issue, teach, transfer or otherwise make available to any third party (including employees who are not privy to such trade secrets) any such trade secrets of the Group or the aforementioned third parties in any manner and shall not utilize such trade secret beyond his or her scope of work.

#### Ownership of intellectual work products

The employee acknowledges and agrees that the Group shall own all intellectual work products he or she (i) produces during the course of employment with the Group for the purposes of undertaking their duties and responsibilities and (ii) produces using the Group's resources.

#### Non-competition

During the term of his/her employment with our Company, unless with the Group's prior consent, the employee shall not engage in any business that competes with or is similar to that of the Group's business.

If the Group requires the employee to undertake non-competition obligation following termination of employment relationship, it shall notify the employee in writing before termination of

## **DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

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employment relationship and the employee shall not serve in any capacity at any company engaged in a business that competes with or is similar to that of the Group’s business within a period not exceeding two years after termination of the employment relationship.

### **Compensation for breach of covenants**

If the employee breaches the obligations under the confidentiality, IP and noncompetition agreement, our Group shall be entitled to recover from the employee any losses incurred and any profits earned by the employee as a result of the breaches.

### **CORE R&D TEAM MEMBERS**

For further details on the experience of our core R&D team members, see “Business — Research and Development.”

**FUTURE PLANS AND [REDACTED]**

**FUTURE PLANS**

See “Business – Our Strategies” in this document for a detailed description of our future plans.

**[REDACTED]**

Assuming an [REDACTED] of [REDACTED] per H Share (being the mid-point of the [REDACTED] range of between [REDACTED] and [REDACTED] per H Share), we estimate that we will receive net [REDACTED] of approximately [REDACTED] from the [REDACTED] after deducting the [REDACTED] commissions and other estimated expenses paid and payable by us in connection with the [REDACTED] and assuming that the [REDACTED] is not exercised. In line with our strategies, we intend to use our [REDACTED] from the [REDACTED] for the purposes and in the amounts set forth below:

- approximately [REDACTED] of the net [REDACTED], or approximately [REDACTED], is expected to be used for our research and development initiatives. More specifically:
  - approximately [REDACTED] of the net [REDACTED], or approximately [REDACTED], is expected to be used for the research and development of 51Aes. More specifically:
    - approximately [REDACTED] of the net [REDACTED], or approximately [REDACTED], is expected to be used for the recruitment and retention of a dedicated R&D team for the enhancement of the 51Aes digital twin platform technology and the development of digital infrastructure;
    - approximately [REDACTED] of the net [REDACTED], or approximately [REDACTED], is expected to be invested in the acquisition or rental of hardware, cloud resources, and software for the enhancement of the 51Aes digital twin platform technology and the development of digital infrastructure;

The allocation by product is set forth in the table below:

<u>Product</u>	<u>Description/Background</u>	<u>Goal</u>	<u>Allocation of the estimated net [REDACTED]</u>
All Elements Scene (AES) . . .	On the basis of real physical elements, AES is able to faithfully simulate 3D scenes with computer graphics and AI, to realize real-time rendering of ultra-large-scale scenes and individualized management of all elements.	We aim to achieve the following: <ol style="list-style-type: none"> <li>1. Full dynamic, real-time generation of meta-element scenes;</li> <li>2. Support for additional vector data types; and</li> <li>3. Improved fully automatic generation effect to L3.</li> </ol>	[REDACTED]
Digital Twin SaaS Platform (WDP) . . . . .	WDP is a user-friendly, high-quality digital twin development platform that provides developers with features such as multi-source data import, intuitive scene	We aim to provide more open interfaces, support a greater number of scenarios for editing and developing applications, improve	[REDACTED]



**FUTURE PLANS AND [REDACTED]**

<u>Product</u>	<u>Description/Background</u>	<u>Goal</u>	<u>Allocation of the estimated net [REDACTED]</u>
	creation, low-code development, powerful open APIs, and other digital twin development services.	platform stability and operational efficiency, allocate the same arithmetic resources to support more concurrency, reduce bandwidth resources to optimize the cost of occupancy, and support the full localization of hardware and software platforms.	
Digital infrastructure . . . . .	In recent years, the government has introduced a series of policies to drive the growth of digital infrastructure securitization. The digital infrastructure sector will facilitate the securitization of data elements, playing a pivotal role in the development of the data elements market. Its future growth will be driven by the rapid expansion of the digital economy and the evolving needs of the financial market. The future of digital infrastructure securitization will be a diversified growth trajectory, with equal emphasis on technological innovation, market expansion, risk management, and sustainable development. This will contribute significantly to the prosperity of the digital economy.	we aim to create a set of benchmark cases and standardized digital infrastructure products.	[REDACTED]
Infinite Simulation Engine (ISE) . . . . .	ISE is a universal digital twin simulation engine. By providing the capabilities of Data Connection and Data Driven, ISE helps digital twin applications upgrading from V2 (data fusion) level to V3 (data driving) level. Furthermore, ISE also provides Simulation Event Management, Simulation Algorithm, and Simulation Visualization, which improve the digital twin applications to V4 (simulating) level.	we aim to develop and access a greater number of simulation algorithms and third-party models to continuously enhance the value of the digital twin simulation predictive dimension application.	[REDACTED]

**FUTURE PLANS AND [REDACTED]**

- approximately [REDACTED] of the net [REDACTED], or approximately [REDACTED], is expected to be used for the research and development of 51Sim. More specifically:
  - approximately [REDACTED] of the net [REDACTED], or approximately [REDACTED], is expected to be used for the recruitment and retention of a dedicated R&D team to develop 51Sim;
  - approximately [REDACTED] of the net [REDACTED], or approximately [REDACTED], is expected to be invested in the acquisition or rental of hardware, cloud resources, software, and data assets to enhance the capabilities of 51Sim;

The allocation by product is set forth in the table below:

<u>Product</u>	<u>Description/Background</u>	<u>Goal</u>	<u>Allocation of the estimated net [REDACTED]</u>
DataOne .....	DataOne is our data closed-loop and synthetic data platform designed to support intelligent driving simulation testing and training. It integrates advanced data management, data mining and synthetic data generation capabilities to create a robust, high efficient data-driven pipeline. It includes two products: Dataverse and Sytheverse.	We aim to iteratively improve Dataverse and Sytheverse to increase the confidence level and generalization efficiency of simulated and synthesized data, and to significantly reduce costs.	<b>[REDACTED]</b>
SimOne .....	SimOne is our simulation platform for intelligent driving and robotics, which revolutionizes the testing and validation process for intelligent driving and robotics systems. It offers a full-stack solution that integrates various simulation capabilities, enabling precise and efficient processes to simulate, analyze, and refine intelligent systems.	We will continue to iterate SimOne and release new versions to keep up with the pace of mass production of high-level intelligent driving systems and new technology trends in simulation test development. Besides, we aim to develop SimOne into a general AI intelligent simulation platform, targeting industries such as embodied intelligence, engineering machinery, and agriculture.	<b>[REDACTED]</b>
Transportation Information Modeling (TIM) .....	TIM is a comprehensive application platform for optimizing and improving the operational efficiency and safety of the transportation system through the comprehensive use of digital twins, big data, big models, AI technology and other advanced means. It aims to provide auxiliary decision-making for planning,	We will continue to enhance the capabilities of TIM Datalink through iterative upgrades. The transportation simulation platform subsystem, TIM, will be refined through the integration of AI technology and traditional methods. The transportation model application service subsystem, TIM TransAI, will	<b>[REDACTED]</b>

**FUTURE PLANS AND [REDACTED]**

<u>Product</u>	<u>Description/Background</u>	<u>Goal</u>	<u>Allocation of the estimated net [REDACTED]</u>
	construction and management so that participants can better understand, analyze, optimize and use the transportation system.	be upgraded to support the full spectrum of pan-transportation, encompassing air, space, sky, and sea, while reducing costs and enhancing efficiency.	

- approximately [REDACTED] of the net [REDACTED], or approximately [REDACTED], is expected to be used for the research and development of 51Earth. More specifically:
  - approximately [REDACTED] of the net [REDACTED], or approximately [REDACTED], is expected to be used for the recruitment and retention of a dedicated R&D team to develop 51Earth;
  - approximately [REDACTED] of the net [REDACTED], or approximately [REDACTED], is expected to be invested in the acquisition or rental of hardware, cloud resources, and software to enhance the capabilities of 51Earth;

The allocation by product is set forth in the table below:

<u>Product</u>	<u>Description/Background</u>	<u>Goal</u>	<u>Allocation of the estimated net [REDACTED]</u>
51Earth Builder and 51Earth Dev Kit . . . . .	51Earth Builder is a 3D scene creation and editing tool designed for 3D creators, 2D designers, and general users. Its graphical interface and modularized components streamline the process, reducing the complexity of operation. 51Earth Dev Kit is designed for use by developers. It currently supports two major engines, Unreal and WDP, and will support Unity and Omniverse in the future. Developers can use this tool to edit various elements, including roads, terrain, and water.	We will continue to iteratively improve 51Earth Builder and 51Earth Dev Kit to help builders and developers create rich 3D applications and videos more easily and with a lower technical barrier. Through continuous iterative upgrades in the future, builders and developers will be able to share global data, utilize official or self-imported 3D asset libraries and editing tools to construct and develop applications collectively. 51Earth Builder is not only an authoring tool, but will also add more game-like content in the future. In the future, the data interoperability between 51Earth Builder and 51Earth Dev Kit will be	[REDACTED]

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## FUTURE PLANS AND [REDACTED]

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		realized in 51Earth.com, enabling users to create and publish cities in 51Earth Builder, develop apps in 51Earth Dev Kit, and support multi-person team collaboration and revenue sharing. This will foster greater creative enthusiasm and innovation potential.	
Short 3A .....	Short 3A is an innovative 3D short-form content platform currently under development that combines computer graphics engine, 3D assets, and AI technology to enable content creators to produce immersive digital experiences;	Short3A will leverage AI and 3D technology to continuously produce original 3A short videos and series to revolutionize the traditional 3D content industry. By integrating AI-driven creativity with advanced 3D rendering, we aim to provide a richer and more immersive visual experience. We plan to collaborate with global creators to release Short3A content targeting audiences in major cities worldwide, achieving revenue growth through a subscription model.	[REDACTED]
See3 .....	See3 is an integrated solution currently under development for the tourism sector that leverages VR/MR technology and AI-powered avatars to create immersive digital experiences at cultural and tourist destinations.	We will continue to leverage AI and VR/MR technology and our high-quality 3D digital assets to introduce content-based products related to immersive digital tourism experiences. By integrating AI technology, we aim to provide tourists with personalized virtual experiences through digital avatars. Additionally, we will establish close cooperative relationships with scenic area managers and tourism operators to expand our product coverage, optimize performance, build a membership system, and develop derivative businesses, all with the goal of creating a globally renowned cultural and tourism digital asset experience brand.	[REDACTED]

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## FUTURE PLANS AND [REDACTED]

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- approximately [REDACTED] of the net [REDACTED], or approximately [REDACTED], is expected to be used to improve our commercialization capabilities. More specifically:
  - approximately [REDACTED] of the net [REDACTED], or approximately [REDACTED], is expected to be used for global expansion initiatives, including (i) corporate customer promotion through participation in local exhibitions, overseas business development activities, such as the establishment of overseas office space, recruitment of local sales and customer service teams to better serve international customers, and (ii) individual customer and developer promotion through various channels such as placing KOLs, websites, and media to attract more participants and optimize the level of service to customers and developers;
  - approximately [REDACTED] of the net [REDACTED], or approximately [REDACTED], is expected to be used strengthen commercialization capabilities in China, including (i) corporate customer promotion through participation in industry summits and small closed-door salons, and (ii) individual customer and developer promotion through organizing professional events such as Earth Cloning conferences or developer forums to promote our solutions and services;
- approximately [REDACTED] of the net [REDACTED], or approximately [REDACTED], is expected to be used for working capital and general corporate purposes.

In the event that the [REDACTED] is set at the Maximum [REDACTED] or the Minimum [REDACTED] of the indicative [REDACTED] range, the net [REDACTED] of the [REDACTED] will increase or decrease by approximately [REDACTED], respectively. If we set the final [REDACTED] to be above or below the mid-point of the [REDACTED] range, we will increase or decrease the allocation of the net [REDACTED] to the above purposes on a pro rata basis.

The additional net [REDACTED] that we would receive if the [REDACTED] were exercised in full would be (i) [REDACTED] (assuming an [REDACTED] of [REDACTED] per H Share, being the Maximum [REDACTED]), (ii) [REDACTED] (assuming an [REDACTED] of [REDACTED] per H Share, being the mid-point of the [REDACTED] range) or (iii) [REDACTED] (assuming an [REDACTED] of [REDACTED] per H Share, being the Minimum [REDACTED]).

To the extent that the net [REDACTED] from the [REDACTED] (including the net [REDACTED] from the exercise of the [REDACTED]) are either more or less than expected, we may adjust our allocation of the net [REDACTED] for the above purposes on a pro rata basis.

To the extent that the net [REDACTED] of the [REDACTED] are not immediately required for the above purposes or if we are unable to put into effect any part of our plan as intended, we may allocate such funds to short-term interest-bearing deposits at authorised banks or authorised financial institutions so long as it is deemed to be in the best interests of our Company. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

**[REDACTED]**

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**[REDACTED]**

**[REDACTED]**

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**[REDACTED]**

**[REDACTED]**

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**[REDACTED]**

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**[REDACTED]**

**STRUCTURE AND CONDITIONS OF THE [REDACTED]**

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[REDACTED]

**STRUCTURE AND CONDITIONS OF THE [REDACTED]**

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[REDACTED]

**STRUCTURE AND CONDITIONS OF THE [REDACTED]**

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[REDACTED]

**STRUCTURE AND CONDITIONS OF THE [REDACTED]**

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[REDACTED]

**STRUCTURE AND CONDITIONS OF THE [REDACTED]**

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[REDACTED]



**STRUCTURE AND CONDITIONS OF THE [REDACTED]**

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[REDACTED]

**STRUCTURE AND CONDITIONS OF THE [REDACTED]**

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[REDACTED]

**STRUCTURE AND CONDITIONS OF THE [REDACTED]**

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[REDACTED]

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**STRUCTURE AND CONDITIONS OF THE [REDACTED]**

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[REDACTED]

**STRUCTURE AND CONDITIONS OF THE [REDACTED]**

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[REDACTED]

## HOW TO APPLY FOR [REDACTED]

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[REDACTED]

## HOW TO APPLY FOR [REDACTED]

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[REDACTED]

## HOW TO APPLY FOR [REDACTED]

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[REDACTED]



## HOW TO APPLY FOR [REDACTED]

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[REDACTED]

THIS DOCUMENT IS IN DRAFT FORM. THE INFORMATION CONTAINED HEREIN IS INCOMPLETE AND IS SUBJECT TO CHANGE. THIS DOCUMENT MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED "WARNING" ON THE COVER OF THIS DOCUMENT.

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## HOW TO APPLY FOR [REDACTED]

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[REDACTED]

## HOW TO APPLY FOR [REDACTED]

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[REDACTED]

## HOW TO APPLY FOR [REDACTED]

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[REDACTED]

## HOW TO APPLY FOR [REDACTED]

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## HOW TO APPLY FOR [REDACTED]

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## HOW TO APPLY FOR [REDACTED]

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[REDACTED]

## HOW TO APPLY FOR [REDACTED]

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[REDACTED]

## HOW TO APPLY FOR [REDACTED]

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[REDACTED]

*The following is the text of a report set out on pages I-1 to I-[56], received from the Company’s reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.*



**ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF BEIJING 51WORLD DIGITAL TWIN TECHNOLOGY CO., LTD., CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED AND HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED**

**Introduction**

We report on the historical financial information of Beijing 51WORLD Digital Twin Technology Co., Ltd. (the “Company”) and its subsidiaries (collectively, the “Group”) set out on pages I-4 to I-[56], which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2021, 2022, 2023 and June 30, 2024, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements, for each of the years ended December 31, 2021, 2022, 2023 and the six months ended June 30, 2024 (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-4 to I-[56] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [REDACTED] (the “Document”) in connection with the initial [REDACTED] of H shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

**Directors’ responsibility for 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 and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

**Reporting accountants’ 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.

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 accountants’ judgment, including the assessment of risks of material misstatement of the Historical

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**APPENDIX I****ACCOUNTANTS’ REPORT**

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Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider 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 and presentation set out in Note 1 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 purpose of the accountants’ report, a true and fair view of the Group’s and the Company’s financial position as at December 31, 2021, 2022, 2023 and June 30, 2024 and of the Group’s financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

**Review of stub period corresponding financial information**

We have reviewed the stub period corresponding financial information of the Group which comprises the consolidated statement of the comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six months ended June 30, 2023 and other explanatory information (the “Stub Period Corresponding Financial Information”). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants’ report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

**Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited 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-[4] have been made.

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**APPENDIX I**

**ACCOUNTANTS' REPORT**

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*Dividends*

We refer to note [25(e)] to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

**KPMG**

*Certified Public Accountants*

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

[Date]

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**APPENDIX I**

**ACCOUNTANTS’ REPORT**

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**HISTORICAL FINANCIAL INFORMATION**

Set out below is the Historical Financial Information which forms an integral part of this accountants’ report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by 畢馬威華振會計師事務所(特殊普通合伙) KPMG Huazhen LLP in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the “Underlying Financial Statements”).



**APPENDIX I**

**ACCOUNTANTS’ REPORT**

**Consolidated statements of comprehensive income**

(Expressed in Renminbi (“RMB”))

	Note	Year ended December 31,			Six months ended June 30,	
		2021	2022	2023	2023	2024
		RMB '000	RMB '000	RMB'000	RMB '000 (unaudited)	RMB '000
<b>Revenue</b> .....	4	126,107	169,977	256,302	29,583	33,215
Cost of sales .....		(43,944)	(59,571)	(117,280)	(12,512)	(16,617)
<b>Gross profit</b> .....		82,163	110,406	139,022	17,071	16,598
Other net income .....	5	14,605	12,089	11,684	7,960	4,226
Selling expenses .....		(54,029)	(58,217)	(51,352)	(24,014)	(25,182)
General and administrative expenses .....		(53,291)	(54,058)	(50,332)	(25,464)	(26,172)
Research and development expenses .....		(107,502)	(134,206)	(102,907)	(54,911)	(28,585)
Impairment losses on trade and other receivables .....		(930)	(4,183)	(9,902)	(1,387)	(2,337)
<b>Loss from operations</b> .....		(118,984)	(128,169)	(63,787)	(80,745)	(61,452)
Finance costs .....	6(a)	(2,715)	(3,949)	(6,307)	(3,155)	(2,963)
Changes in carrying amount of financial instruments issued to investors .....	22	(24,969)	(57,400)	(15,676)	(15,676)	—
Share of results of associates .....	14	229	(267)	(1,257)	(635)	(652)
<b>Loss before tax</b> .....	6	(146,439)	(189,785)	(87,027)	(100,211)	(65,067)
Income tax .....	7	—	—	(50)	—	—
<b>Loss for the year/period</b> .....		(146,439)	(189,785)	(87,077)	(100,211)	(65,067)
<b>Other comprehensive income for the year/ period (after tax)</b>						
Item that may be reclassified subsequently to profit or loss:						
Exchange difference on translation into presentation currency .....		152	40	47	214	(400)
<b>Total comprehensive income for the year/ period</b> .....		(146,287)	(189,745)	(87,030)	(99,997)	(65,467)
<b>Loss for the year/period attributable to:</b>						
- Equity shareholders of the Company .....		(146,439)	(189,840)	(85,595)	(99,946)	(63,499)
- Non-controlling interests .....		—	55	(1,482)	(265)	(1,568)
		(146,439)	(189,785)	(87,077)	(100,211)	(65,067)
<b>Total comprehensive income for the year/ period attributable to:</b>						
- Equity shareholders of the Company .....		(146,287)	(189,800)	(85,548)	(99,732)	(63,899)
- Non-controlling interests .....		—	55	(1,482)	(265)	(1,568)
		(146,287)	(189,745)	(87,030)	(99,997)	(65,467)
<b>Loss per share</b> .....	10					
Basic and diluted (RMB) .....		(0.41)	(0.52)	(0.19)	(0.27)	(0.17)

The accompanying notes form part of the Historical Financial Information.

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

**Consolidated statements of financial position**

*(Expressed in RMB)*

	Note	At December 31,			At June 30,
		2021	2022	2023	2024
		RMB’000	RMB’000	RMB’000	RMB’000
<b>Non-current assets</b>					
Property and equipment	11	10,678	9,062	6,566	4,241
Right-of-use assets	12	58,242	49,347	32,378	26,338
Intangible assets	13	3,468	1,759	2,616	2,198
Interest in associates	14	6,671	3,751	2,494	1,842
Other financial assets	15	122,235	186,807	61,144	30,000
		<u>201,294</u>	<u>250,726</u>	<u>105,198</u>	<u>64,619</u>
<b>Current assets</b>					
Inventories	16	38,251	78,954	19,629	30,326
Contract assets	4(b)	4,025	6,715	8,026	8,819
Trade and other receivables	17(a)	63,100	76,254	107,849	95,568
Prepayments	17(b)	1,818	3,083	2,560	24,756
Other financial assets	15	—	—	88,000	48,233
Restricted cash		1,288	9,699	3,100	2,150
Cash and cash equivalents	18	176,941	78,911	40,326	271,738
		<u>285,423</u>	<u>253,616</u>	<u>269,490</u>	<u>481,590</u>
<b>Current liabilities</b>					
Trade and other payables	19	86,628	127,747	93,295	89,429
Contract liabilities	4(b)	74,944	111,345	26,490	54,034
Bank and other loans	20	20,918	92,939	118,662	133,711
Lease liabilities	21	12,571	14,913	12,265	14,042
Financial instruments issued to investors	22	915,992	1,056,739	—	—
Income tax payable		—	—	50	36
		<u>1,111,053</u>	<u>1,403,683</u>	<u>250,762</u>	<u>291,252</u>
<b>Net current (liabilities) / assets</b>		<u>(825,630)</u>	<u>(1,150,067)</u>	<u>18,728</u>	<u>190,338</u>
<b>Total assets less current liabilities</b>		<u>(624,336)</u>	<u>(899,341)</u>	<u>123,926</u>	<u>254,957</u>
<b>Non-current liabilities</b>					
Lease liabilities	21	46,463	36,285	20,847	14,539
<b>Net (liabilities) / assets</b>		<u>(670,799)</u>	<u>(935,626)</u>	<u>103,079</u>	<u>240,418</u>
<b>Equity</b>					
Share capital	25	364,634	365,000	365,000	382,381
Reserves	25	(1,035,433)	(1,300,681)	(266,269)	(144,797)
<b>Total (deficit)/equity attributable to equity shareholders of the Company</b>		<u>(670,799)</u>	<u>(935,681)</u>	<u>98,731</u>	<u>237,584</u>
<b>Non-controlling interests</b>		<u>—</u>	<u>55</u>	<u>4,348</u>	<u>2,834</u>
<b>Total (deficit)/equity</b>		<u>(670,799)</u>	<u>(935,626)</u>	<u>103,079</u>	<u>240,418</u>

The accompanying notes form part of the Historical Financial Information.

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

**Statements of financial position of the Company**

*(Expressed in RMB)*

		At December 31,			At June 30,
		2021	2022	2023	2024
		RMB’000	RMB’000	RMB’000	RMB’000
<b>Non-current assets</b>					
Property and equipment		3,237	3,156	2,934	1,635
Right-of-use assets	12	21,035	14,694	8,692	6,603
Intangible assets		3,279	1,492	2,322	1,933
Interest in subsidiaries	1	96,453	102,282	98,541	112,096
Interest in an associate		2,880	—	—	—
Other financial assets		122,235	186,807	61,144	30,000
Trade and other receivables	17(a)	68,934	167,292	235,765	267,111
		<u>318,053</u>	<u>475,723</u>	<u>409,398</u>	<u>419,378</u>
<b>Current assets</b>					
Inventories	16	31,918	62,403	8,775	13,815
Contract assets	4(b)	4,025	4,520	6,860	7,774
Trade and other receivables	17(a)	63,101	66,623	90,771	81,449
Prepayments	17(b)	1,338	2,824	1,987	26,336
Other financial assets		—	—	54,565	43,001
Restricted cash		1,288	9,699	3,100	2,150
Cash and cash equivalents	18	161,379	56,724	29,196	217,187
		<u>263,049</u>	<u>202,793</u>	<u>195,254</u>	<u>391,712</u>
<b>Current liabilities</b>					
Trade and other payables	19	150,342	165,624	125,958	112,977
Contract liabilities	4(b)	72,782	97,653	18,807	45,598
Bank and other loans	20	12,718	81,869	108,192	123,241
Lease liabilities	21	5,253	4,750	5,466	5,879
Financial instruments issued to investors	22	915,992	1,056,739	—	—
		<u>1,157,087</u>	<u>1,406,635</u>	<u>258,423</u>	<u>287,695</u>
<b>Net current (liabilities) /assets</b>		<u>(894,038)</u>	<u>(1,203,842)</u>	<u>(63,169)</u>	<u>104,017</u>
<b>Total assets less current liabilities</b>		<u>(575,985)</u>	<u>(728,119)</u>	<u>346,229</u>	<u>523,395</u>
<b>Non-current liabilities</b>					
Lease liabilities	21	16,261	9,996	3,781	1,441
<b>Net (liabilities) / assets</b>		<u>(592,246)</u>	<u>(738,115)</u>	<u>342,448</u>	<u>521,954</u>
<b>Equity</b>					
Share capital	25	364,634	365,000	365,000	382,381
Reserves	25	(956,880)	(1,103,115)	(22,552)	139,573
<b>Total (deficit)/equity</b>		<u>(592,246)</u>	<u>(738,115)</u>	<u>342,448</u>	<u>521,954</u>

The accompanying notes form part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

Consolidated statements of changes in equity

(Expressed in RMB)

Note	Attributable to equity shareholders of the Company						Non-controlling interests	Total equity
	Share capital	Capital reserve	Other reserve	Exchange reserve	Accumulated losses	Subtotal		
	RMB’000 (Note 25(a))	RMB’000 (Note 25(b)(i))	RMB’000 (Note 25(b)(ii))	RMB’000 (Note 25(b)(iii))	RMB’000	RMB’000		
<b>Balance at January 1, 2021</b>	177,314	392,279	(566,194)	(47)	(374,318)	(370,966)	—	(370,966)
Loss for the year	—	—	—	—	(146,439)	(146,439)	—	(146,439)
Other comprehensive income	—	—	—	152	—	152	—	152
<b>Total comprehensive income</b>	—	—	—	152	(146,439)	(146,287)	—	(146,287)
Issuance of shares	25(a) 3,908	84,254	—	—	—	88,162	—	88,162
Capitalization issue	25(a) 183,412	(183,412)	—	—	—	—	—	—
Recognition of redemption liabilities	22	—	(249,010)	—	—	(249,010)	—	(249,010)
Equity settled share-based transactions	—	7,302	—	—	—	7,302	—	7,302
<b>Balance at December 31, 2021 and January 1, 2022</b>	364,634	300,423	(815,204)	105	(520,757)	(670,799)	—	(670,799)
Loss for the year	—	—	—	—	(189,840)	(189,840)	55	(189,785)
Other comprehensive income	—	—	—	40	—	40	—	40
<b>Total comprehensive income</b>	—	—	—	40	(189,840)	(189,800)	55	(189,745)
Issuance of shares	25(a) 366	7,899	—	—	—	8,265	—	8,265
Effect of transfer of shares of the Company with redemption rights	22	—	(83,347)	—	—	(83,347)	—	(83,347)
<b>Balance at December 31, 2022 and January 1, 2023</b>	365,000	308,322	(898,551)	145	(710,597)	(935,681)	55	(935,626)
Loss for the year	—	—	—	—	(85,595)	(85,595)	(1,482)	(87,077)
Other comprehensive income	—	—	—	47	—	47	—	47
<b>Total comprehensive income</b>	—	—	—	47	(85,595)	(85,548)	(1,482)	(87,030)
Termination of the redemption obligation	22	—	1,072,415	—	—	1,072,415	—	1,072,415
Equity settled share-based transactions	—	3,166	—	—	—	3,166	154	3,320
Capital contribution from non-controlling interests (“NCI”)	25(b)	44,379	—	—	—	44,379	5,621	50,000
<b>Balance at December 31, 2023 and January 1, 2024</b>	365,000	355,867	173,864	192	(796,192)	98,731	4,348	103,079
<b>Balance at December 31, 2023 and January 1, 2024</b>	365,000	355,867	173,864	192	(796,192)	98,731	4,348	103,079
Loss for the period	—	—	—	—	(63,499)	(63,499)	(1,568)	(65,067)
Other comprehensive income	—	—	—	(400)	—	(400)	—	(400)
<b>Total comprehensive income</b>	—	—	—	(400)	(63,499)	(63,899)	(1,568)	(65,467)
Issuance of shares	25(a) 17,381	182,619	—	—	—	200,000	—	200,000
Equity settled share-based transactions	—	2,752	—	—	—	2,752	54	2,806
<b>Balance at June 30, 2024</b>	382,381	541,238	173,864	(208)	(859,691)	237,584	2,834	240,418
(Unaudited)								
<b>Balance at January 1, 2023</b>	365,000	308,322	(898,551)	145	(710,597)	(935,681)	55	(935,626)
Loss for the period	—	—	—	—	(99,946)	(99,946)	(265)	(100,211)
Other comprehensive income	—	—	—	214	—	214	—	214
<b>Total comprehensive income</b>	—	—	—	214	(99,946)	(99,732)	(265)	(99,997)
Termination of redemption obligation	22	—	1,072,415	—	—	1,072,415	—	1,072,415
Capital contribution from NCI	—	24,138	—	—	—	24,138	2,860	26,998
<b>Balance at June 30, 2023</b>	365,000	332,460	173,864	359	(810,543)	61,140	2,650	63,790

The accompanying notes form part of the Historical Financial Information.

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

**Consolidated cash flow statements**

*(Expressed in RMB)*

	Note	Year ended December 31,			Six months ended June 30,	
		2021	2022	2023	2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
<b>Cash flows from operating activities</b>						
Net cash used in operations	18(a)	(114,060)	(104,285)	(132,879)	(96,076)	(49,975)
Income tax paid		—	—	—	—	(14)
<b>Net cash used in operating activities</b>		<b>(114,060)</b>	<b>(104,285)</b>	<b>(132,879)</b>	<b>(96,076)</b>	<b>(49,989)</b>
<b>Cash flows from investing activities</b>						
Payment for the purchase of property and equipment, and intangible assets		(13,276)	(2,620)	(3,405)	(2,269)	(83)
Payment for purchase of other financial assets		(374,700)	(60,000)	(42,900)	(9,278)	(20,000)
Payment for acquisition of associates		(4,000)	(999)	—	—	—
Proceeds from disposal of other financial assets		484,496	—	80,000	20,000	87,939
Proceeds from disposal of associates		—	3,652	—	—	—
Proceeds from disposal of property and equipment		183	124	24	15	—
Interest income received from other financial assets		1,048	1,119	3,840	102	5,934
<b>Net cash generated from/(used in) investing activities</b>		<b>93,751</b>	<b>(58,724)</b>	<b>37,559</b>	<b>8,570</b>	<b>73,790</b>
<b>Cash flows from financing activities</b>						
Proceeds from bank and other loans	18(b)	20,918	92,939	144,177	34,300	46,356
Repayment of bank and other loans	18(b)	(6,872)	(20,918)	(118,454)	—	(31,307)
Capital element of lease rentals paid	18(b)	(9,372)	(11,564)	(12,851)	(5,130)	(4,531)
Interest element of lease rentals paid	18(b)	(2,082)	(2,559)	(1,741)	(939)	(683)
Other borrowing costs paid	18(b)	(444)	(1,194)	(4,427)	(2,158)	(2,230)
Proceeds from shares issued	25(a)	88,162	8,265	—	—	200,000
Capital contribution from NCI	25(b)	—	—	50,000	26,998	—
<b>Net cash generated from financing activities</b>		<b>90,310</b>	<b>64,969</b>	<b>56,704</b>	<b>53,071</b>	<b>207,605</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>70,001</b>	<b>(98,040)</b>	<b>(38,616)</b>	<b>(34,435)</b>	<b>231,406</b>
<b>Cash and cash equivalents at the beginning of the year/period</b>		<b>106,941</b>	<b>176,941</b>	<b>78,911</b>	<b>78,911</b>	<b>40,326</b>
<b>Effect of foreign exchange rate changes</b>		<b>(1)</b>	<b>10</b>	<b>31</b>	<b>15</b>	<b>6</b>
<b>Cash and cash equivalents at the end of the year/period</b>	18	<b>176,941</b>	<b>78,911</b>	<b>40,326</b>	<b>44,491</b>	<b>271,738</b>

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 Basis of preparation and presentation of Historical Financial Information

Beijing 51WORLD Digital Twin Technology Co., Ltd. (the “Company”) was established in Beijing, the People’s Republic of China (the “PRC”) on February 16, 2015 and was converted into a joint stock limited liability company on December 1, 2020.

The Company and its subsidiaries (together, “the Group”) are principally engaged in the sale of digital twin related software platform and related services. The Group’s three core businesses are 51Aes (digital twin platform), 51Sim (synthetic data and simulation platform) and 51Earth (digital earth platform).

The statutory audited financial statements of the Company for the years ended December 31, 2021, 2022 and 2023 were prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People’s Republic of China and audited by Beijing Bochen Yiheng Certified Public Accountants (General Partnership). As at the date of this report, the Company has interests in the following principal subsidiaries, all of which are private limited liability companies:

Company name	Place and date of establishment and operations	Particulars of paid up capital	Proportion of ownership interest held by the Company	Principal activities
Beijing 51Sim Technology Co., Ltd. (“Beijing 51Sim”) (萬物鏡像(北京)計算機系統有限公司) .....	PRC, June 1, 2015	RMB11,364,286	88%	Provision of 51Sim services
Mirrorverse Technology (Chengdu) Co., Ltd. (萬物鏡像科技(成都)有限公司) .....	PRC, January 15, 2018	RMB10,000,000	100%	Provision of 51Aes services
Mirrorverse (Shanghai) Technology Co., Ltd. (萬物鏡像(上海)科技有限公司) .....	PRC, August 26, 2020	RMB10,000,000	100%	Provision of 51Aes services

The statutory financial statements of Beijing 51Sim were prepared in accordance with the Accounting Standards for Business Enterprises and audited by Beijing Yihuan Certified Public Accountants (General Partnership) for the years ended December 31, 2021 and 2022, and Beijing Qisheng Certified Public Accountants (General Partnership) for the year ended December 31, 2023.

The statutory financial statements of Mirrorverse Technology (Chengdu) Co., Ltd. for the year ended December 31, 2021 were prepared in accordance with the Accounting Standards for Business Enterprises and audited by Sichuan Zhiheng Certified Public Accountants Co., Ltd.

The statutory financial statements of Mirrorverse (Shanghai) Technology Co., Ltd. were prepared in accordance with the Accounting Standards for Business Enterprises and audited by Sichuan Zhiheng Certified Public Accountants Co., Ltd. for the year ended December 31, 2021, and Shanghai Shunzheng Certified Public Accountants (General Partnership) for the year ended December 31, 2022.

All companies now comprising the Group have adopted December 31, as their financial year end date.

The Historical Financial Information has been prepared in accordance with all applicable IFRS Accounting Standards as issued by the International Accounting Standards Board (the “IASB”). Further details of the material accounting policy information are set out in note 2.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

**1 Basis of preparation and presentation of Historical Financial Information (continued)**

The IASB has issued a number of new and revised IFRS Accounting Standards. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised IFRS Accounting Standards to the Track Record Period, except for any new or revised accounting standards issued but not yet effective for the accounting period beginning on January 1, 2024, the details of which are set out in note 30.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

The Historical Financial Information and the Stub Period Corresponding Financial Information are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

**2 Material accounting policy information**

**(a) Basis of measurement**

The measurement basis used in the preparation of the financial statements is the historical cost basis, except for the bank structured deposits and redemption liabilities, the measurement basis of which was disclosed in notes 2(e) and 2(p) respectively.

**(b) Use of estimates and judgments**

The preparation of financial statements in conformity with IFRS Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRS Accounting Standards that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

**2 Material accounting policy information (continued)**

**(c) Subsidiaries and non-controlling interests**

Subsidiaries are entities controlled by the Group. The Group controls an entity when it 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 over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealized income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

For each business combination, the Group can elect to measure any NCI either at fair value or at the NCI's proportionate share of the subsidiary's net identifiable assets. NCI are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. NCI in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between NCI and the equity shareholders of the Company. Loans from holders of NCI and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2(n) or (o), depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(i)), unless it is classified as held for sale (or included in a disposal group classified as held for sale).

**(d) Associates**

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over the financial and operating policies.

An interest in an associate is accounted for using the equity method, unless it is classified as held for sale (or included in a disposal group classified as held for sale). They are initially recognized at cost, which includes transaction costs. Subsequently, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income ("OCI") of those investees, until the date on which significant influence ceases.



NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

**2 Material accounting policy information (continued)**

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate, after applying the expected credit loss ("ECL") model to such other long-term interests where applicable (see note 2(i)(i)).

Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent there is no evidence of impairment.

In the Company's statement of financial position, an investment in an associate is stated at cost less impairment losses (see note 2(i)), unless it is classified as held for sale (or included in a disposal group classified as held for sale).

**(e) Other investments in securities**

The Group's policies for investments in securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in securities are recognized/derecognized on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognized directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 26(e). These investments are subsequently accounted for as follows, depending on their classification.

Non-equity investments are classified into one of the following measurement categories:

- amortized cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Expected credit losses, interest income calculated using the effective interest method, foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
- FVOCI - recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognized in profit or loss and computed in the same manner as if the financial asset was measured at amortized cost. The difference between the fair value and the amortized cost is recognized in OCI. When the investment is derecognized, the amount accumulated in OCI is recycled from equity to profit or loss.
- FVPL if the investment does not meet the criteria for being measured at amortized cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognized in profit or loss.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

**2 Material accounting policy information (continued)**

**(f) Property and equipment**

Property and equipment are stated at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses (see note 2(i)).

Any gain or loss on disposal of an item of property and equipment is recognized in profit or loss.

Depreciation is calculated to write off the cost or valuation of items of property and equipment less their estimated residual values, if any, using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss.

The estimated useful lives are as follows:

- |                           |                                      |
|---------------------------|--------------------------------------|
| • Furniture and equipment | 3 - 5 years                          |
| • Vehicles                | 4 years                              |
| • Leasehold improvements  | Shorter of useful life or lease term |
| • Right-of-use assets     | Shorter of useful life or lease term |

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**(g) Intangible assets**

Expenditure on research activities is recognized in profit or loss as incurred. Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the resulting asset. Otherwise, it is recognized in profit or loss as incurred. Capitalized development expenditure is subsequently measured at cost less accumulated amortization and any accumulated impairment losses (see note 2(i)).

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment loss (see note 2(i)).

Amortization is calculated to write off the cost of acquired software less their estimated residual values using the straight-line method over their estimated useful lives of 5 years.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**(h) Leased assets**

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

**2 Material accounting policy information (continued)**

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognizes a right-of-use asset and a lease liability, except for leases that have a short lease term of 12 months or less, and leases of low-value items. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalize the lease on a lease-by-lease basis. If not capitalized, the associated lease payments are recognized in profit or loss on a systematic basis over the lease term.

Where the lease is capitalized, the lease liability is initially recognized at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortized cost and interest expense is recognized using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability, and are charged to profit or loss as incurred.

The right-of-use asset recognized when a lease is capitalized is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(f) and 2(i)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of IFRS 16 *Leases*. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognized the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

**2 Material accounting policy information (continued)**

**(i) Credit loss and impairment of assets**

(i) Credit loss from financial instruments and contract assets

The Group recognizes a loss allowance for ECLs on:

- financial assets measured at amortized cost (including cash and cash equivalents, trade receivables and other receivables); and
- contract assets (see note 2(k));

*Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

The expected cash shortfalls are discounted using the following rates if the effect is material:

- fixed-rate financial assets, trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and
- lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

- financial instruments that are determined to have low credit risk at the reporting date; and
- other financial instruments (including loan commitments issued) for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

*Significant increases in credit risk*

When determining whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

**2 Material accounting policy information (continued)**

available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- the financial asset is 90 days past due.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss. The Group recognizes an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in non-equity securities that are measured at FVOCI (recycling), for which the loss allowance is recognized in OCI and accumulated in the fair value reserve (recycling) does not reduce the carrying amount of the financial asset in the statement of financial position.

*Credit-impaired financial assets*

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

*Write-off policy*

The gross carrying amount of a financial asset, or contract asset is written off to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

**2 Material accounting policy information (continued)**

(ii) Impairment of other non-current assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and other contract costs, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"s).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss and are allocated to reduce the carrying amounts of the assets in the CGU on a pro rata basis. An impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**(j) Inventories and other contract costs**

(i) Inventories

Inventories are measured at the lower of cost and net realizable value. Cost is calculated using the specific cost method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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.

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the cost to fulfill a contract with a customer which are not capitalized as inventory, property and equipment or intangible assets.

The Group takes advantage of practical expedient in paragraph 94 of the IFRS 15 and recognizes the incremental costs of obtaining a contract as an expense if the amortization of the asset that the Group otherwise would have recognized is one year or less.

Costs to fulfill a contract are capitalized if the costs related directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Otherwise, costs of fulfilling a contract, which are not capitalized as inventory, property and equipment or intangible assets, are expensed as incurred.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

**2 Material accounting policy information (continued)**

**(k) Contract assets and contract liabilities**

A contract asset is recognized when the Group recognizes revenue (see note 2(t)(i)) before being unconditionally entitled to the consideration under the terms in the contract. Contract assets are assessed for ECLs (see note 2(i)(i)) and are reclassified to receivables when the right to the consideration becomes unconditional (see note 2(l)).

A contract liability is recognized when the customer pays non-refundable consideration before the Group recognizes the related revenue (see note 2(t)). A contract liability is also recognized if the Group has an unconditional right to receive non-refundable consideration before the Group recognizes the related revenue. In such cases, a corresponding receivable would also be recognized (see note 2(l)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

**(l) Trade and other receivables**

A receivable is recognized when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortized cost (see note 2(i)(i)).

**(m) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECL (see note 2(i)(i)).

**(n) Trade and other payables**

Trade and other payables are initially recognized at fair value. Subsequent to initial recognition, trade and other payables are stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

**(o) Interest-bearing borrowings**

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortized cost using the effective interest method. Interest expense is recognized in accordance with note 2(v).

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

**2 Material accounting policy information (continued)**

**(p) Redemption liabilities**

A contract that contains an obligation for the Company to purchase its own equity instruments for cash or another financial asset gives rise to a financial liability even if the Company's obligation to purchase is conditional on the counterparty exercising its right to redeem. The redemption liability is initially measured at the present value of the redemption amount and subsequently measured at amortized cost with interest expense being included in change in the carrying amounts of financial instruments issued to investors.

The then carrying amount of the redemption liability is reclassified to equity upon a termination of the counterparty's right to request the Company to redeem its own equity instruments.

**(q) Employee benefits**

**(i) Short-term employee benefits and contributions to defined contribution retirement plans**

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

**(ii) Termination benefits**

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring.

**(iii) Share-based payments**

The equity-settled share-based payments granted to employees is measured at grant date fair value. The amount is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service conditions at the vesting date.

**(r) Income tax**

Income tax expense comprises current tax and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.



NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

**2 Material accounting policy information (continued)**

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

**(s) Provisions and contingent liabilities**

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

A provision for warranties is recognized when the underlying products or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on the incremental costs of fulfilling the obligation under that contract and an allocation of other costs directly related to fulfilling that contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognized for any expected reimbursement that would be virtually certain. The amount recognized for the reimbursement is limited to the carrying amount of the provision.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

**2 Material accounting policy information (continued)**

**(t) Revenue and other income**

Income is classified by the Group as revenue when it arises from the sale of goods or the provision of services in the ordinary course of the Group’s business.

Further details of the Group’s revenue and other income recognition policies are as follows:

(i) Revenue from contracts with customers

(a) Sales of software platform, hardware and related services

Revenue arising from the sale of software platform and also from the sale of software platform together with software-embedded hardware as an integrated solution is accounted for as a single performance obligation. Revenue is recognized at a point in time when the software and the hardware (if applicable) are delivered to the customer’s designated place, inspected and accepted by the customer. In other circumstance, the software platform is delivered to end users for usage with a subscription period, the revenue is recognized over the subscription period.

The maintenance and upgrade services after sale are provided to maintain and improve the effectiveness of the software and therefore are accounted for as a separate performance obligation, and are recognized over the service period.

The Group takes advantage of the practical expedient in paragraph 121 of IFRS 15 and does not disclose the transaction price allocated to the remaining performance obligation at the end of each reporting period as the Group’s sale contracts have an original expected duration of less than 1 year.

(ii) Revenue from other sources and other income

(a) Dividends

Dividend income is recognized in profit or loss on the date on which the Group’s right to receive payment is established.

(b) Interest income

Interest income is recognized using the effective interest method. The “effective interest rate” is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset.

(c) Government grants

Government grants are recognized in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognized as deferred income in the statement of financial position and are subsequently recognized in profit or loss over the useful life of the asset.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

**2 Material accounting policy information (continued)**

**(u) Translation of foreign currencies**

Transactions in foreign currencies are translated into the respective functional currencies of group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit or loss.

The assets and liabilities of foreign operations are translated into Renminbi at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Renminbi at the exchange rates at the dates of the transactions.

Foreign currency differences are recognized in OCI and accumulated in the exchange reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the exchange reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. On disposal of a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation that have been attributed to the NCI shall be derecognized, but shall not be reclassified to profit or loss. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

**(v) Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the year in which they are incurred.

**(w) Related parties**

- (i) A person, or a close member of that person's family, is related to the Group if that person:
- a. has control or joint control over the Group;
  - b. has significant influence over the Group; or
  - c. is a member of the key management personnel of Group or the Group's parent.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

**2 Material accounting policy information (continued)**

- (ii) An entity is related to the Group if any of the following conditions applies:
- a. The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - b. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - c. Both entities are joint ventures of the same third party.
  - d. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - e. The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
  - f. The entity is controlled or jointly controlled by a person identified in note 2(w)(i).
  - g. A person identified in note 2(w)(i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - h. The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

**(x) Segment reporting**

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The Group determined that it only has one operating segment during the Track Record Period. The Group's operations are mainly located in the PRC with all of the Group's non-current assets located in the PRC.

**NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**

**3. Accounting judgments and estimates**

In the process of applying the Group's accounting policies, management has made the following significant accounting estimates:

(i) Allowance for credit losses

Management estimates credit loss allowance using a provision matrix based on the Group's historical credit loss experience, included customer credit-worthiness, and historical write-off experience, and adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date. If the financial conditions of the customers were to deteriorate, additional allowance may be required.

(ii) Recognition of deferred tax assets

Deferred tax assets related to deductible temporary differences, tax credits and tax losses are recognized when management considers it is probable that future taxable profits will be available against which the deductible temporary differences, tax credits and tax losses can be utilized. When the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and tax expenses in the period in which such estimate is changed.

(iii) Share-based payments

The fair value of share options and restricted shares granted are measured at the respective grant dates based on the fair value of the underlying shares and are amortized through the respective vesting periods. Changes in the assumptions used in the estimation of fair value of the share-based payment and vesting period could significantly impact the determination of share-based compensation expenses.

APPENDIX I

ACCOUNTANTS’ REPORT

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

4 Revenue

(a) Revenue from contracts with customers

The principal activities of the Group are the sale of digital twin related software platform and related services. Disaggregation of revenue from contracts with customers within scope of IFRS 15 is as follows:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(unaudited)	
<b>Disaggregated by major products or service lines</b>					
51Aes .....	111,410	141,627	204,586	19,526	26,014
51Sim .....	14,697	25,926	42,453	8,277	3,804
51Earth .....	—	2,424	9,263	1,780	3,397
	<u>126,107</u>	<u>169,977</u>	<u>256,302</u>	<u>29,583</u>	<u>33,215</u>
<b>Disaggregated by timing of revenue recognition</b>					
Point in time .....	124,896	155,839	248,427	22,910	29,926
Over time .....	1,211	14,138	7,875	6,673	3,289
	<u>126,107</u>	<u>169,977</u>	<u>256,302</u>	<u>29,583</u>	<u>33,215</u>
<b>Disaggregated by location of customers</b>					
Chinese Mainland .....	121,890	164,271	250,334	29,581	30,949
Others .....	4,217	5,706	5,968	2	2,266
	<u>126,107</u>	<u>169,977</u>	<u>256,302</u>	<u>29,583</u>	<u>33,215</u>

Revenue from each major customer which accounted for 10% or more of the Group’s revenue during the Track Record Period is set out below:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(unaudited)	
Customer A .....	—	—	40,487	—	—
Customer B .....	*	*	26,365	*	*
Customer C .....	—	—	*	3,208	—

\* Less than 10% of the Group’s revenue in the respective year/period.

(b) Contract assets and contract liabilities

A contract asset is recognized when the Group recognizes revenue before being unconditionally entitled to the consideration under the terms in the contract. Contract assets are reclassified to receivables when the right to the consideration becomes unconditional. The amount of contract assets expected to be recovered after more than one year are RMB1,077,000, RMB1,347,000, RMB3,352,000 and RMB5,429,000 as at December 31, 2021, 2022, 2023 and June 30, 2024, respectively, all of which relate to retentions. All of the other contracts assets are expected to be recovered within one year.

The contract liabilities primarily relate to the advance consideration received from customers before revenue recognition. These will be recognized as revenue when the Group’s software

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

**NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**

**4 Revenue (continued)**

and the hardware (if applicable) are delivered, inspected and accepted by customers, which is expected to occur over the following year. All contract liabilities at January 1, 2021, 2022 and 2023 were recognized as revenue in the respective years. The amount of RMB8,341,000 included in contract liabilities as at January 1, 2024 has been recognized as revenue during the six months ended June 30, 2024.

**5 Other net income**

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Government grants . . . . .	6,550	3,573	2,997	2,463	1,445
Interest income . . . . .	6,955	6,376	5,369	3,369	2,300
Additional deductible value added tax (“VAT”) . . . . .	262	87	1,293	1,008	—
Net gain on disposals of property and equipment and termination of right-of-use assets . . . . .	59	1,704	501	882	—
Others . . . . .	779	349	1,524	238	481
	<u>14,605</u>	<u>12,089</u>	<u>11,684</u>	<u>7,960</u>	<u>4,226</u>

**6 Loss before tax**

Loss before tax is arrived at after charging:

**(a) Finance costs**

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Interest on bank and other loans . . . . .	444	1,194	4,427	2,158	2,230
Interest on lease liabilities . . . . .	2,082	2,559	1,741	939	683
Other interest expense . . . . .	189	196	139	58	50
	<u>2,715</u>	<u>3,949</u>	<u>6,307</u>	<u>3,155</u>	<u>2,963</u>

**(b) Staff costs**

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Salaries, wages and other benefits . . . . .	182,375	218,746	170,078	92,239	69,899
Contributions to defined contribution retirement schemes . . . . .	12,790	16,066	17,195	8,853	8,642
Share-based payment . . . . .	7,302	—	3,320	—	2,806
	<u>202,467</u>	<u>234,812</u>	<u>190,593</u>	<u>101,092</u>	<u>81,347</u>

Employees of the Group in the PRC are required to participate in defined contribution retirement schemes administered and operated by the local municipal government. The Group contributes funds which are calculated on certain percentages of the average employee salary as

APPENDIX I

ACCOUNTANTS’ REPORT

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

6 Loss before tax (continued)

agreed by the local municipal government to the schemes to fund the retirement benefits of the employees. Contributions to the schemes vest immediately, there is no forfeited contributions that may be used by the Group to reduce the existing level of contribution.

(c) Other items

	Note	Year ended December 31,			Six months ended June 30,	
		2021	2022	2023	2023	2024
		RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Amortization . . . . .	13	1,774	1,811	1,181	756	418
Depreciation of property and equipment . . . . .	11	3,406	3,759	3,837	1,839	2,408
Depreciation of right-of-use assets . . . . .	12	10,224	14,334	12,267	6,272	6,040
Research and development expenses . . . . .		107,502	134,206	102,907	54,911	28,585
<b>[REDACTED]</b> expenses . . . . .		<b>[REDACTED]</b>	<b>[REDACTED]</b>	<b>[REDACTED]</b>	<b>[REDACTED]</b>	<b>[REDACTED]</b>
Auditors’ remuneration . .		113	55	60	10	—

Research and development expenses include staff costs, depreciation and amortization expenses, the amounts of which are also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.

7 Income tax in the consolidated statements of comprehensive income

(a) Income tax in the consolidated statements of comprehensive income represents:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Current tax . . . . .	—	—	(50)	—	—
Deferred tax . . . . .	—	—	—	—	—
Income tax . . . . .	—	—	(50)	—	—

(b) Reconciliation between income tax expense and accounting loss at applicable tax rates

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Loss before tax . . . . .	(146,439)	(189,785)	(87,027)	(100,211)	(65,067)
Tax calculated at statutory tax rates applicable to loss in the respective jurisdictions . . . . .	37,478	50,755	22,768	26,182	17,465
Tax effect of: Additional deductible allowance for research and development expenses . . . . .	12,769	17,210	14,505	7,280	4,803
Tax effect of tax losses and temporary differences not recognized . . . . .	(33,966)	(42,556)	(27,651)	(22,149)	(14,672)
Statutory tax concession . . . . .	(12,173)	(16,016)	(6,306)	(8,456)	(7,442)
Non-deductible expenses . . . . .	(4,108)	(9,393)	(3,366)	(2,857)	(154)
Actual tax expenses . . . . .	—	—	(50)	—	—



**APPENDIX I**

**ACCOUNTANTS’ REPORT**

**NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**

**7 Income tax in the consolidated statements of comprehensive income (continued)**

In accordance with the Enterprise Income Tax Law (“Income Tax Law”) of the PRC, the statutory income tax rate is 25%. The group entities in the PRC are subject to PRC income tax at 25% unless otherwise specified.

The Company and certain subsidiaries of the Group were recognized as high and new technology enterprises and enjoyed the preferential tax rate of 15% during the Track Record Period.

During the period from January 1, 2021 to September 30, 2022, an additional 75% of qualified research and development expenses incurred is allowed to be deducted from taxable income under the PRC income tax law and its relevant regulations. From October 1, 2022, deductible rate increased from 75% to 100%.

Taxation for group entities in other tax jurisdictions is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

The Group is in the process of making an assessment of the Group’s exposure from the enactment of the Pillar Two model rules published by the Organization for Economic Co-operation and Development and considers that the enactment of the rules is unlikely to have a significant impact on the results of the Group.

**8 Directors’ and supervisors’ emoluments**

Directors’ and supervisors’ emoluments are as follows:

	<i>Year ended December 31, 2021</i>						
	Directors’ fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
<b>Directors</b>							
Mr Li Yi (“Mr Li”) . . . . .	—	641	—	62	703	4,623	5,326
Mr Li Xiaoying (resigned on March 9, 2021) . . . . .	—	772	—	58	830	19	849
Mr Wu Yaguang . . . . .	—	719	9	58	786	141	927
Ms Zhang Yuwei . . . . .	—	610	2	58	670	—	670
Mr Zhang Fan . . . . .	—	1,060	—	58	1,118	146	1,264
Mr Lyu Jinrong (appointed on March 9, 2021) . . . . .	—	—	—	—	—	—	—
Mr Wang Jing . . . . .	—	—	—	—	—	—	—
Mr Wen Jiangtao . . . . .	100	—	—	—	100	—	100
Ms Hong Yanrong . . . . .	100	—	—	—	100	—	100
Mr Wang Quanxi . . . . .	100	—	—	—	100	—	100
<b>Supervisors</b>							
Ms Du Jinyan . . . . .	—	513	—	77	590	4	594
Mr Hou Tao . . . . .	—	760	—	85	845	65	910
Ms Hou Jingjing . . . . .	—	279	—	28	307	10	317
	<u>300</u>	<u>5,354</u>	<u>11</u>	<u>484</u>	<u>6,149</u>	<u>5,008</u>	<u>11,157</u>

APPENDIX I

ACCOUNTANTS’ REPORT

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

8 Directors’ and supervisors’ emoluments (continued)

Year ended December 31, 2022

	Directors’ fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
<b>Directors</b>							
Mr Li	—	485	—	67	552	—	552
Mr Wu Yaguang	—	658	3	81	742	—	742
Ms Zhang Yuwei	—	600	1	63	664	—	664
Mr Zhang Fan (resigned on June 28, 2022)	—	346	78	30	454	—	454
Mr Bao Shiqiang (appointed on June 28, 2022)	—	536	—	81	617	—	617
Mr Lyu Jinrong	—	—	—	—	—	—	—
Mr Wang Jing	—	—	—	—	—	—	—
Mr Wen Jiangtao	100	—	—	—	100	—	100
Ms Hong Yanrong	100	—	—	—	100	—	100
Mr Wang Quanxi	100	—	—	—	100	—	100
<b>Supervisors</b>							
Ms Du Jinyan	—	504	—	85	589	—	589
Mr Hou Tao	—	653	—	81	734	—	734
Ms Hou Jingjing	—	327	—	53	380	—	380
	<u>300</u>	<u>4,109</u>	<u>82</u>	<u>541</u>	<u>5,032</u>	<u>—</u>	<u>5,032</u>

Year ended December 31, 2023

	Directors’ fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
<b>Directors</b>							
Mr Li	—	283	—	71	354	—	354
Mr Wu Yaguang (resigned on November 20, 2023)	—	447	—	75	522	65	587
Mr Wang Chenkang (appointed on November 20, 2023)	—	427	—	69	496	—	496
Mr Wang Zhipeng (appointed on November 20, 2023)	—	472	—	75	547	—	547
Ms Zhang Yuwei	—	412	—	69	481	—	481
Mr Bao Shiqiang (resigned on October 27, 2023)	—	473	3	75	551	65	616
Mr Lyu Jinrong	—	—	—	—	—	—	—
Mr Wang Jing	—	—	—	—	—	—	—
Mr Wen Jiangtao	100	—	—	—	100	—	100
Ms Hong Yanrong	100	—	—	—	100	—	100
Mr Wang Quanxi	100	—	—	—	100	—	100
<b>Supervisors</b>							
Ms Du Jinyan	—	424	—	73	497	129	626
Mr Hou Tao	—	478	—	75	553	65	618
Ms Hou Jingjing	—	298	—	52	350	—	350
	<u>300</u>	<u>3,714</u>	<u>3</u>	<u>634</u>	<u>4,651</u>	<u>324</u>	<u>4,975</u>

APPENDIX I

ACCOUNTANTS’ REPORT

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

8 Directors’ and supervisors’ emoluments (continued)

Six months ended June 30, 2024

	Directors’ fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
<b>Directors</b>							
Mr Li	—	114	—	36	150	—	150
Mr Wang Chenkang	—	230	—	36	266	—	266
Mr Wang Zhipeng (resigned on April 23, 2024)	—	84	—	13	97	—	97
Ms Zhang Yuwei	—	181	—	36	217	—	217
Ms Tong Shan (appointed on April 23, 2024)	—	294	—	36	330	129	459
Mr Lyu Jinrong	—	—	—	—	—	—	—
Mr Wang Jing (resigned on August 6, 2024)	—	—	—	—	—	—	—
Mr Wen Jiangtao (resigned on August 6, 2024)	50	—	—	—	50	—	50
Ms Hong Yanrong (resigned on August 6, 2024)	50	—	—	—	50	—	50
Mr Wang Quanxi (resigned on August 6, 2024)	50	—	—	—	50	—	50
<b>Supervisors</b>							
Ms Du Jinyan (resigned on August 9, 2024)	—	192	—	36	228	129	357
Mr Hou Tao	—	235	—	39	274	65	339
Ms Hou Jingjing	—	139	—	26	165	—	165
	<u>150</u>	<u>1,469</u>	<u>—</u>	<u>258</u>	<u>1,877</u>	<u>323</u>	<u>2,200</u>

Six months ended June 30, 2023 (unaudited)

	Directors’ fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
<b>Directors</b>							
Mr Li	—	122	—	35	157	—	157
Mr Wu Yaguang	—	238	—	36	274	—	274
Ms Zhang Yuwei	—	175	—	33	208	—	208
Mr Bao Shiqiang	—	235	3	36	274	—	274
Mr Lyu Jinrong	—	—	—	—	—	—	—
Mr Wang Jing	—	—	—	—	—	—	—
Mr Wen Jiangtao	50	—	—	—	50	—	50
Ms Hong Yanrong	50	—	—	—	50	—	50
Mr Wang Quanxi	50	—	—	—	50	—	50
<b>Supervisors</b>							
Ms Du Jinyan	—	198	—	38	236	—	236
Mr Hou Tao	—	242	—	36	278	—	278
Ms Hou Jingjing	—	147	—	25	172	—	172
	<u>150</u>	<u>1,357</u>	<u>3</u>	<u>239</u>	<u>1,749</u>	<u>—</u>	<u>1,749</u>

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

**NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**

**8 Directors’ and supervisors’ emoluments (continued)**

On August 9, 2024, Ms Pu Ge was appointed as an executive director of the Company. Mr Li Pan, Mr Lin Chen and Mr Zhang Lening were appointed as independent non-executive directors on September 16, 2024. Mr Kuang Peng was appointed as a supervisor of the Company on August 9, 2024.

The directors’ and supervisors’ emoluments represented the amounts paid or payable for their services rendered to the Group since their appointment as directors or supervisors. The emoluments paid to them for service rendered as management prior to their appointments as directors or supervisors are not included in the above tables.

There was no incentive payment for joining the Group or compensation for loss of office paid or payable to any of the directors or supervisors during the Track Record Period. There was no arrangement under which a director or a supervisor has waived or agreed to waive any remuneration during the Track Record Period.

**9 Individuals with highest emoluments**

The five individuals whose emoluments were the highest in the Group include 2, 1, 1, 1 (unaudited), and 0 director for the years ended December 31, 2021, 2022, 2023 and six months ended June 30, 2023 and 2024, respectively, whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the remaining 3, 4, 4, 4 (unaudited), and 5 highest paid individuals during the Track Record Period are as follows:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Salaries and other emoluments . . . . .	2,953	4,775	2,860	1,340	1,836
Discretionary bonuses . . . . .	479	751	1,480	936	241
Share-based payments . . . . .	229	—	970	—	1,035
Retirement scheme contributions . . . . .	127	116	143	46	80
	<u>3,788</u>	<u>5,642</u>	<u>5,453</u>	<u>2,322</u>	<u>3,192</u>

The emoluments of the above individuals with the highest emoluments are respectively within the following bands:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	Number of individuals	Number of individuals	Number of individuals	Number of individuals (unaudited)	Number of individuals
Nil to HK\$1,000,000 . . . . .	—	—	—	4	5
HK\$1,000,001 to HK\$1,500,000 . . . . .	1	2	2	—	—
HK\$1,500,001 to HK\$2,000,000 . . . . .	2	1	2	—	—
HK\$2,000,001 to HK\$2,500,000 . . . . .	—	1	—	—	—
	<u>—</u>	<u>1</u>	<u>—</u>	<u>—</u>	<u>—</u>

No incentive payment for joining the Group or compensation for loss of office was paid or payable to any of the five highest paid individuals during the Track Record Period.

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

**NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**

**10 Loss per share**

**(a) Basic loss per share**

The calculation of the basic loss per share for the Track Record Period is based on the loss for the year/period attributable to ordinary equity shareholders of the Company and the weighted average number of ordinary shares in issue, calculated as follows:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	(unaudited) RMB'000	RMB'000
Loss attributable to equity shareholders of the Company .....	(146,439)	(189,840)	(85,595)	(99,946)	(63,499)
Allocation of loss for the year/period attributable to financial instrument issued to investors .....	84,795	110,636	25,420	25,420	—
Loss attributable to ordinary equity shareholders of the Company .....	<u>(61,644)</u>	<u>(79,204)</u>	<u>(60,175)</u>	<u>(74,526)</u>	<u>(63,499)</u>
Weighted average number of ordinary shares ('000) .....					
Issued ordinary shares at January 1 .....	177,314	364,634	365,000	365,000	365,000
Effect of issuance of shares .....	225	321	—	—	191
Effect of capitalization issue (note 25) .....	183,412	—	—	—	—
Effect of the financial instruments issued to investors (note 22) .....	<u>(209,007)</u>	<u>(212,691)</u>	<u>(46,034)</u>	<u>(92,832)</u>	<u>—</u>
Weighted average number of ordinary shares at December 31/June 30 .....	<u>151,944</u>	<u>152,264</u>	<u>318,966</u>	<u>272,168</u>	<u>365,191</u>

**(b) Diluted loss per share**

The financial instruments issued to investors (note 22) and the restricted shares and share options issued under the share based payment arrangements (note 23) were not included in the calculation of diluted loss per share because their effect would have been anti-dilutive. Hence, the diluted loss per share during the Track Record Period were the same as the basic loss per share.

APPENDIX I

ACCOUNTANTS’ REPORT

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

11 Property and equipment

Group

	Furniture and equipment	Vehicles	Leasehold improvements	Total
	RMB’000	RMB’000	RMB’000	RMB’000
<b>Cost:</b>				
At January 1, 2021	5,615	—	—	5,615
Additions	6,583	—	6,073	12,656
Disposals	(2,624)	—	—	(2,624)
At December 31, 2021 and January 1, 2022	9,574	—	6,073	15,647
Additions	1,303	402	813	2,518
Disposals	(1,243)	—	—	(1,243)
At December 31, 2022 and January 1, 2023	9,634	402	6,886	16,922
Additions	270	—	1,097	1,367
Disposals	(225)	—	—	(225)
At December 31, 2023 and January 1, 2024	9,679	402	7,983	18,064
Additions	83	—	—	83
Disposals	—	—	(843)	(843)
At June 30, 2024	9,762	402	7,140	17,304
<b>Accumulated depreciation:</b>				
At January 1, 2021	(4,014)	—	—	(4,014)
Charge for the year	(2,478)	—	(928)	(3,406)
Written back on disposals	2,451	—	—	2,451
At December 31, 2021 and January 1, 2022	(4,041)	—	(928)	(4,969)
Charge for the year	(2,489)	(8)	(1,262)	(3,759)
Written back on disposals	868	—	—	868
At December 31, 2022 and January 1, 2023	(5,662)	(8)	(2,190)	(7,860)
Charge for the year	(2,306)	(96)	(1,435)	(3,837)
Written back on disposals	199	—	—	199
At December 31, 2023 and January 1, 2024	(7,769)	(104)	(3,625)	(11,498)
Charge for the period	(781)	(48)	(1,579)	(2,408)
Written back on disposals	—	—	843	843
At June 30, 2024	(8,550)	(152)	(4,361)	(13,063)
<b>Net book value:</b>				
At December 31, 2021	5,533	—	5,145	10,678
At December 31, 2022	3,972	394	4,696	9,062
At December 31, 2023	1,910	298	4,358	6,566
At June 30, 2024	1,212	250	2,779	4,241

12 Right-of-use assets

Group

	Year ended December 31,			Six months ended June 30,
	2021	2022	2023	2024
	RMB’000	RMB’000	RMB’000	RMB’000
At January 1,	—	58,242	49,347	32,378
Additions	72,725	8,671	840	—
Disposals	(4,259)	(3,232)	(5,542)	—
Depreciation for the year/period	(10,224)	(14,334)	(12,267)	(6,040)
At December 31./June 30,	58,242	49,347	32,378	26,338

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

**NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**

**12 Right-of-use assets (continued)**

Company

	Year ended December 31,			Six months ended June 30,
	2021	2022	2023	2024
	RMB’000	RMB’000	RMB’000	RMB’000
At January 1, .....	—	21,035	14,694	8,692
Additions .....	31,388	108	174	—
Disposals .....	(4,259)	(1,242)	(1,823)	—
Depreciation for the year/period .....	(6,094)	(5,207)	(4,353)	(2,089)
At December 31/June 30, .....	<u>21,035</u>	<u>14,694</u>	<u>8,692</u>	<u>6,603</u>

The right-of-use assets represented the leased office premises. The additions of right-of-use assets during the Track Record Period represent the capitalized lease payments payable under new tenancy agreements.

The analysis of the Group’s expense items in relation to leases recognized in profit or loss is as follows:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Depreciation charge of right-of-use assets .....	10,224	14,334	12,267	6,272	6,040
Short-term lease .....	6,441	3,772	3,249	1,521	742
Interest on lease liabilities .....	<u>2,082</u>	<u>2,559</u>	<u>1,741</u>	<u>939</u>	<u>683</u>

Details of total cash outflow for leases and maturity analysis of lease liabilities are set out in notes 18(c) and 21 respectively.

**13 Intangible assets**

Group

	Year ended December 31,			Six months ended June 30,
	2021	2022	2023	2024
	RMB’000	RMB’000	RMB’000	RMB’000
<b>Cost:</b>				
At January 1, .....	5,773	6,393	6,495	8,533
Additions .....	620	102	2,038	—
At December 31/June 30, .....	<u>6,393</u>	<u>6,495</u>	<u>8,533</u>	<u>8,533</u>
<b>Accumulated amortization:</b>				
At January 1, .....	(1,151)	(2,925)	(4,736)	(5,917)
Charge for the year/period .....	(1,774)	(1,811)	(1,181)	(418)
At December 31/June 30, .....	<u>(2,925)</u>	<u>(4,736)</u>	<u>(5,917)</u>	<u>(6,335)</u>
<b>Net book value:</b>				
At December 31/June 30, .....	<u>3,468</u>	<u>1,759</u>	<u>2,616</u>	<u>2,198</u>

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

**NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**

**13 Intangible assets (continued)**

The intangible assets represented the acquired software. The amortization was recognized in cost of sales, selling expenses, general and administrative expenses and research and development expenses.

**14 Interest in associates**

The Group has invested in a number of associates, none of them are individually material. All of the Group’s associates are established in the PRC, unlisted and whose quoted market price is not available.

Aggregate information of the Group’s associates that are not individually material:

	At December 31,			At June 30,
	2021	2022	2023	2024
	RMB’000	RMB’000	RMB’000	RMB’000
Aggregate carrying amount of individually immaterial associates in the Historical Financial Information .....	6,671	3,751	2,494	1,842

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Aggregate amounts of the Group’s share of those associates’:					
Profit/(loss) for the year/period .....	229	(267)	(1,257)	(635)	(652)
Other comprehensive income .....	—	—	—	—	—
Total comprehensive income .....	<u>229</u>	<u>(267)</u>	<u>(1,257)</u>	<u>(635)</u>	<u>(652)</u>

**15 Other financial assets**

Group

		At December 31,			At June 30,
		2021	2022	2023	2024
		RMB’000	RMB’000	RMB’000	RMB’000
<b>Non-current</b>					
Fixed deposits .....	(a)	—	30,000	30,000	30,000
Certificates of deposit .....	(c)	122,235	156,807	31,144	—
		<u>122,235</u>	<u>186,807</u>	<u>61,144</u>	<u>30,000</u>
<b>Current</b>					
Bank structured deposits .....	(b)	—	—	16,039	5,000
Certificates of deposit .....	(c)	—	—	71,961	43,233
		<u>—</u>	<u>—</u>	<u>88,000</u>	<u>48,233</u>

(a) The fixed deposits bear an annual interest rate of 3.98% and are due in December 2027.

(b) The structured deposits have floating interest rates.

(c) The certificates of deposit have fixed interest rates.



APPENDIX I

ACCOUNTANTS’ REPORT

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

16 Inventories

(a) Inventories in the consolidated statements of financial position comprise:

Group

	At December 31,			At June 30,
	2021	2022	2023	2024
	RMB’000	RMB’000	RMB’000	RMB’000
Purchased hardware and software	23,022	60,785	9,403	13,611
Contract fulfillment cost	17,175	19,578	12,684	20,430
Less: write-down of inventories	(1,946)	(1,409)	(2,458)	(3,715)
	<u>38,251</u>	<u>78,954</u>	<u>19,629</u>	<u>30,326</u>

Company

	At December 31,			At June 30,
	2021	2022	2023	2024
	RMB’000	RMB’000	RMB’000	RMB’000
Purchased hardware and software	19,799	54,481	7,216	11,668
Contract fulfillment cost	13,271	8,411	2,323	3,286
Less: write-down of inventories	(1,152)	(489)	(764)	(1,139)
	<u>31,918</u>	<u>62,403</u>	<u>8,775</u>	<u>13,815</u>

(b) The analysis of the amount of inventories recognized as an expense and included in profit or loss is as follows:

Group

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Carrying amount of hardware and software sold	24,648	33,038	77,100	4,002	3,646
Write-down of inventories	1,939	555	1,385	726	1,779
Reversal of write-down of inventories	(466)	—	(2)	—	—
	<u>24,121</u>	<u>33,593</u>	<u>78,483</u>	<u>4,728</u>	<u>5,425</u>

17 Trade and other receivables and prepayments

(a) Trade and other receivables

Group

	At December 31,			At June 30,
	2021	2022	2023	2024
	RMB’000	RMB’000	RMB’000	RMB’000
Trade receivables - due from third parties	54,696	65,924	96,780	85,116
Trade receivables - due from an associate	—	—	3,553	3,807
Bills receivables	2,052	2,797	1,817	1,788
Deposits	3,585	3,588	2,913	2,317
Input VAT recoverable	2,394	2,781	1,541	1,283
Other receivables	373	1,164	1,245	1,257
	<u>63,100</u>	<u>76,254</u>	<u>107,849</u>	<u>95,568</u>

**APPENDIX I**

**ACCOUNTANTS' REPORT**

**NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**

**17 Trade and other receivables and prepayments (continued)**

All of the trade and other receivables are expected to be recovered or recognized as expense within one year.

As of the end of each reporting period, the aging analysis of trade receivables, based on the date of revenue recognition and net of loss allowance, is as follows:

	At December 31,			At June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	40,996	49,097	75,324	59,341
1 to 2 years	12,260	12,764	20,327	23,079
2 to 3 years	1,440	4,063	4,682	6,503
	<u>54,696</u>	<u>65,924</u>	<u>100,333</u>	<u>88,923</u>

Company

	At December 31,			At June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables - due from third parties	54,308	59,776	84,422	74,884
Trade receivables - due from subsidiaries	3,961	804	780	1,361
Trade receivables - due from an associate	—	—	1,683	1,683
Bills receivables	2,052	2,227	1,391	1,615
Deposits	1,022	963	994	393
Input VAT recoverable	1,386	1,694	258	258
Other receivables	372	1,159	1,243	1,255
	<u>63,101</u>	<u>66,623</u>	<u>90,771</u>	<u>81,449</u>
Amounts due from subsidiaries - non-current	68,934	167,292	235,765	267,111
	<u>132,035</u>	<u>233,915</u>	<u>326,536</u>	<u>348,560</u>

The amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment. The amounts which are not expected to be settled within twelve months at the end of period are classified as non-current.

As of the end of each reporting period, the aging analysis of trade receivables, based on the date of revenue recognition and net of loss allowance, is as follows:

	At December 31,			At June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	44,571	44,964	65,541	52,520
1 to 2 years	12,259	11,553	16,726	19,750
2 to 3 years	1,439	4,063	4,618	5,658
	<u>58,269</u>	<u>60,580</u>	<u>86,885</u>	<u>77,928</u>

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

**NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**

**17 Trade and other receivables and prepayments (continued)**

**(b) Prepayments**

At June 30, 2024, the Group’s and the Company’s prepayments include the prepayments for purchase of software and hardware for fulfilling the contracts with customers of RMB23,420,000 and RMB23,226,000, respectively.

**18 Cash and cash equivalents and other cash flow information**

Cash and cash equivalents represented cash at bank.

**(a) Reconciliation of loss before tax to cash used in operations:**

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Loss before tax	(146,439)	(189,785)	(87,027)	(100,211)	(65,067)
<i>Adjustments for:</i>					
Impairment losses on trade and other receivables	930	4,183	9,902	1,387	2,337
Depreciation of property and equipment	3,406	3,759	3,837	1,839	2,408
Depreciation of right-of-use assets	10,224	14,334	12,267	6,272	6,040
Amortization of intangible assets	1,774	1,811	1,181	756	418
Finance costs	2,526	3,753	6,168	3,097	2,913
Interest income from other financial assets	(6,598)	(5,212)	(3,682)	(3,211)	(2,180)
Net gain on disposal of property and equipment and right-of-use assets	(59)	(1,704)	(501)	(882)	—
Equity settled share-based payment expenses	7,302	—	3,320	—	2,806
Share of results of associates	(229)	267	1,257	635	652
Changes in carrying amount of financial instruments issued to investors	24,969	57,400	15,676	15,676	—
Changes in inventories	(22,397)	(40,704)	59,326	18,180	(10,697)
Changes in contract assets	(4,463)	(2,762)	(1,438)	(5,229)	(793)
Changes in trade and other receivables and prepayments	(19,097)	(18,958)	(40,461)	(13,965)	(13,426)
Changes in restricted cash	(1,288)	(8,411)	6,599	1,553	950
Changes in trade and other payables	15,408	41,343	(34,448)	(47,383)	(3,880)
Changes in contract liabilities	19,971	36,401	(84,855)	25,410	27,544
Cash used in operations	<u>(114,060)</u>	<u>(104,285)</u>	<u>(132,879)</u>	<u>(96,076)</u>	<u>(49,975)</u>

APPENDIX I

ACCOUNTANTS’ REPORT

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

18 Cash and cash equivalents and other cash flow information (continued)

(b) Reconciliation of liabilities arising from financing activities:

The tables below detail changes in the Group’s liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group’s consolidated cash flow statements as cash flows from financing activities.

	Bank and other loans	Interest payable	Lease liabilities	Total
	RMB’000 (Note 20)	RMB’000	RMB’000 (note 21)	RMB’000
At January 1, 2021 .....	6,872	—	—	6,872
<b>Changes from financing cash flows:</b>				
Proceeds from bank and other loans .....	20,918	—	—	20,918
Repayment of bank and other loans .....	(6,872)	—	—	(6,872)
Capital element of lease rentals paid .....	—	—	(9,372)	(9,372)
Interest element of lease rentals paid .....	—	—	(2,082)	(2,082)
Other borrowing costs paid .....	—	(444)	—	(444)
<b>Total changes from financing cash flows .....</b>	<b>14,046</b>	<b>(444)</b>	<b>(11,454)</b>	<b>2,148</b>
<b>Other changes:</b>				
Interest expenses (note 6) .....	—	444	2,082	2,526
Increase in lease liabilities from entering into new leases during the year .....	—	—	72,725	72,725
Decrease in lease liabilities from leases early termination ..	—	—	(4,319)	(4,319)
Total other changes .....	—	444	70,488	70,932
At December 31, 2021 .....	20,918	—	59,034	79,952
At January 1, 2022 .....	20,918	—	59,034	79,952
<b>Changes from financing cash flows:</b>				
Proceeds from bank and other loans .....	92,939	—	—	92,939
Repayment of bank and other loans .....	(20,918)	—	—	(20,918)
Capital element of lease rentals paid .....	—	—	(11,564)	(11,564)
Interest element of lease rentals paid .....	—	—	(2,559)	(2,559)
Other borrowing costs paid .....	—	(1,194)	—	(1,194)
<b>Total changes from financing cash flows .....</b>	<b>72,021</b>	<b>(1,194)</b>	<b>(14,123)</b>	<b>56,704</b>
<b>Other changes:</b>				
Interest expenses (note 6) .....	—	1,194	2,559	3,753
Increase in lease liabilities from entering into new leases during the year .....	—	—	8,671	8,671
Decrease in lease liabilities from leases early termination ..	—	—	(4,943)	(4,943)
Total other changes .....	—	1,194	6,287	7,481
At December 31, 2022 .....	92,939	—	51,198	144,137
At January 1, 2023 .....	92,939	—	51,198	144,137
<b>Changes from financing cash flows:</b>				
Proceeds from bank and other loans .....	144,177	—	—	144,177
Repayment of bank and other loans .....	(118,454)	—	—	(118,454)
Capital element of lease rentals paid .....	—	—	(12,851)	(12,851)
Interest element of lease rentals paid .....	—	—	(1,741)	(1,741)
Other borrowing costs paid .....	—	(4,427)	—	(4,427)
<b>Total changes from financing cash flows .....</b>	<b>25,723</b>	<b>(4,427)</b>	<b>(14,592)</b>	<b>6,704</b>

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ACCOUNTANTS’ REPORT

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

18 Cash and cash equivalents and other cash flow information (continued)

	Bank and other loans	Interest payable	Lease liabilities	Total
	RMB’000 (Note 20)	RMB’000	RMB’000 (note 21)	RMB’000
<b>Other changes:</b>				
Interest expenses (note 6) . . . . .	—	4,427	1,741	6,168
Increase in lease liabilities from entering into new leases during the year . . . . .	—	—	840	840
Decrease in lease liabilities from leases early termination . . . . .	—	—	(6,075)	(6,075)
<b>Total other changes</b> . . . . .	<b>—</b>	<b>4,427</b>	<b>(3,494)</b>	<b>933</b>
<b>At December 31, 2023</b> . . . . .	<b>118,662</b>	<b>—</b>	<b>33,112</b>	<b>151,774</b>
<b>At January 1, 2024</b> . . . . .	<b>118,662</b>	<b>—</b>	<b>33,112</b>	<b>151,774</b>
<b>Changes from financing cash flows:</b>				
Proceeds from bank and other loans . . . . .	46,356	—	—	46,356
Repayment of bank and other loans . . . . .	(31,307)	—	—	(31,307)
Capital element of lease rentals paid . . . . .	—	—	(4,531)	(4,531)
Interest element of lease rentals paid . . . . .	—	—	(683)	(683)
Other borrowing costs paid . . . . .	—	(2,230)	—	(2,230)
<b>Total changes from financing cash flows</b> . . . . .	<b>15,049</b>	<b>(2,230)</b>	<b>(5,214)</b>	<b>7,605</b>
<b>Other changes:</b>				
Interest expenses (note 6) . . . . .	—	2,230	683	2,913
<b>Total other changes</b> . . . . .	<b>—</b>	<b>2,230</b>	<b>683</b>	<b>2,913</b>
<b>At June 30, 2024</b> . . . . .	<b>133,711</b>	<b>—</b>	<b>28,581</b>	<b>162,292</b>
<b>(Unaudited)</b>				
<b>At January 1, 2023</b> . . . . .	<b>92,939</b>	<b>—</b>	<b>51,198</b>	<b>144,137</b>
<b>Changes from financing cash flows:</b>				
Proceeds from bank and other loans . . . . .	34,300	—	—	34,300
Capital element of lease rentals paid . . . . .	—	—	(5,130)	(5,130)
Interest element of lease rentals paid . . . . .	—	—	(939)	(939)
Other borrowing costs paid . . . . .	—	(2,158)	—	(2,158)
<b>Total changes from financing cash flows</b> . . . . .	<b>34,300</b>	<b>(2,158)</b>	<b>(6,069)</b>	<b>26,073</b>
<b>Other changes:</b>				
Interest expenses (note 6) . . . . .	—	2,158	939	3,097
<b>Total other changes</b> . . . . .	<b>—</b>	<b>2,158</b>	<b>939</b>	<b>3,097</b>
<b>At June 30, 2023</b> . . . . .	<b>127,239</b>	<b>—</b>	<b>46,068</b>	<b>173,307</b>

(c) Total cash outflow for leases

Amounts included in the cash flow statements for lease rental paid are as follows:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Within operating cash flows . . . . .	6,441	3,772	3,249	1,521	742
Within financing cash flows . . . . .	11,454	14,123	14,592	6,069	5,214
	<u>17,895</u>	<u>17,895</u>	<u>17,841</u>	<u>7,590</u>	<u>5,956</u>

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**ACCOUNTANTS’ REPORT**

**NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**

**19 Trade and other payables**

Group

	At December 31,			At June 30,
	2021	2022	2023	2024
	RMB’000	RMB’000	RMB’000	RMB’000
Trade payables . . . . .	25,835	50,923	28,533	23,761
Bills payable . . . . .	918	1,963	4,911	654
Staff cost payables . . . . .	45,070	59,144	42,968	46,525
Other taxes payables . . . . .	6,653	9,490	9,491	9,571
Deposits . . . . .	1,234	105	—	—
Amounts due to a shareholder . . . . .	3,918	4,173	4,405	4,396
Accrued [REDACTED] expenses . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Other payables . . . . .	2,600	1,930	2,925	1,115
Provision . . . . .	400	19	62	1,196
	<u>86,628</u>	<u>127,747</u>	<u>93,295</u>	<u>89,429</u>

The amounts due to a shareholder are unsecured, interest-bearing at 4.35% per annum and repayable on demand, except for an aggregate amount of RMB1,018,000 as at December 31, 2021, 2022, 2023 and June 30, 2024 which are interest-free. The amounts due to a shareholder have been settled subsequent to June 30, 2024.

All of the trade and other payables are expected to be settled or recognized in profit or loss within one year or are repayable on demand.

At the end of each reporting period, the aging analysis of trade payables based on invoice date is as follows:

	At December 31,			At June 30,
	2021	2022	2023	2024
	RMB’000	RMB’000	RMB’000	RMB’000
Within 1 year . . . . .	21,830	48,995	17,773	10,151
1 to 2 years . . . . .	2,627	772	9,253	9,784
2 to 3 years . . . . .	1,378	1,156	1,507	3,826
	<u>25,835</u>	<u>50,923</u>	<u>28,533</u>	<u>23,761</u>

**APPENDIX I**

**ACCOUNTANTS' REPORT**

**NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**

**19 Trade and other payables (continued)**

Company

	At December 31,			At June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables - due to third parties . . . . .	24,231	46,666	25,072	20,340
Trade payables - due to subsidiaries . . . . .	16,953	7,340	10,040	8,166
Bills payable . . . . .	918	1,963	4,911	654
Amounts due to subsidiaries . . . . .	73,748	78,806	59,092	55,631
Staff cost payables . . . . .	25,686	22,603	17,473	17,190
Other taxes payables . . . . .	5,157	6,550	7,023	7,608
Deposits . . . . .	1,234	105	—	—
Amounts due to a shareholder . . . . .	1,018	1,018	1,018	1,018
Accrued [REDACTED] expenses . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Other payables . . . . .	1,002	554	1,267	159
Provision . . . . .	395	19	62	—
	<u>150,342</u>	<u>165,624</u>	<u>125,958</u>	<u>112,977</u>

The amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

At the end of each reporting period, the aging analysis of trade payables based on invoice date is as follows:

	At December 31,			At June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year . . . . .	36,828	52,078	18,779	17,201
1 to 2 years . . . . .	2,978	772	14,826	7,180
2 to 3 years . . . . .	1,378	1,156	1,507	4,125
	<u>41,184</u>	<u>54,006</u>	<u>35,112</u>	<u>28,506</u>

**20 Bank and other loans**

Group

	At December 31,			At June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans - unsecured . . . . .	19,700	90,215	117,160	123,160
Proceeds from discounted bills . . . . .	1,218	2,724	1,502	10,551
	<u>20,918</u>	<u>92,939</u>	<u>118,662</u>	<u>133,711</u>

Company

	At December 31,			At June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans - unsecured . . . . .	11,500	79,745	106,690	112,690
Proceeds from discounted bills . . . . .	1,218	2,124	1,502	10,551
	<u>12,718</u>	<u>81,869</u>	<u>108,192</u>	<u>123,241</u>

All bank and other loans were repayable within one year.

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**ACCOUNTANTS’ REPORT**

**NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**

**21 Lease liabilities**

At the end of each reporting period, the lease liabilities were repayable as follows:

Group	At December 31,			At June 30,
	2021	2022	2023	2024
	RMB’000	RMB’000	RMB’000	RMB’000
Within one year .....	12,571	14,913	12,265	14,042
1 to 2 years .....	13,640	12,282	11,983	10,170
2 to 5 years .....	32,823	24,003	8,864	4,369
	<u>59,034</u>	<u>51,198</u>	<u>33,112</u>	<u>28,581</u>

Company

	At December 31,			At June 30,
	2021	2022	2023	2024
	RMB’000	RMB’000	RMB’000	RMB’000
Within one year .....	5,253	4,750	5,466	5,879
1 to 2 years .....	5,434	4,886	3,781	1,441
2 to 5 years .....	10,827	5,110	—	—
	<u>21,514</u>	<u>14,746</u>	<u>9,247</u>	<u>7,320</u>

**22 Financial instruments issued to investors**

The Group and the Company

The financial instruments issued to investors represented the redemption liabilities arising from the grant of rights to investors to put back the Company’s shares to the Company. The movements of the financial instruments issued to investors during the Track Record Period are set out below:

	RMB’000
<b>At January 1, 2021</b> .....	642,013
Grant of redemption right in Series E financing .....	249,010
Changes in the carrying amount of redemption liabilities .....	24,969
<b>At December 31, 2021 and January 1, 2022</b> .....	915,992
Effect of transfer of shares of the Company with redemption rights .....	83,347
Changes in the carrying amount of redemption liabilities .....	57,400
<b>At December 31, 2022 and January 1, 2023</b> .....	1,056,739
Changes in the carrying amount of redemption liabilities .....	15,676
Termination of the redemption obligation .....	(1,072,415)
<b>At December 31, 2023 and June 30, 2024</b> .....	—

From 2015 to 2023, the Company conducted several rounds of financing by issuing the Company’s shares to investors and the investors were granted a right to put back to the Company shares acquired upon the occurrence of certain triggering events, including the failure to achieve a qualified IPO in a specified time frame.



NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

**22 Financial instruments issued to investors (continued)**

The redemption price shall be the sum of subscription price paid by the respective investors plus accrued interest of 8%-10% per annum.

In 2022, certain of the Company’s shares with redemption rights were transferred by investors. The increase in redemption liabilities as a result of such transfer of RMB83,347,000 was credited to equity.

In 2023, the Company’s obligation under the investors’ preferential rights were waived by the investors. Therefore, the Company’s redemption obligation was terminated, upon which the then carrying amount of the redemption liabilities recognized was reclassified to equity.

**23 Equity settled share-based transactions**

**(a) [REDACTED] share incentive schemes**

Prior to 2021, restricted shares were granted to the selected employees of the Group, including the directors of the Company. These restricted shares have been vested as at December 31, 2020, except for 4,676,000 restricted shares which were vested during the year ended December 31, 2021. Share-based payment expenses of RMB7,302,000 have been recognized during the year ended December 31, 2021.

In July 2023, 3,650,000 restricted shares were granted to the selected employees of the Group, including the directors of the Company. The restricted shares will be vested in five years. The fair value of the right to subscribe for the restricted shares is estimated to be RMB7.8275 per share, which is the calculated based on the difference between the fair value of the share and the exercise price of the share. In August 2024, the vesting period of the restricted shares was shortened to 2.5 years and these restricted shares will be vested in December 2025.

**(b) [REDACTED] share option scheme**

In August 2024, the Company adopted a [REDACTED] share option scheme to improve the Company’s incentive mechanism, attract talents and to motivate the senior management. In August 2024, the Company granted 38,238,095 options to Mr. Li to subscribe for 38,238,095 H shares and Mr Li has undertaken that his annual compensation shall not exceed HK\$510,000 for the period from January 1, 2025 to December 31, 2030.

The exercise price of the option is HK\$5.1 per share. The exercise period of the options is 10 years from the date of grant. The options shall vest in accordance with the achievement of performance targets during the service period.

**(c) 51Sim share option scheme**

In July 2023, Beijing 51Sim adopted a share option scheme for its employees. In August 2023, 714,285 options were granted to its selected employees. Each option gives the holders the right to subscribe for one Beijing 51Sim’s share at a price of RMB35 per share. The option will be vested in tranches of 25% each year in four years and can only be exercised within the month following the [REDACTED] of Beijing 51Sim.

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**ACCOUNTANTS’ REPORT**

**NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**

**23 Equity settled share-based transactions (continued)**

The number of share options is as follows:

	Year ended December 31, 2023	Six months ended June 30, 2024
	’000	’000
Outstanding at the beginning of the year/period .....	—	715
Granted during the year/period .....	715	—
Forfeited during the year/period .....	—	(11)
Outstanding at the end of the year/period .....	<u>715</u>	<u>704</u>
Exercisable at the end of the year/period .....	<u>—</u>	<u>—</u>

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial lattice model.

**Fair value of share options and assumptions**

Fair value at measurement date	RMB 5.13
Share price	RMB 19.82
Exercise price	RMB 35
Expected volatility	48.91%
Expected option life	4.39 years
Expected dividends	0.0%
Risk-free interest rate	2.38%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

**24 Deferred tax**

***Deferred tax assets not recognized***

In accordance with the accounting policy set out in note 2(r), the Group has not recognized deferred tax assets in respect of cumulative tax losses of RMB444,902,000, RMB656,264,000, RMB789,367,000 and RMB872,394,000 as at December 31, 2021, 2022, 2023 and June 30, 2024, respectively, as it is not probable that future taxable profits against which the losses can be utilized will be available in the relevant tax jurisdiction and entity. The tax losses expire in 10 years from the respective year of loss.

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

**NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**

**25 Capital, reserves and dividends**

**(a) Share capital**

	Year ended December 31, 2021		Year ended December 31, 2022		Year ended December 31, 2023		Six months ended June 30, 2024	
	No. of shares	Amount	No. of shares	Amount	No. of shares	Amount	No. of shares	Amount
	‘000	RMB’000	‘000	RMB’000	‘000	RMB’000	‘000	RMB’000
<b>Ordinary shares, issued and fully paid:</b>								
At January 1, . . . . .	177,314	177,314	364,634	364,634	365,000	365,000	365,000	365,000
Issuance of shares . . . . .	3,908	3,908	366	366	—	—	17,381	17,381
Capitalization issue . . . . .	183,412	183,412	—	—	—	—	—	—
At December 31, / June 30, . . . . .	<u>364,634</u>	<u>364,634</u>	<u>365,000</u>	<u>365,000</u>	<u>365,000</u>	<u>365,000</u>	<u>382,381</u>	<u>382,381</u>

**Series E financing**

In late 2021, certain investors subscribed 3,908,071 shares of the Company’s shares at cash consideration of RMB88,162,000. The excess of consideration paid over the par value of the issued shares of RMB3,908,000, amounting to RMB84,254,000, was credited to the capital reserve. The investors of the Series E financing were granted a right to put back the subscribed shares to the Company (note 22).

In February 2022, Mr Li further subscribed 366,382 new shares of the Company at cash consideration of RMB8,265,000. The excess of consideration paid over the par value of the issued shares of RMB366,000, amounting to RMB7,899,000 was credited to the capital reserve.

**Series F financing**

In June 2024, an investor subscribed 17,380,952 new shares of the Company at cash consideration of RMB200,000,000. The excess of consideration paid over the par value of the issued shares of RMB17,381,000, amounting to RMB182,619,000 was credited to the capital reserve.

**Capitalization issue**

In 2021, the Company issued 183,412,000 shares by way of capitalization issue and allocated the shares to its shareholders on a pro rata basis.

**(b) Nature of reserve**

**(i) Capital reserve**

Capital reserve comprises the following:

- the difference between the proceeds received from the shareholders of the Company upon the issuance of shares and the paid-in capital of the Company;
- the difference between the consideration received and the proportionate interest in net assets of subsidiaries disposed; and

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

**25 Capital, reserves and dividends (continued)**

- the portion of the grant date fair value of share options granted to employees of the company that has been recognized in accordance with the accounting policy adopted for share-based payments in note 2(q)(iii).

In 2023, Beijing 51Sim issued new shares to certain investors at a consideration of RMB50,000,000. As a result, the Group’s interest in Beijing 51Sim decreased from 100% to 88%. The difference between the consideration and the changes in proportionate interest in net assets of Beijing 51Sim of RMB44,379,000 was credited to capital reserve.

*(ii) Other reserve*

The other reserve comprises amount in relation to the initial recognition and modification of redemption liabilities.

*(iii) Exchange reserve*

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2(u).

*(c) Capital management*

The Group’s primary objectives when managing capital are to safeguard the Group’s ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

For the purpose of capital management, the Group defines “capital” as total equity of the Group as disclosed in the consolidated statement of changes in equity.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

**NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**

**25 Capital, reserves and dividends (continued)**

**(d) Movements in components of equity**

The changes of each component of the Group’s consolidated equity during the Track Record Period are set out in the consolidated statements of changes in equity. Details of changes in the Company’s individual components of equity during the Track Record Period are set out below:

	<u>Share capital</u>	<u>Capital reserve</u>	<u>Other reserve</u>	<u>Accumulated losses</u>	<u>Total</u>
	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
<b>Balance at January 1, 2021</b> .....	177,314	389,074	(566,194)	(356,872)	(356,678)
Loss for the year .....	—	—	—	(82,022)	(82,022)
Issuance of shares .....	3,908	84,254	—	—	88,162
Capitalization issue .....	183,412	(183,412)	—	—	—
Recognition of redemption liabilities .....	—	—	(249,010)	—	(249,010)
Equity settled share-based transactions .....	—	7,302	—	—	7,302
<b>Balance at December 31, 2021 and January 1, 2022</b> .....	<u>364,634</u>	<u>297,218</u>	<u>(815,204)</u>	<u>(438,894)</u>	<u>(592,246)</u>
Loss for the year .....	—	—	—	(70,787)	(70,787)
Issuance of shares .....	366	7,899	—	—	8,265
Recognition of redemption liabilities .....	—	—	(83,347)	—	(83,347)
<b>Balance at December 31, 2022 and January 1, 2023</b> .....	<u>365,000</u>	<u>305,117</u>	<u>(898,551)</u>	<u>(509,681)</u>	<u>(738,115)</u>
Profit for the year .....	—	—	—	6,118	6,118
Modification of the redemption liabilities .....	—	—	1,072,415	—	1,072,415
Equity settled share-based transactions .....	—	2,030	—	—	2,030
<b>Balance at December 31, 2023 and January 1, 2024</b> .....	<u>365,000</u>	<u>307,147</u>	<u>173,864</u>	<u>(503,563)</u>	<u>342,448</u>
Loss for the period .....	—	—	—	(22,855)	(22,855)
Issuance of shares .....	17,381	182,619	—	—	200,000
Equity settled share-based transactions .....	—	2,361	—	—	2,361
<b>Balance at June 30, 2024</b> .....	<u>382,381</u>	<u>492,127</u>	<u>173,864</u>	<u>(526,418)</u>	<u>521,954</u>
(Unaudited)					
<b>Balance at January 1, 2023</b> .....	<u>365,000</u>	<u>305,117</u>	<u>(898,551)</u>	<u>(509,681)</u>	<u>(738,115)</u>
Loss for the period .....	—	—	—	(45,390)	(45,390)
Modification of the redemption liabilities .....	—	—	1,072,415	—	1,072,415
<b>Balance at June 30, 2023</b> .....	<u>365,000</u>	<u>305,117</u>	<u>173,864</u>	<u>(555,071)</u>	<u>288,910</u>

**(e) Dividends**

The directors of the Company did not propose the payment of any dividend during the Track Record Period.

**26 Financial risk management and fair values of financial instruments**

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group’s business. The Group’s exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

**(a) Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group’s credit risk is primarily attributable to trade and other receivables. The Group’s exposure to credit risk arising from other financial

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

26 Financial risk management and fair values of financial instruments (continued)

assets and cash and cash equivalents is limited because the counterparties are banks with good credit rating. The carrying amount of each class of the financial assets represent the Group’s maximum exposure to credit risk in relation to financial assets.

The Group does not provide any guarantees which would expose the Group to credit risk.

*Trade receivables*

Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. In general, the trade receivables are due for payment upon the issuance of invoice. Normally, the Group does not obtain collateral from customers. The Group has no significant concentration of credit risk. As at December 31, 2021, 2022, 2023 and June 30, 2024, 14.0%, 17.7%, 19.1% and 5.9% of the total trade receivables was due from the Group’s five largest customers of the respective periods.

The Group measures loss allowance for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix.

The loss allowance for trade receivables from customers at the end of each reporting period was determined as follows:

	At December 31, 2021		
	Expected loss rate	Gross carrying amount	Loss allowance
		RMB’000	RMB’000
Within 1 year	0.5%	41,202	(206)
1 to 2 years	2.7%	12,600	(340)
2 to 3 years	21.4%	1,832	(392)
More than 3 years	100%	228	(228)
		<u>55,862</u>	<u>(1,166)</u>

	At December 31, 2022		
	Expected loss rate	Gross carrying amount	Loss allowance
		RMB’000	RMB’000
Within 1 year	1.5%	49,845	(748)
1 to 2 years	7.0%	13,725	(961)
2 to 3 years	28.2%	5,659	(1,596)
More than 3 years	100%	1,744	(1,744)
		<u>70,973</u>	<u>(5,049)</u>

	At December 31, 2023		
	Expected loss rate	Gross carrying amount	Loss allowance
		RMB’000	RMB’000
Within 1 year	3.3%	77,896	(2,572)
1 to 2 years	12.3%	23,178	(2,851)
2 to 3 years	42.1%	8,086	(3,404)
More than 3 years	100%	5,328	(5,328)
		<u>114,488</u>	<u>(14,155)</u>

APPENDIX I

ACCOUNTANTS’ REPORT

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

26 Financial risk management and fair values of financial instruments (continued)

	At June 30, 2024		
	Expected loss rate	Gross carrying amount	Loss allowance
		RMB’000	RMB’000
Within 1 year	3.1%	61,239	(1,898)
1 to 2 years	11.8%	26,167	(3,088)
2 to 3 years	39.3%	10,713	(4,210)
More than 3 years	100%	7,034	(7,034)
		<u>105,153</u>	<u>(16,230)</u>

Expected loss rates are based on actual loss experience over the past four years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group’s view of economic conditions over the expected lives of the trade receivables.

Movement in the loss allowance account in respect of trade receivables during the Track Record Period is as follows:

	Year ended December 31,			Six months ended
	2021	2022	2023	June 30,
	RMB’000	RMB’000	RMB’000	RMB’000
At the beginning of the reporting period	2,774	1,166	5,049	14,155
Impairment losses (reversed) / recognized	(1)	5,702	13,030	2,075
Amounts written off	(1,607)	(1,819)	(3,924)	—
At the end of the reporting period	<u>1,166</u>	<u>5,049</u>	<u>14,155</u>	<u>16,230</u>

(b) Liquidity risk

The Group’s policy is to regularly monitor its liquidity management and cash management, including the raising of loans to cover expected cash demands. The Group’s policy is to regularly monitor its liquidity requirements and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

**NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**

**26 Financial risk management and fair values of financial instruments (continued)**

The following tables show the remaining contractual maturities at the end of each reporting period of the Group’s financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	<b>At December 31, 2021</b>				<b>Carrying amount</b>
	<b>Contractual undiscounted cash outflow</b>				
	<b>Within 1 year or on demand</b>	<b>1 - 2 years</b>	<b>2 - 5 years</b>	<b>Total</b>	
	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>
Trade and other payables .....	79,575	—	—	79,575	79,575
Bank and other loans .....	21,594	—	—	21,594	20,918
Lease liabilities .....	14,979	15,440	34,614	65,033	59,034
Financial Instruments issued to investors .....	915,992	—	—	915,992	915,992
<b>Total .....</b>	<b>1,032,140</b>	<b>15,440</b>	<b>34,614</b>	<b>1,082,194</b>	<b>1,075,519</b>

	<b>At December 31, 2022</b>				<b>Carrying amount</b>
	<b>Contractual undiscounted cash outflow</b>				
	<b>Within 1 year or on demand</b>	<b>1 - 2 years</b>	<b>2 - 5 years</b>	<b>Total</b>	
	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>
Trade and other payables .....	118,238	—	—	118,238	118,238
Bank and other loans .....	95,640	—	—	95,640	92,939
Lease liabilities .....	15,345	13,681	25,016	54,042	51,198
Financial Instruments issued to investors .....	1,056,739	—	—	1,056,739	1,056,739
<b>Total .....</b>	<b>1,285,962</b>	<b>13,681</b>	<b>25,016</b>	<b>1,324,659</b>	<b>1,319,114</b>

	<b>At December 31, 2023</b>				<b>Carrying amount</b>
	<b>Contractual undiscounted cash outflow</b>				
	<b>Within 1 year or on demand</b>	<b>1 - 2 years</b>	<b>2 - 5 years</b>	<b>Total</b>	
	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>
Trade and other payables .....	83,742	—	—	83,742	83,742
Bank and other loans .....	121,235	—	—	121,235	118,662
Lease liabilities .....	13,243	12,684	9,085	35,012	33,112
<b>Total .....</b>	<b>218,220</b>	<b>12,684</b>	<b>9,085</b>	<b>239,989</b>	<b>235,516</b>

	<b>At June 30, 2024</b>				<b>Carrying amount</b>
	<b>Contractual undiscounted cash outflow</b>				
	<b>Within 1 year or on demand</b>	<b>1 - 2 years</b>	<b>2 - 5 years</b>	<b>Total</b>	
	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>
Trade and other payables .....	78,662	—	—	78,662	78,662
Bank and other loans .....	134,571	—	—	134,571	133,711
Lease liabilities .....	14,760	10,610	4,429	29,799	28,581
<b>Total .....</b>	<b>227,993</b>	<b>10,610</b>	<b>4,429</b>	<b>243,032</b>	<b>240,954</b>



APPENDIX I

ACCOUNTANTS’ REPORT

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

26 Financial risk management and fair values of financial instruments (continued)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group’s fixed deposits, certificates of deposit and borrowings are all issued at fixed rates. The balance of bank structured deposits is not significant. Fluctuation of interest rate will not have significant impact to the Group.

(d) Currency risk

The following table details the Group’s exposure at the end of each reporting period to currency risk arising from recognized assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year end date. As HKD is pegged to USD, the Group considers the risk of movements in exchange rates between HKD and USD to be insignificant and are excluded from the table below. Differences resulting from the translation of the financial statements of foreign operations into the Group’s presentation currency are also excluded.

	At December 31,			At June 30,
	2021	2022	2023	2024
	USD	USD	USD	USD
	RMB’000	RMB’000	RMB’000	RMB’000
Cash and cash equivalents . . . . .	131	144	2,917	4,997
Trade and other receivables . . . . .	—	—	148	243
Trade and other payables . . . . .	(3,918)	(4,173)	(6,359)	(5,662)
Net exposure arising from recognized assets and liabilities . . . . .	<u>(3,787)</u>	<u>(4,029)</u>	<u>(3,294)</u>	<u>(422)</u>

The sensitivity analysis is not performed as the management considers that the Group is not exposed to significant currency risk.

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

*Fair value hierarchy*

The fair value of the Group’s financial instruments measured at the end of the reporting period on a recurring basis are categorized into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

**NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**

**26 Financial risk management and fair values of financial instruments (continued)**

The fair value measurement of the bank structured deposits falls into level 3 of the fair value hierarchy.

The movements during the period in the balance of these level 3 fair value measurements are as follows:

	Year ended December 31,			Six months ended June 30,
	2021 RMB’000	2022 RMB’000	2023 RMB’000	2024 RMB’000
At January 1, . . . . .	70,000	—	—	16,039
Payment for purchases . . . . .	—	—	16,000	20,000
Changes in fair value . . . . .	—	—	39	—
Disposal of financial assets . . . . .	(70,000)	—	—	(31,039)
At December 31./June 30, . . . . .	—	—	16,039	5,000

During the Track Record Period, there were no transfers between Level 1 and Level 2, or transfers into nor out of Level 3. The Group’s policy is to recognize transfers between levels of fair value hierarchy as of the end of the reporting period in which they occur.

*Valuation techniques and inputs used in Level 3 fair value measurements*

The fair value investment in bank structured deposits is determined by discounting the cash flows with the expected rate of return in the product manual or similar investment products manual.

The expected rate of return is 1.5%-3.05% as at December 31, 2023 and June 30, 2024. The fair value measurement is negatively correlated to the discount rate. As of December 31, 2023 and June 30, 2024, it is estimated that with all other variables held constant, a decrease/increase in risk discount rate by 1% would not have significant impact on the fair value of the bank structured deposits.

**27 Contingent liabilities**

In July 2024, the Company received notice that a service provider filed an arbitration against our Company, alleging breach of contract. If the Company is found to be liable, the total expected monetary compensation may amount to approximately RMB23 million and RMB23 million has been frozen by court. The Company continues to deny any liability in respect of the compensation and, based on legal advice, the directors do not believe it probable that the court will find against them. No provision has therefore been made in respect of this claim.

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

**NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**

**28 Material related party transactions**

**(a) Key management personnel remuneration**

Remuneration for key management personnel of the Group, including amounts paid to the Company’s directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Salaries and other emoluments .....	5,343	5,121	3,648	1,312	1,476
Discretionary bonuses .....	11	82	863	553	163
Share-based payments .....	4,948	—	388	—	387
Retirement scheme contributions .....	362	370	460	152	170
	<u>10,664</u>	<u>5,573</u>	<u>5,359</u>	<u>2,017</u>	<u>2,196</u>

Total remuneration is included in “staff costs” (see note 6(b)).

**(b) Related party balances and transactions**

The related parties of the Company and its subsidiaries that had transactions with the Group are as follows:

<u>Name of related parties</u>	<u>Nature of relationship</u>
Suzhou Wuyi Yuansheng Digital Technology Co., Ltd.	Associate of the Company
Mr. Li	One of the beneficial owners and a key management of the Company

**(i) Transactions with related parties**

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Trade in nature:					
Sales of goods to an associate .....	—	—	4,180	—	929
Non-trade in nature:					
Interest expense payable to a shareholder .....	<u>189</u>	<u>196</u>	<u>139</u>	<u>58</u>	<u>50</u>

**(ii) Balance with related parties:**

	At December 31,			At June 30,
	2021	2022	2023	2024
	RMB’000	RMB’000	RMB’000	RMB’000
Trade in nature:				
Trade and other receivables .....	—	—	3,553	3,807
Contract assets .....	—	—	—	224
Contract liabilities .....	—	—	—	1,027
Non-trade in nature:				
Amounts due to a shareholder .....	<u>3,918</u>	<u>4,173</u>	<u>4,405</u>	<u>4,396</u>

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

**NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**

**29 Subsequent event**

In November 2024, the Group entered into a pre-purchase contract to purchase a building in Beijing at a consideration of RMB60 million. The building is currently leased by the Group as office. A deposit of RMB36 million was paid in November 2024. Subject to entering into and the effectiveness of a subsequent procurement agreement, the remaining balance shall be paid before March 2025. The transaction is expected to be completed by March 2025.

**30 Possible impact of amendments, new standards and interpretations issued but not yet effective for the Track Record Period**

Up to the date of this report, the IASB has issued a number of new or amended standards, which are not yet effective for the Track Record Period and which have not been adopted in preparing the Historical Financial Information. These developments include:

	<b>Effective for accounting periods beginning on or after</b>
Amendments to IAS 21, <i>Lack of exchangeability</i> .....	January 1, 2025
Amendments to IFRS 9 and IFRS 7: <i>Amendments to the classification and measurement of financial instruments</i> .....	January 1, 2026
Annual improvement to IFRS Accounting Standards - Volume 11 .....	January 1, 2026
IFRS 18, <i>Presentation and disclosure in financial statements</i> .....	January 1, 2027
IFRS 19, <i>Subsidiaries without public accountability: disclosure</i> .....	January 1, 2027
Amendments to IFRS 10 and IAS 28, <i>Sale or contribution of assets between an investor and its associate or joint venture</i> .....	To be determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Historical Financial Information.

**SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to June 30, 2024.

## APPENDIX II                      UNAUDITED [REDACTED] FINANCIAL INFORMATION

The following information does not form part of the Accountants’ Report received from KPMG, Certified Public Accountants, Hong Kong, the Company’s reporting accountants, as set out in Appendix I to this document, and is included herein for illustrative purposes only. The unaudited [REDACTED] financial information should be read in conjunction with the section headed “Financial information” in this document and the Accountants’ Report set out in Appendix I to this document.

### A.        UNAUDITED [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited [REDACTED] statement of adjusted net tangible assets of the Group is prepared in accordance with paragraph 4.29 of the Listing Rules, and is set out below to illustrate the effect of the [REDACTED] on the consolidated net tangible assets attributable to equity shareholders of the Company as at June 30, 2024 as if the [REDACTED] had taken place on June 30, 2024.

The unaudited [REDACTED] statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the [REDACTED] been completed as at June 30, 2024 or at any future date.

	Consolidated net tangible assets attributable to equity shareholders of the Company as at June 30, 2024 <sup>(1)</sup>	Estimated net [REDACTED] from the [REDACTED] [REDACTED] <sup>(2)(4)</sup>	Unaudited [REDACTED] adjusted net tangible assets attributable to equity shareholders of the Company	Unaudited [REDACTED] adjusted net tangible assets per Share <sup>(3)(4)</sup>	
	RMB’000	RMB’000	RMB’000	RMB	HK\$
Based on an [REDACTED] [REDACTED] of [REDACTED] per H Share .....	235,403	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] [REDACTED] of [REDACTED] per H Share .....	235,403	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

*Notes:*

- (1) The consolidated net tangible assets attributable to equity shareholders of the Company as at June 30, 2024 is arrived at after (i) deducting intangible assets of RMB2,198,000; and (ii) adjusting the share of intangible assets attributable to non-controlling interests of RMB17,000 from the consolidated total equity attributable to equity shareholders of the Company of RMB237,584,000 as at June 30, 2024, which is extracted from the Accountants’ Report set out in Appendix I to this document.
- (2) The estimated net [REDACTED] from the [REDACTED] are based on the [REDACTED] of [REDACTED] and [REDACTED] per H Share, being the lower end price and higher end price of the indicative [REDACTED] range respectively, and the issuance of [REDACTED] H Shares, after deduction of the [REDACTED] fees and other estimated expenses relating to the [REDACTED] paid or payable by the Company (excluding the [REDACTED] expenses charged to profit or loss during the Track Record Period), and do not take into account any H Shares which may be issued upon the exercise of the [REDACTED] and the options may be granted under the [REDACTED] Share Option Scheme of the Company.
- (3) The unaudited [REDACTED] adjusted net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that [REDACTED] Shares were in issue immediately following the completion of the [REDACTED], and does not take into account any H Shares which may be issued upon the exercise of the [REDACTED] and the options may be granted under the [REDACTED] Share Option Scheme of the Company.
- (4) The estimated net [REDACTED] from the [REDACTED] and the unaudited [REDACTED] adjusted net tangible assets per Share are converted from or into Hong Kong dollars (the “HK\$”) at an exchange rate of HK\$1.00 to RMB0.91268. No representation is made that HK\$ amounts have been, could have been or may be converted to RMB, or vice versa, at that rate.
- (5) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to June 30, 2024.

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**APPENDIX II**

**UNAUDITED [REDACTED] FINANCIAL INFORMATION**

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[REDACTED]

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**APPENDIX II**

**UNAUDITED [REDACTED] FINANCIAL INFORMATION**

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[REDACTED]

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**APPENDIX II**

**UNAUDITED [REDACTED] FINANCIAL INFORMATION**

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[REDACTED]



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## APPENDIX III

## TAXATION AND FOREIGN EXCHANGE

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### TAXES FOR SECURITIES HOLDERS

The income tax and capital gains tax for holders of H Shares shall be subject the laws and practices or other tax provisions of the PRC and the jurisdictions in which the holders of H Shares reside. The following summary of certain relevant tax provisions is based on current laws and practices, and is subject to change and does not constitute legal or tax advice. The following discussion does not address all of the possible tax consequences associated with an investment in H Shares, nor does it take into account the particular circumstances of any individual investor, some of which may be subject to special rules. Accordingly, you should consult your own tax adviser as to the tax consequences of an investment in H Shares. The following discussion is based on the laws and relevant interpretations in force as of the Latest Practicable Date, which are subject to change and may have retrospective effect.

The following discussion does not address any aspect of mainland China or Hong Kong taxation other than income tax, capital gains and profits tax, business tax/VAT, stamp duty and inheritance tax. Prospective investors are advised to consult their financial advisers as to the mainland China, Hong Kong and other tax consequences of owning and disposing of H Shares.

#### PRC Taxation

##### *Taxation regarding dividends*

###### *Individual investors*

Pursuant to the Individual Income Tax Law of the People’s Republic of China (the “Individual Income Tax Law”), which was promulgated on September 10, 1980, and amended by the 13th NPC Standing Committee on August 31, 2018 and entered into force on January 1, 2019, as well as the Regulations for the Implementation of the Individual Income Tax Law of the People’s Republic of China, which was amended by the State Council on December 18, 2018 and entered into force on January 1, 2019, dividend paid by PRC companies to individual investors are generally subject to tax withholding at a flat rate of 20%. In addition, Pursuant to the Circular of the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission on Issues Relating to the Differentiated Individual Income Tax Policy on Dividends and Bonuses of Listed Companies issued by the MOF, the SAT and the CSRC on September 7, 2015, for Shares of listed companies acquired by an individual from public offering and transfer of market, the dividend income shall be temporarily exempt from individual income tax for Shares held for more than one year; the dividend income shall be fully included in the taxable income for Shares held for less than one month (inclusive); and the dividend income shall be temporarily reduced by 50% to taxable income for Shares held for more than 1 month and less than 1 year (inclusive). The above income shall be subject to individual income tax at a uniform rate of 20%. As a matter of fact, the withholding tax rate on dividend income of non-resident individuals may be lower than 20% in certain cases. However, pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on Certain Policy Issues concerning Individual Income Tax, the dividends, and bonuses that foreign individuals obtain from foreign-invested enterprises will be temporarily exempted from individual income tax. The State Council approved and issued the Notice on Several Opinions of the National Development and Reform Commission and Other Departments on Deepening the Reform of Income Distribution System Approved and Dispatched by the State Council on February 3, 2013. The General Office of the State Council issued the Notice of the General Office of the State Council on the Division of Labor in Key Work in Deepening the Reform of Income Distribution System on February 8, 2013. Pursuant to the

## APPENDIX III

## TAXATION AND FOREIGN EXCHANGE

two documents mentioned above, the Chinese Government is planning to abolish the exemption of dividend income from foreign-invested enterprises for foreign individuals from personal income tax, with the MOF and the SAT being responsible for formulating and implementing the details of the plan. However, the MOF and the SAT have yet to promulgate relevant implementation rules or regulations. Pursuant to the Circular of the State Administration of Taxation on Issues Concerning the Levy and Administration of Individual Income Tax after the Repeal of Guo Shui Fa [1993] No. 045 Document issued by the SAT on June 28, 2011, domestic non-foreign invested enterprises issuing Shares in Hong Kong may, when distributing dividends to an individual residing outside the jurisdiction of the tax treaty, generally withhold individual income tax at the rate of 10%. For individual holders of H Shares receiving dividends who are residents of countries that have signed tax agreements with China with tax rates lower than 10%, the non-foreign-invested enterprise whose Shares are listed in Hong Kong may apply on behalf of such holders to enjoy the lower preferential tax treatments. Upon approval by the tax authorities, the excessive withholding amount will be refunded. For individual holders of H Shares receiving dividends who are residents of countries that have signed tax agreements with China with tax rates higher than 10% but lower than 20%, the non-foreign-invested enterprise shall withhold the individual income tax at the effective tax rate under the agreement without the need to apply for such tax rate. For individual holders of H Shares receiving dividends who are residents of countries without tax agreements with China and under other circumstances, non-foreign-invested enterprises shall withhold the individual income tax at a rate of 20%.

Pursuant to the 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 Income signed on August 21, 2006, the Chinese government may impose a tax on dividends payable by a Chinese company to a HKSAR resident (including the natural person and legal entity), but such tax shall not exceed 10% of the total dividends payable. If a Hong Kong resident directly holds 25% or more of the equity interest in a Chinese company, the tax levied shall not exceed 5% of the total dividends payable by the Chinese company. The Fifth Protocol to the 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 Income, which entered into force on December 6, 2019, provides that the above provisions do not apply to relevant arrangements or transactions entered into with the primary purpose of obtaining the above tax benefits.

### *Corporate investors*

Pursuant to the Enterprise Income Tax Law amended and entered into force on December 29, 2018 and the Regulations for the Implementation of the Enterprise Income Tax Law of the People's Republic of China amended and entered into force on April 23, 2019, where non-resident enterprises have not formed permanent establishments or premises within the territory of the PRC, or where they have formed permanent establishments or premises within the territory of the PRC but there is no actual relationship between the relevant income derived in the PRC and the establishments or premises set up by them, they shall be subject to enterprise income tax in respect of its income derived from sources within the PRC (including dividends received from PRC resident enterprises that have issued and listed Shares in Hong Kong), generally at a rate of 10%. The income tax payable by a non-resident enterprise shall be withheld at source, and the payer shall be the withholding agent. The withholding tax may be waived under the applicable convention to avoid double taxation.

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## APPENDIX III

## TAXATION AND FOREIGN EXCHANGE

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The Circular of the State Administration of Taxation on Issues Relating to the Withholding and Payment of the Enterprise Income Tax on Dividends Distributed by Chinese Resident Enterprises to Overseas Non-resident Enterprise Shareholders of H Shares, which was issued by the SAT and entered into force on November 6, 2008, further clarified that, in respect of the dividends on profits generated after January 1, 2008, the dividends distributed by PRC resident enterprises to the Shareholders of non-Chinese resident enterprises with respect to the H Shares would be taxed at the uniform rate of 10%. The Official Reply of Taxation on Imposition of Enterprise Income Tax on B-share Dividends of Non-resident Enterprises issued by the SAT on July 24, 2009 further stipulates that any PRC resident enterprises listed on overseas stock exchanges shall withhold and pay on behalf of the Shareholders of the non-PRC resident enterprises at a unified tax rate of 10%. The aforesaid tax rate may be further adjusted in accordance with the tax treaties or agreements entered into between the PRC and the relevant jurisdictions, as applicable.

Pursuant to the 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 Income signed on August 21, 2006, the Chinese government may impose a tax on dividends payable by a Chinese company to a Hong Kong resident (including the natural person and legal entity), but such tax shall not exceed 10% of the total dividends payable. If a Hong Kong resident directly holds 25% or more of the equity interest in a Chinese company, the tax levied shall not exceed 5% of the total dividends payable by the Chinese company. The Fifth Protocol to the 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 Income, which entered into force on December 6, 2019, provides that the above provisions do not apply to relevant arrangements or transactions entered into with the primary purpose of obtaining the above tax benefits. The dividend provisions of the tax agreements shall be implemented in accordance with the Circular of the State Administration of Taxation on Issues related to the Implementation of Dividend Provisions of Tax Agreements and other Chinese tax laws and regulations.

### *Tax treaties*

Non-PRC resident investors whose country of residence has entered into a double taxation avoidance agreement with the PRC or who are resident in the Hong Kong or Macau Special Administrative Regions shall be entitled to a preferential tax rate on dividends received from PRC companies. The PRC has entered into double taxation avoidance arrangements with the Hong Kong and Macau Special Administrative Regions respectively and has entered into double taxation avoidance agreements with certain other countries including, but not limited to, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC resident enterprises entitled to preferential tax rates under the relevant income tax agreements or arrangements may apply to the PRC tax authorities for a refund of the difference between the withholding tax and the tax calculated based on the agreed tax rates.

Pursuant to the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers, which was issued by the SAT on October 14, 2019 and entered into force on January 1, 2020, non-resident taxpayers shall enjoy the treatments as specified in the convention in the way of “independent judgment, declaration and retention of relevant data for future reference”. Any non-resident taxpayer who, in its own judgment, deems itself eligible for the treatment prescribed in the tax convention, may exercise the right of convention treatment when filing a tax return or making a withholding declaration through a withholding agent, provided that it shall collect and retain the

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relevant data according to the provisions for future reference and be subject to the subsequent administration by the tax authorities.

### *Taxes involved in income from equity transfers*

#### *Value-added tax and local surtax*

Pursuant to the Circular of the Ministry of Finance and the State Administration of Taxation on Comprehensively Implementing the Pilot Program for Changing Business Tax to VAT (the “Circular No. 36”), which was issued by the MOF and the SAT on March 23, 2016, and amended on July 11, 2017, December 25, 2017 and March 20, 2019, respectively, units and individuals that sell services, intangible assets or real estate within the territory of the People’s Republic of China are VAT taxpayers and shall pay VAT instead of business tax. The Circular No. 36 also stipulates that transfers of financial commodities, including transfers of ownership of marketable securities, are subject to VAT at the rate of 6% of the taxable income.

At the same time, VAT taxpayers are also required to pay city construction and maintenance tax, education surtax and local education surtax.

### **Income Tax**

#### *Individual investors*

Pursuant to the Individual Income Tax Law and its implementing regulations, individuals are subject to an individual income tax rate of 20% on the income from the sale of equity interests in PRC resident enterprises. Pursuant to the Circular of the Ministry of Finance and the State Administration of Taxation on Continued Temporary Exemption of Individual Income Tax on the Proceeds from Transfer of Shares (the “Circular No. 61”), which was issued by the MOF and the SAT on March 30, 1998, as of January 1, 1997, the income from the transfer of Shares in listed companies by individuals continues to be subject to temporary exemption of individual income tax. Pursuant to the Announcement of the Ministry of Finance and the State Administration of Taxation on the Catalog of Individual Income Tax Preferential Policies Remaining in Force, which was issued by the MOF and the SAT on December 29, 2018, the Circular No. 61 will remain in force.

Pursuant to the Circular on the Issues Relating to the Collection of Individual Income Tax on Individuals’ Income from the Transfer of Restricted Shares of Listed Companies jointly promulgated by the MOF, the SAT and the CSRC on December 31, 2009, individuals shall continue to be exempted from individual income tax on the proceeds from transfer of Shares acquired from the public offering and transfer market of listed companies on the Shanghai Stock Exchange and the Shenzhen Stock Exchange, except for the relevant restricted Shares as defined in the Supplementary Circular on the Issues Relating to the Collection of Individual Income Tax on Individuals’ Income from the Transfer of Restricted Shares of Listed Companies jointly issued by the above three departments on November 10, 2010.

As of the Latest Practicable Date, the aforesaid provisions did not expressly provide for the imposition of individual income tax on the sale of Shares of PRC resident enterprises listed on overseas stock exchanges (e.g. the Stock Exchange) by non-resident individuals.

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### *Corporate investors*

Pursuant to the Enterprise Income Tax Law and its implementing regulations, where non-PRC resident enterprises have not formed permanent establishments or premises within the territory of the PRC, or where they have formed permanent establishments or premises within the territory of the PRC but there is no actual relationship between the relevant income derived in the PRC and the establishments or premises set up by them, they shall be subject to enterprise income tax in respect of its income derived from sources within the PRC (including income derived from the disposal of Shares in PRC resident enterprises), generally at a rate of 10%. The above income tax may be reduced or exempted under applicable tax agreements or arrangements.

### **Stamp Duty**

Pursuant to the Stamp Duty Law of the People’s Republic of China, which was promulgated on June 10, 2021 and entered into force on July 1, 2022, units and individuals that issue taxable certificates or conduct securities transactions within the territory of the PRC are taxpayers of the stamp duty and shall pay the stamp duty in accordance with the provisions of the Law. Units and individuals that issue taxable certificates outside the PRC for use within the territory of the PRC shall pay the stamp duty in accordance with the provisions of the Stamp Duty Law.

### **Estate Duty**

As of the date of this document, there is currently no estate duty levied in the PRC.

## **MAJOR TAXES OF THE GROUP IN THE PRC**

### **Enterprise Income Tax (the “EIT”)**

Pursuant to the Enterprise Income Tax Law, the enterprise income tax rate in the PRC is 25%, which is in line with the rate applicable to foreign-invested enterprises and foreign enterprises.

Pursuant to the Circular of the Ministry of Finance and the State Administration of Taxation on the Implementation of Preferential Tax Reduction and Exemption Policies for Small and Micro Enterprises issued on January 17, 2019, during the period from January 1, 2019 to December 31, 2021, the annual taxable income of SMEs of not more than RMB1 million shall be included in their taxable income at a reduced rate of 25%, with the applicable EIT rate of 20%; and the annual taxable income of not less than RMB1 million but not more than RMB3 million shall be included in their taxable income at a reduced tax rate of 50%, with the applicable EIT rate of 20%.

Pursuant to the Measures for the Administration of Accreditation of High-tech Enterprises, which was jointly promulgated by the Ministry of Science and Technology of the People’s Republic of China, the MOF, and the SAT on April 14, 2008, amended on January 29, 2016 and entered into force on January 1, 2016, high-tech enterprises may apply for a preferential EIT rate of 15% under the EIT Law.

### **Value-Added Tax (“VAT”)**

Pursuant to the Provisional Regulations of the People’s Republic of China on Value-added Tax, which was amended and entered into force on November 19, 2017, all units and individuals that

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engage in sale of goods or processing, repair and replacement services, or import of goods within the territory of the PRC shall pay VAT. Taxpayers providing sales or import of goods shall be subject to a general tax rate of 17%, except as otherwise provided in the preceding paragraph.

Pursuant to the Circular No. 36 issued by the MOF and the SAT on March 23, 2016 and entered into force on May 1, 2016, with the approval of the State Council, as of May 1, 2016, the pilot scheme of replacing business tax with VAT will be launched nationwide. All business taxpayers in the construction, real estate, financial industry and life service industry are included in the scope of the pilot scheme, and will be subject to VAT instead of business tax. Pursuant to the Measures for Implementing the Pilot Scheme for Levying Value-added Tax in Lieu of Business Tax, which was issued and entered into force at the same date as the above Circular, the tax rates applicable to the sale of services, intangible assets or real estate by taxpayers are 17%, 11%, 6% and nil, respectively.

Pursuant to the Circular on Adjusting Value-added Tax Rate, which was issued by the MOF and the SAT on April 4, 2018 and entered into force on May 1, 2018, the tax rates of taxpayers engaging in VAT-taxable sales or importing goods that were previously subject to the tax rates of 17% and 11% were adjusted to 16% and 10%, respectively.

Pursuant to the Announcement on Relevant Policies on Deepening Value-added Tax Reform, which was promulgated by the MOF, the SAT and the General Administration of Customs of the People’s Republic of China on March 20, 2019 and entered into force on April 1, 2019, the tax rates of taxpayers engaging in VAT-taxable sales or importing goods that were previously subject to the tax rates of 16% and 10% were adjusted to 13% and 9%, respectively.

In addition, the Announcement on the Clarification of the VAT Exemption Policy for Small-scale VAT Payers, which was promulgated by the MOF and the SAT on March 31, 2021, from April 1, 2021 to December 31, 2022, small-scale VAT payers with monthly sales of less than RMB150,000 (inclusive) are exempted from VAT.

### FOREIGN EXCHANGE CONTROL IN CHINA

Renminbi (“RMB”), the legal tender of China, is subject to foreign exchange control and cannot be freely convertible to foreign currencies. As authorized by the People’s Bank of China, the SAFE is empowered to exercise the functions of administering all matters relating to foreign exchange, including the implementation of foreign exchange control regulations.

The principal foreign exchange control regulations in the PRC are the Regulations on Foreign Exchange Control, which was promulgated by the State Council on January 29, 1996, entered into force on April 1, 1996, and was subsequently amended on January 14, 1997 and August 5, 2008, respectively, and the Regulations on Administration of Settlement, Sale and Payment of Foreign Exchange, which was promulgated by the People’s Bank of China on June 20, 1996 and entered into force on July 1, 1996. Pursuant to such Regulations and other PRC rules and regulations relating to currency exchange, RMB is generally freely convertible for the current account (such as foreign exchange transactions involving sales and purchases of goods and services and dividend payments), and not freely convertible for the capital account (such as direct investment, loans or investment in securities outside the PRC) without prior approval from the SAFE or its local branches.

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Pursuant to the relevant laws and regulations of China, Chinese enterprises (including foreign-invested enterprises) that need to carry out current-account transactions in foreign exchange may, without the approval of the foreign exchange authorities, make payments through foreign exchange accounts opened by financial institutions engaged in the business of settlement and sale of foreign exchange, on the basis of valid supporting documents. Foreign-invested enterprises that are required to distribute profits to their Shareholders in foreign exchange and Chinese enterprises that are required to pay dividends to their Shareholders in foreign exchange in accordance with regulations may make payments from the foreign exchange accounts of designated foreign exchange banks or purchase foreign exchange from designated foreign exchange banks in accordance with the resolutions of the Board of Directors or the Shareholders' general meeting on the distribution of profits.

On December 26, 2014, the SAFE issued the Circular of the State Administration of Foreign Exchange on Issues Relating to Foreign Exchange Administration of Overseas Listing, pursuant to which domestic companies shall register for the overseas listing with the required materials at the foreign exchange bureau located at its registered address within 15 working days after the conclusion of the overseas listing and issuance. The proceeds raised from the overseas listing of a domestic company may be transferred back to its territory or deposited overseas, and the use of the proceeds shall be consistent with the relevant contents listed in the document and other publicly disclosed documents.

The Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Policy on Foreign Exchange Management of Direct Investment was issued by the SAFE on February 13, 2015 and entered into force on June 1, 2015. The Circular abolished the examination and approval for foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment, and replaced it with direct examination and handling of foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment by banks, with SAFE and its branches exercising indirect supervision over the foreign exchange registration for direct investment through banks.

Pursuant to the Circular of the State Administration of Foreign Exchange on Reforming and Regulating the Administrative Policies over Foreign Exchange Settlement under the Capital Account issued by the SAFE on June 9, 2016, the foreign exchange income under the capital account of domestic institutions implements the policy of discretionary settlement, that is, relevant policies have made it clear that domestic institutions may settle their foreign exchange incomes under the capital account (including foreign exchange capital, foreign debt funds and funds raised from overseas listing) to discretionary settlement according to the actual business operation needs of domestic institutions. The proportion of foreign exchange income under the capital account that domestic institutions intend to settle at its discretion is tentatively 100%, and the SAFE may adjust the aforesaid proportion according to the international payment balance status in due course.

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### PRC LEGAL SYSTEM

The PRC legal system consists of the Constitution, laws, administrative regulations, local laws and regulations, separate regulations, regulations of State Council departments, local government regulations, autonomous regulations, separate regulations of autonomous regions, and international treaties signed by the Chinese Government.

Court verdicts do not constitute binding precedents. However, they may be used as judicial reference and guidance.

Pursuant to the Constitution of the People’s Republic of China (the “Constitution”), which was promulgated on December 4, 1982 and last amended and entered into force on March 11, 2018, and the Legislative Law of the People’s Republic of China (the “Legislative Law”), which was adopted on July 1, 2000 and amended on March 15, 2023, the NPC and the NPC Standing Committee are empowered to exercise the legislative power of the State. The NPC is empowered to enact and amend basic laws in criminal, civil, state institution and other areas. The NPC Standing Committee is empowered to enact and amend laws other than those required to be enacted by the NPC, as well as to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest administrative organ of the State and is authorized to enact administrative regulations based on the Constitution and laws.

The people’s congresses of provinces, autonomous regions and municipalities under the Central Government and their respective standing committees may enact local regulations based on the specific circumstances and requirements of their own respective administrative areas, provided that such local regulations do not contravene the Constitution, laws or administrative regulations.

Ministries and commissions, the PBOC, the Audit Office of the People’s Republic of China and the National Supervisory Commission of the People’s Republic of China, which has administrative functions, may formulate departmental regulations within the scope of their competence in accordance with laws and administrative regulations and the decisions and rulings of the State Council. Provisions for departmental regulations shall be formulated for the purpose of implementing the laws, administrative regulations and the decisions and rulings of the State Council.

The people’s congresses and their standing committees of cities with subordinate districts may, in the light of specific circumstances and actual needs, enact local regulations which shall enter into force upon approval by the standing committee of the people’s congress of the province or autonomous region concerned, provided that such local regulations do not contravene the Constitution, laws or administrative regulations.

The people’s congresses of autonomous regions may, in the light of the political, economic and cultural characteristics of the local nationalities, enact autonomous regulations and separate regulations, which shall enter into force upon approval by the NPC Standing Committee. Autonomous regulations and separate regulations may make variations on the provisions of laws and administrative regulations, provided that they do not contravene the basic principles of the laws or administrative regulations, and that they do not make variations on the provisions of the Constitution and the Law on Regional Ethnic Autonomy, or on the provisions of other relevant laws or administrative regulations that are specifically made with respect to national autonomous areas.



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Provinces, autonomous regions, municipalities directly under the Central Government and the people's governments of municipalities directly under the Central Government may enact regulations in accordance with laws, administrative regulations and relevant local regulations.

The Constitution, promulgated by the NPC, is the foundation of China's legal system and has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of local regulations is greater than that of the rules of the local governments at and below the corresponding level. The authority of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the cities with subordinate districts or autonomous prefectures within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to alter or annul any inappropriate laws enacted by its Standing Committee, and to annul any autonomous regulations or separate regulations which have been approved by its Standing Committee but contravene the Constitution or the Legislation Law. The NPC Standing Committee has the power to annul any local regulations that contravene the Constitution, laws or administrative regulations, and to annul any autonomous or separate regulations which have been approved by the NPC Standing Committee of any province, autonomous region or municipalities directly under the Central Government but contravene the Constitution or the Legislative Law. The State Council has the power to alter or annul any inappropriate departmental rules and rules of local governments. The people's congresses of provinces, autonomous regions or municipalities directly under the Central Government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The people's governments of provinces or autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at a lower level.

Pursuant to the Constitution, the power to interpret laws is vested in the NPC Standing Committee. Pursuant to the Decision of the NPC Standing Committee Regarding the Strengthening of Interpretation of Laws adopted on June 10, 1981, the Supreme People's Court and the Supreme People's Procuratorate of the People's Republic of China shall, respectively, interpret the application of the laws and decrees in trials in the courts and in the work of the procuratorates. Other laws and decrees that are not part of the trial or procuratorial work shall be interpreted by the State Council and the competent ministries and commissions.

Where the provisions of local laws and regulations themselves need to be further defined or supplemented, the Standing Committee of the People's Congress of the province, autonomous region or municipality directly under the Central Government that enacted the laws and regulations shall make interpretations or stipulations. Where it is a question concerning the specific application of local laws and regulations, the competent department of the people's government of the province, autonomous region or municipality directly under the Central Government shall make interpretations.

### PRC JUDICIAL SYSTEM

Pursuant to the Constitution, and the Organic Law of the People's Courts of the People's Republic of China, which was promulgated on July 5, 1979, implemented on January 1, 1980, last

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amended on October 26, 2018 and entered into force on January 1, 2019, China’s judicial system consists of the Supreme People’s Court, local people’s courts at all levels, military courts and other specialized people’s courts.

The local people’s courts at all levels are comprised of the primary people’s courts, the intermediate people’s courts and the higher people’s courts. The primary people’s courts may establish civil, criminal and economic divisions. The intermediate people’s courts have a similar structure to that of the primary people’s courts, and may furthermore be composed of other specialized divisions. The higher people’s courts supervise lower people’s courts. The Supreme People’s Court is the highest judicial organ in China and has the power to supervise the judicial work of local people’s courts at all levels and all specialized people’s courts. The people’s procuratorates are also authorized to exercise legal supervision over the trial activities of people’s courts at the same or lower levels.

In the adjudication of cases, the people’s courts have adopted the “two-tier trial system” for appeal. Parties may, in accordance with the procedures prescribed by law, appeal the first-instance judgments and rulings of local people’s courts to a people’s court at a higher level. The people’s procuratorate may, in accordance with the procedures prescribed by law, lodge a protest with the people’s court at a higher level. If the parties do not appeal or the people’s procuratorate does not protest within the time limit for appeal, the judgments and rulings of the local people’s courts at all levels in cases of first instance shall be final judgments and rulings that have entered into legal force. Judgments and rulings in cases of second instance tried by intermediate people’s courts, higher people’s courts and the Supreme People’s Court, and the same in cases of first instance tried by the Supreme People’s Court, are final. However, if the Supreme People’s Court finds that a legally valid judgment, ruling or mediation document of a people’s court at any level contains errors, or if a people’s court at a higher level finds that a legally valid judgment, ruling or mediation document of a people’s court at a lower level contains such errors, the people’s court at a higher level shall have the right to review the case on its own initiative or to instruct the people’s court at a lower level to conduct a retrial. If the presiding judge of a people’s court at any level discovers that a legally valid judgment, ruling or mediation document contains errors and considers that a retrial is warranted, the case shall be submitted to the trial committee of the people’s court at the same level for discussion and decision. The death penalty shall be submitted to the Supreme People’s Court for approval, unless it is decided by the Supreme People’s Court in accordance with the law.

The Civil Procedure Law of the People’s Republic of China (the “PRC Civil Procedure Law”), which was promulgated on April 9, 1991, last amended on September 1, 2023 and entered into force on January 1, 2024, sets forth the criteria for instituting a civil action, the jurisdiction of the people’s courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or ruling. All parties to a civil litigation within the territory of the PRC must comply with the PRC Civil Procedure Law. Generally, civil cases shall be tried in the first instance by the people’s court located in the defendant’s domicile. All parties to a contract may, by express agreement, choose the court of jurisdiction for civil litigation, provided that such court of jurisdiction shall be the court of jurisdiction of the place of residence of the plaintiff or the defendant, the place of conclusion or performance of the contract, or the place where the object of the action is located, etc., which has a substantial connection with the dispute. However, such choices shall in no case violate the provisions of hierarchical and exclusive jurisdiction.

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Foreign individuals, stateless persons, foreign enterprises or foreign organizations shall enjoy the same litigation rights and obligations as Chinese citizens, legal persons or other organizations when filing or responding to lawsuits in Chinese courts. If a foreign court restricts the litigation rights of a Chinese citizen, legal person or other organization, the Chinese court may impose the same restriction on the litigation rights of citizens, enterprises and organizations of the said country. If a foreign individual, stateless person, foreign enterprise or foreign organization needs to hire a lawyer to file or respond to a lawsuit in a Chinese court, they must hire a Chinese lawyer. Pursuant to international treaties signed or acceded to by China, or on the principle of reciprocity, the people's courts and foreign courts may request each other to serve documents, conduct investigations and take evidence, or carry out other actions on their own behalf. All parties to a civil action are required to comply with judgments and awards that have become legally binding. If any party to a civil action refuses to comply with a judgment or ruling made by a people's court or an award made by a Chinese arbitral tribunal, the other party may, within two years, petition the people's court for the enforcement of the judgment, ruling or award, subject to an application for deferral or annulment. If the party fails to comply with the court's judgment granting leave for enforcement within the prescribed period, the court may enforce the judgment against the other party on its application.

Where a party seeks to enforce a judgment or ruling of a people's court against a party that is not located in China and does not own any property in China, it may apply to a foreign court with formal jurisdiction for recognition and enforcement of the judgment or ruling. In case a people's court makes a legally effective judgment or ruling on foreign courts that apply for or request recognition and enforcement, where the validity of the judgment or ruling is recognized in accordance with international treaties concluded or acceded to by China, or after being reviewed in accordance with the principle of reciprocity, it is deemed that it does not violate the basic principles of Chinese laws or infringe upon national sovereignty, security or social public interests, an enforcement order will be issued if necessary and the judgment or ruling shall be executed in accordance with relevant provisions. The people's courts do not recognize or enforce treaties that violate the fundamental principles of Chinese laws or infringe upon national sovereignty, security or social public interests.

### PRC COMPANY LAW

The Company Law was promulgated by the NPC Standing Committee on December 29, 1993 and entered into force on July 1, 1994, and was amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and December 29, 2023, respectively, with the last amendment to the Company Law entering into force on July 1, 2024.

Set out below is a summary of the principal provisions of the Company Law applicable to the Company.

#### General

A joint stock limited company refers to an enterprise legal person incorporated under the Company Law, all of whose Shares are either par Shares or no-par Shares in accordance with the provisions of the Articles of Association; in the case of par Shares, the amount of each share is equal. The liability of its Shareholders is limited to the amount of Shares held by them and the company is liable to its creditors for an amount equal to the total value of its assets.

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A joint stock limited company shall conduct its business in accordance with laws and administrative regulations. It may invest in other limited liability companies and joint stock limited companies and its liabilities with respect to such invested companies are limited to the amount invested. Unless otherwise provided by law, the joint stock limited company may not be a contributor that undertakes joint and several liabilities for the debts of the invested companies.

### **Incorporation**

A joint stock limited company may be incorporated by promotion or public offering.

A joint stock limited company may be incorporated by a minimum of one but not more than 200 promoters, and at least half of the promoters must have residence within the PRC.

The promoters of a joint stock limited company established by way of offering shall convene an inaugural meeting of the company within 30 days from the date on which the Shares to be issued upon the establishment of the company have been fully paid up. The promoters shall notify the subscribers of the date of the meeting or make an announcement 15 days prior to the date of the inaugural meeting. The inaugural meeting shall be held in the presence of a majority of the subscribers holding voting rights. The convening and voting procedures of the inaugural meeting of a joint stock limited company established by way of promotion shall be stipulated in the Articles of Association or in the promoters' agreement.

At the inaugural meeting, matters including the adoption of the Articles of Association and the election of Directors and Supervisors of the company will be considered. All resolutions made at the inaugural meeting require the approval of a majority of the votes held by the subscribers present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the Board shall apply to the registration authority for registration of the establishment of the joint stock limited company. A company is formally established, and has the status of a legal person, after the business license has been issued by the relevant registration authority.

The promoters of the joint stock limited company shall be jointly and severally liable for: (1) the payment of all expenses and debts incurred in the incorporation process jointly and severally if the company cannot be incorporated; (2) the refund of subscription monies to the subscribers, together with interest, at bank rates for a deposit of the same term jointly and severally if the company cannot be incorporated; and (3) the compensation to the company where damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company. Pursuant to the Interim Regulations on the Administration of Share Issuance and Trading promulgated by the State Council on April 22, 1993 (which is only applicable to the issuance and trading of Shares in the PRC and their related activities), if a company is established by means of public offering, the promoters of such company are required to sign on the document to ensure that the document does not contain any misrepresentation, serious misleading statements or material omissions, and assume joint and several responsibility for it.

### **Registered capital**

The promoters may make capital contributions in currency, or in kind, intellectual property rights, land use rights, equity right, creditor's rights and other non-monetary property that can be

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valued in currency and can be transferred in accordance with the law, except for the assets prohibited by law or administrative regulations to be used for capital contribution. Where non-monetary assets are used for capital contribution, the assets shall be evaluated and verified, and shall not be overvalued or undervalued.

Shares issued by the company shall be registered Shares.

The transfer of Shares by Shareholders shall be conducted via the legally established stock exchange or in accordance with other methods as stipulated by the State Council. Transfer of registered Shares by a Shareholder must be made by means of an endorsement or by other means stipulated by laws or administrative regulations.

Shares issued by a company of prior to the public offering of its Shares shall not be transferred within one year from the date of listing of the Shares of the company on a stock exchange. Directors, Supervisors and senior management of a company shall not transfer over 25% of the Shares held by each of them in the company each year during their term of office and shall not transfer any Shares of the company held by each of them within one year after the [REDACTED]. There is no restriction under the Company Law as to the percentage of shareholding a single Shareholder may hold in a company.

A company may, in accordance with the provisions of the Articles of Association, issue the following classes of Shares with rights different from those of ordinary Shares: (1) Shares with preferential or inferior distribution of profits or residual property; (2) Shares with more or fewer voting rights per share than ordinary Shares; (3) Shares whose transfer is subject to restriction on transfer, such as transferring them with the consent of the company; (4) other classes of Shares as prescribed by the State Council. A company making a public offering of Shares shall not issue the class of Shares specified in items (2) and (3) above, except for those issued prior to the public offering.

### **Increase of registered capital and issue of shares**

Pursuant to the Company Law, where a company proposes to issue new Shares, a resolution shall be passed at a Shareholders' general meeting in accordance with the Articles of Association to determine the class, amount and issue price of the new Shares. All issue of Shares of a joint stock limited company shall be based on the principles of equality and fairness. The same class of Shares must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. It may issue Shares at par value or at a premium, but it may not issue Shares below the par value.

Upon full receipt of the proceeds from the company's newly issued Shares, the company shall carry out alteration registration with the company registration authority and shall make a public announcement. Pursuant to the Company Law, a company shall keep a register of Shareholders containing the following particulars: the name and domicile of each Shareholder; the number of Shares held by each Shareholder; the number of the Share Certificate held by each Shareholder; and the date on which each Shareholder acquired his or her Shares.

### **Reduction of registered capital**

A company may reduce its registered capital in accordance with the following procedures prescribed by the Company Law:

- (1) it shall prepare a balance sheet and an asset list;

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- (2) the reduction of registered capital shall be approved by a Shareholders' general meeting;
- (3) it shall inform its creditors of the reduction in registered capital within 10 days and publish an announcement in the newspaper within 30 days after the resolution approving the reduction has been passed;
- (4) creditors may, within 30 days since the date of receiving the notice, or within 45 days of the public announcement if no notice has been received, require the company to pay its debts or provide guarantees covering the debts; and
- (5) it shall apply to the relevant registration administration for the registration of the reduction in registered capital.

If a company still has losses after making up for the losses in accordance with the provisions of the Company Law, it may reduce its registered capital to make up for the losses. If the registered capital is reduced to make up for the losses, the company shall not make any distribution to the Shareholders, nor shall the Shareholders be exempted from the obligation to pay the capital contribution or the share capital. If the registered capital is reduced in accordance with the provisions of the preceding paragraph, the preceding provisions on the procedure for reduction of registered capital shall not apply, but an announcement shall be made in the newspapers or on the national enterprise credit information publicity system within 30 days from the date of the resolution of the Shareholders' general meeting to reduce the registered capital.

### Repurchase of Shares

Pursuant to the Company Law, a joint stock limited company may not repurchase its Shares, except for the following purposes: (1) to reduce the registered capital of the company; (2) to merge with another company holding the company's Shares; (3) to use the Shares for an employee stock ownership plan or for equity incentives; (4) to request the company to acquire the Shares of Shareholders who dissent from the resolution of the Shareholders' general meeting on a merger or division of the company; (5) to use the Shares for the conversion of corporate bonds issued by the company that are convertible into Shares; (6) necessary for a listed company to maintain the value of the company and the interests of Shareholders.

The acquisition of the company's Shares by the company under the circumstances stipulated in items (1) and (2) above shall be resolved by the Shareholders' general meeting; the acquisition of the company's Shares by the company under the circumstances stipulated in items (3), (5) and (6) above may be resolved by the Board meeting attended by more than two-thirds of the Directors in accordance with the Articles of Association or the authorization of the Shareholders' general meeting.

After the company acquires the Shares of the company in accordance with the above provisions, in the case of item (1), the Shares shall be canceled within 10 days from the date of acquisition; in the case of items (2) and (4), the Shares shall be transferred or canceled within 6 months; in the case of items (3), (5) and (6), the company shall not hold Shares of the company in the aggregate in a number that exceeds 10% of the total number of the issued Shares of the company, and shall transfer or cancel the Shares within 3 years.

Where a listed company acquires Shares of the company, it shall fulfill its information disclosure obligations in accordance with the provisions of the Securities Law of the People's Republic

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of China. Where a listed company acquires Shares of the company due to the circumstances as set forth in items (3), (5) and (6) above, it shall do so through open and centralized trading.

The company shall not accept its own Shares as the subject of pledge right.

### Transfer of Shares

Shares held by Shareholders may be transferred in accordance with the relevant laws and regulations. Pursuant to the Company Law, transfer of Shares by Shareholders shall be carried out at a legally established securities exchange or in other ways stipulated by the State Council. No change in the register of Shareholders may be made within 20 days prior to the convening of the Shareholders' general meeting or within 5 days prior to the base date on which the decision to distribute dividends is made. However, if the laws, administrative regulations or the securities regulatory authorities under the State Council provide otherwise for the registration of changes in the register of Shareholders of a listed company, the provisions thereof shall apply.

Pursuant to the Company Law, Shares issued prior to the public issuance of Shares shall not be transferred within one year from the date of the joint stock limited company's listing on a stock exchange. Directors, Supervisors and senior management of the company shall declare to the company the number of Shares held by them in the company and changes therein, and shall not transfer more than 25% of the total number of the company's Shares held by them in each year of their term of office as determined at the time of their assumption of office; the Shares of the company held by them shall not be transferred within 1 year as of the [REDACTED] of the Shares of the company; and the above-mentioned persons are not allowed to transfer their Shares in the company within six months after their departure.

### Shareholder

Pursuant to the Company Law, the rights of holders of ordinary Shares of a joint stock limited company include:

- (1) the right to attend or appoint a proxy to attend Shareholders' general meetings and to vote thereat;
- (2) the right to transfer Shares in accordance with laws, administrative regulations and provisions of the Articles of Association;
- (3) the right to inspect the Articles of Association of the company, share register, counterfoil of company debentures, minutes of Shareholders' general meetings, resolutions of meetings of the Board, resolutions of meetings of the Supervisory Committee and financial and accounting reports and to make proposals or enquires on the company's operations;
- (4) the right to bring an action in the people's court to rescind resolutions passed by Shareholders' general meetings and meetings of the Board where the Articles of Association is violated by the above resolutions;
- (5) the right to receive dividends and other forms of profit distribution according to the proportion of Shares they hold;
- (6) in the event of the termination or liquidation of the company, the right to participate in the distribution of the residual properties of the company in proportion to the number of Shares held; and

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- (7) other rights granted by laws, administrative regulations, other regulatory documents and the Articles of Association of the company.

The obligations of a Shareholder include the obligation to abide by the Articles of Association of the company, to pay the subscription moneys in respect of the Shares subscribed for and in accordance with the form of making capital contributions, to be liable for the company's debts and liabilities to the extent of the amount of his/her subscribed Shares and any other Shareholders' obligation specified in the Articles of Association of the company.

**Shareholders' general meeting**

The Shareholders' general meeting is the organ of authority of the company, which exercises its powers in accordance with the Company Law. Pursuant to the Company Law, the Shareholders' general meeting exercises the following powers and functions:

- (1) to elect and replace Directors and Supervisors and to decide matters relating to the remuneration of Directors and Supervisors;
- (2) to examine and approve reports of the Board;
- (3) to examine and approve reports of the Supervisory Committee;
- (4) to examine and approve the company's profit distribution plan and loss recovery plan;
- (5) to resolve on increase or decrease of the registered capital of the company;
- (6) to resolve on the issuance of corporate bonds;
- (7) to resolve on the merger, division, dissolution, liquidation of the company or change of company form;
- (8) to modify the Articles of Association;
- (9) other powers and functions stipulated by the Articles of Association.

The Shareholders' general meeting shall be convened once a year. When any of the following circumstances occurs, the company shall convene an extraordinary Shareholders' general meeting within two months of the occurrence of the circumstances:

- (1) the number of Directors is less than the number stipulated by the law or less than two-thirds of the number specified in the Articles of Association;
- (2) the aggregate losses of the company which are not recovered reach one-third of the company's total paid-in share capital;
- (3) Shareholders alone or in aggregate holding 10% or more of the company's Shares request for the convening of an extraordinary Shareholders' general meeting;
- (4) when the Board considers it necessary;
- (5) when the Supervisory Committee so requests; or
- (6) other circumstances stipulated by the Articles of Association.



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Pursuant to the Company Law, the Shareholders' general meeting shall be convened by the Board and chaired by the Chairman of the Board. If the Chairman is unable to perform his/her duties or fails to perform his/her duties, a Vice Chairman shall preside over the Shareholders' general meeting. In the event that the Vice Chairman is unable to perform his/her duties or fails to perform his/her duties, a majority of the Directors shall jointly elect a Director to preside over the Shareholders' general meeting.

If the Board is unable to perform or fails to perform its duty to convene a Shareholders' general meeting, the Supervisory Committee shall convene and preside over the Shareholders' general meeting in a timely manner. If the Supervisory Committee fails to convene and preside over such Shareholders' general meeting, Shareholders who have individually or collectively held more than 10% of the company's Shares for 90 consecutive days may convene and preside over the Shareholders' general meeting on their own.

Pursuant to the Company Law, a Shareholders' general meeting shall be convened by notifying the Shareholders of the time and place of the meeting and the matters to be considered 20 days prior to the convening of the meeting, and an extraordinary Shareholders' general meeting shall be convened by notifying the Shareholders 15 days prior to the convening of the meeting.

There is no specific provision in the Company Law regarding the number of Shareholders constituting a quorum in Shareholders' general meeting.

Pursuant to the Company Law, Shareholders attending the Shareholders' general meeting have one vote per share held, except for class Shareholders. Shares held by the company shall have no voting rights.

Pursuant to the provisions of the Articles of Association or a resolution of the Shareholders' general meeting, the accumulative voting system may be adopted for the election of Directors and Supervisors at the Shareholders' general meeting. Under the accumulative voting system, in the election of Directors or Supervisors at the Shareholders' general meeting, each Share shall be entitled to vote equivalent to the number of Directors or Supervisors to be elected at the Shareholders' general meetings and Shareholders may consolidate their voting rights when casting a vote.

Pursuant to the Company Law, resolutions at a Shareholders' general meeting shall be adopted by a majority of the votes held by the Shareholders present at the meeting. However, resolutions of the Shareholders' general meeting regarding the following matters shall be adopted by more than two-thirds of the voting rights held by the Shareholders present at the meeting: (1) amendments to the Articles of Association; (2) the increase or decrease of registered capital; (3) the merger, division, dissolution, liquidation of the company or change of company form.

Pursuant to the Company Law, meeting minutes shall be prepared in respect of decisions on matters discussed at the Shareholders' general meetings. The Chairman of the Shareholders' general meeting and the Directors present at the meeting shall sign on the minutes. The minutes shall be kept together with the Shareholders' attendance register and the proxy forms.

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### **The Board**

Pursuant to the Company Law, a joint stock limited company shall have a Board, which shall be composed of at least three members. Members of the Board may include representatives of the employees of the company, who shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. The term of the Directors shall be prescribed by the Articles of Association, provided that each term may not exceed 3 years. Upon maturity of the term of office, a Director shall be eligible to offer himself for re-election and re-appointment. A Director shall continue to perform his/her duties in accordance with the laws, administrative regulations and the Articles of Association until a duly re-elected Director takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office, or if the resignation of Directors results in the number of Directors being less than the quorum.

Pursuant to the Company Law, the Board mainly exercises the following powers and functions:

- (1) to convene Shareholders' general meetings and presenting reports thereto;
- (2) to implement resolutions adopted by the Shareholders' general meeting;
- (3) to decide on the company's business plans and investment proposals;
- (4) to formulate the profit distribution plan and loss recovery plan of the company;
- (5) to formulate proposals for the increase or reduction of the company's registered capital and the issuance of corporate bonds;
- (6) to develop the scheme on the merger, division, dissolution and change of company form of the company;
- (7) to determinate the setup of the company's internal management structure;
- (8) to appoint or remove the Manager of the company, appoint or remove, upon the Manager's recommendation, Deputy Managers of the company and the officer in charge of finance, and determine the remuneration for those officers;
- (9) to formulate the basic management system of the company; and
- (10) other powers and functions conferred by the Articles of Association or the Shareholders' general meeting.

### **Board meetings**

Pursuant to the Company Law, meetings of the Board of a joint stock limited company shall be convened at least twice a year. Notice of meeting shall be given to all Directors and Supervisors 10 days before the meeting. Interim Board meetings may be proposed to be convened by Shareholders representing more than 10% of voting rights, more than one-third of the Directors or the Supervisory Committee. The Chairman shall convene and preside over a Board meeting within ten days after receiving the proposal. A Board meeting not be held unless half or more of the Directors are present. Resolutions of the Board shall be passed by more than half of all Directors. Each Director shall have one vote for the resolutions approved by the Board. Directors shall attend Board meetings in person. If a Director is unable to attend a Board meeting, he/she may appoint another Director by a written power of attorney specifying the scope of the authorization to attend the meeting on his/her behalf.

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If a resolution of the Board violates the laws, administrative regulations or the Articles of Association, and as a result of which the company sustains serious losses, the Directors participating in the resolution are liable to compensate the company. However, if it can be proved that a Director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such Director may be released from that liability.

### **Chairman**

Pursuant to the Company Law, the Board shall appoint a Chairman and may appoint a Vice Chairman. The Chairman and the Vice Chairman are elected with approval of more than half of all the Directors. The Chairman shall convene and preside over Board meetings and examine the implementation of Board resolutions. The Vice Chairman shall assist the work of the Chairman. In the event that the Chairman is incapable of performing or not performing his/her duties, the duties shall be performed by the Vice Chairman. In the event that the Vice Chairman is incapable of performing or not performing his/her duties, a Director nominated by more than half of the Directors shall perform his/her duties.

### **Qualifications of Directors**

The Company Law provides that the following persons may not serve as a Director:

- (1) persons without capacity or with limited capacity for civil acts;
- (2) persons who were sentenced for crimes of corruption, bribery, encroachment or embezzlement of property or disruption of the social and economic order, where five years have not lapsed following the serving of the sentence, or persons who were deprived of their political rights for committing a crime, where five years have not lapsed following the serving of the sentence, or in case of a suspended sentence, not more than two years have elapsed since the date of expiration of the probationary period;
- (3) persons who were former Directors, factory managers or Managers of a company or enterprise which was declared bankrupt and was liquidated and who were personally liable for the bankruptcy of such company or enterprise, where less than three years have elapsed since the date of completion of the bankruptcy and liquidation of the company or enterprise;
- (4) persons who were legal representatives of a company or enterprise, which had its business license revoked due to a violation of the law and were ordered to close down, and who were personally liable for the revocation of business license of such company or enterprise, where less than three years have elapsed since the date of the revocation of business license of such company or enterprise;
- (5) persons who have been listed by the People's Court as defaulter because they have incurred debts of a large amount that have not been settled by the due date.

### **Supervisory Committee**

A joint-stock company may, in accordance with the provisions of the Articles of Association, set up an Audit Committee consisting of Directors on its Board to exercise the powers and functions of the Supervisory Committee under the provisions of this Law, and may not have a Supervisory Committee or Supervisors.

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A joint stock limited company shall have a Supervisory Committee composed of not less than three members. The Supervisory Committee is made up of representatives of the Shareholders and an appropriate proportion of employee representatives of the company, of whom not less than one-third shall be Supervisors representing employees, as specified in the Articles of Association. Employee representatives of the company in the Supervisory Committee shall be democratically elected by the employees at the employee representative general meeting, employee general meeting or otherwise.

A Director and a senior management of the company shall not serve concurrently as a Supervisor.

The Supervisory Committee shall have a chairman and may have a vice chairman. The chairman and vice chairman of the Supervisory Committee shall be elected by more than half of all Supervisors. The chairman of the Supervisory Committee shall convene and preside over the meetings of the Supervisory Committee. In the event that the chairman of the Supervisory Committee is unable or fails to perform his/her duties, the vice chairman of the Supervisory Committee shall convene and preside over the meetings of the Supervisory Committee. In the event that the vice chairman is unable or fails to perform his/her duties, the meetings shall be convened and presided over by a Supervisor jointly nominated by more than half of all the Supervisors.

Each term of a Supervisor shall be three years, and a Supervisor may continue to serve his/her post if he/she is re-elected. A Supervisor shall continue to perform his/her duties in accordance with the laws, administrative regulations and the Articles of Association until a duly re-elected Supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office, or if the resignation of Supervisors results in the number of Supervisors being less than the quorum.

The Supervisory Committee shall convene a meeting at least every six months. According to the Company Law, the Supervisory Committee shall make resolutions with the consent of a majority of all Supervisors.

The Supervisory Committee exercises the following functions and power:

- (1) to examine financial operations of the company;
- (2) to monitor any acts of Directors and senior management of the company in their performance of duties, and to propose the removal of Directors and senior management who have violated laws, administrative regulations, the Articles of Association or resolutions of the Shareholders' general meeting;
- (3) to require the Directors or senior management to correct their acts that are detrimental to the company's interests;
- (4) to propose to convene an extraordinary Shareholders' general meeting, and to convene and preside over Shareholders' general meetings when the Board fails to perform the duty of convening and presiding over the Shareholders' general meeting under this Law;
- (5) to submit proposals to the Shareholders' general meeting;
- (6) to raise litigation against any Director or senior management according to the relevant provisions of the Company Law; and

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- (7) other powers and functions stipulated by the Articles of Association.

**Manager and Senior Management**

Under the Company Law, the company shall have a Manager who shall be appointed or removed by the Board. The Manager shall be accountable to the Board and exercise his/her authority in accordance with the provisions of the Articles of Association or as delegated by the Board. The Manager shall be present at Board meetings.

According to the Company Law, senior management shall mean the Manager, Deputy Manager, person-in-charge of finance, Secretary to the Board (in case of a listed company) of the company and other personnel as stipulated in the Articles of Association.

**Duties of the Directors, Supervisors and Senior Management**

Directors, Supervisors and senior management of the company are required under the Company Law to comply with the relevant laws, regulations and the Articles of Association, and have fiduciary and diligent duties to the company. Directors and senior officers are prohibited from:

- (1) Misappropriation of the company's property or funds;
- (2) Depositing company assets into an account in his/her own name or in any other individual's name;
- (3) Using his/her position to bribe or receive other illegal income;
- (4) Accepting and keeping privately commissions on transactions with the company;
- (5) Disclosing the secrets of the company without authorization;
- (6) Other acts in violation of the duty of loyalty to the company.

Directors, supervisors and senior management, who directly or indirectly enter into contracts or conduct transactions with the company, shall report to the Board or the shareholders' general meeting on matters relating to the conclusion of the contract or the conduct of the transaction, which shall be adopted by a resolution of the Board or the Shareholders' general meeting in accordance with the provisions of the Articles of Association. The provisions of the preceding paragraph shall apply to the conclusion of contracts or transactions with the company by close relatives of Directors, Supervisors and senior management, enterprises directly or indirectly controlled by Directors, Supervisors and senior management or their close relatives, as well as connected persons with whom Directors, Supervisors and senior management have other affiliations.

Directors, Supervisors and senior management shall not utilize the convenience of their positions to seek business opportunities belonging to the company for themselves or others. Directors, Supervisors and senior management shall not operate the same kind of business as the company for himself/herself or for another person without reporting to the Board or the Shareholders' general meeting and passing a resolution by the Board or the Shareholders' general meeting in accordance with the provisions of the Articles of Association.

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### Finance and Accounting

Under the Company Law, the company shall establish financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council. The company shall at the end of each financial year prepare a financial and accounting report which shall be audited by an accounting firm as required by law. The company's financial and accounting report shall be prepared in accordance with the provisions of laws, administrative regulations and the regulations of the financial department of the State Council. Pursuant to the Company Law, the company shall deliver its financial and accounting reports to all Shareholders within the time limit stipulated in the Articles of Association and make its financial and accounting reports available at the company for inspection by the Shareholders at least 20 days before the convening of the Shareholders' general meeting.

A company that publicly offers shares shall announce its financial and accounting reports.

When distributing each year's after-tax profits, the company shall set aside 10% of its after-tax profits into a statutory surplus reserve (except where the reserve has reached 50% of its registered capital).

Where the statutory surplus reserve of the company is not sufficient to recover its losses in the previous years, the profits of the current year shall be used to make up the loss before the withdrawing of the statutory surplus reserve in accordance with the above provisions.

After the company has withdrawn the statutory surplus reserve from the after-tax profit, it can withdraw the arbitrary surplus reserve from the after-tax profit by a resolution of the Shareholders' general meeting.

The after-tax profit remaining after the company has made up for its losses and withdrawn its surplus reserve, unless all the Shareholders have agreed not to distribute the profit in accordance with the proportion of their capital contributions; a joint-stock limited company distributes its profit in accordance with the shareholding by its Shareholders, unless otherwise provided for in the Articles of Association.

Shares held by the Company shall not be entitled to any distribution of profit.

Premiums received by the company from the issuance of Shares at an issue price in excess of the par value of the Shares, the amount of Share proceeds from the issuance of no-par Shares that have not been credited to the registered capital, and other items required by the financial department of the State Council to be included in the capital reserve, shall be included in the capital reserve of the company.

The Company's surplus reserve shall be applied to make up losses of the company, expand its business operations or be converted to increase the registered capital of the company. Surplus reserve to make up for the company's losses shall be used first for arbitrary surplus reserve and statutory surplus reserve; if the makeup fails, the capital reserve can be used in accordance with the regulations. When statutory surplus reserve is converted to increase registered capital, the statutory surplus reserve retained shall not be less than 25% of the company's registered capital before the conversion.

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The Company shall have no other accounting books except the statutory accounting books. The company's assets shall not be deposited in any accounts opened in the name of any individual.

### **Appointment and Retirement of Accounting Firms**

According to the Company Law, the appointment or dismissal of accounting firms responsible for the auditing of the company shall be determined by the Shareholders' general meeting or the Board in accordance with the Articles of Association. The accounting firm shall be allowed to make representations when the Shareholders' general meeting or the Board conducts a vote on the dismissal of the accounting firm. The company shall provide true and complete accounting vouchers, accounting books, financial accounting reports and other accounting materials to the engaged accounting firm, and shall not refuse, conceal or make false reports.

### **Profit Distribution**

According to the Company Law, the company shall not distribute profits before losses are covered and the statutory surplus reserve is withdrawn.

### **Amendment of the Articles of Association**

Any amendments to the company's Articles of Association shall be made in accordance with the procedures set out in the company's Articles of Association.

### **Dissolution and Liquidation**

According to the Company Law, the company shall be dissolved under any of the following circumstances:

- (1) Business term specified in the Articles of Association expires or other dissolution reasons as stipulated in the Articles of Association arise;
- (2) The Shareholders' general meeting resolves to dissolve the company;
- (3) A dissolution is required due to merger or division of the company;
- (4) The company is revoked of business license according to law, ordered to close or canceled;
- (5) If the company has serious difficulties in its operation and management, and its continued existence will cause major losses to the interests of Shareholders and cannot be resolved by other means, the people's court shall dissolve the company at the request of Shareholders holding more than ten percent of the company's voting rights.

In the event a company falls under item (1) or (2) above and has not yet distributed property to its shareholders, it may carry on its existence by amending its Articles of Association or by a resolution of the Shareholders' general meeting. The amendment of the Articles of Association in accordance with provisions set out above shall require approval of more than two thirds of voting rights of Shareholders attending the Shareholders' general meeting.

Where the company is dissolved in the circumstances described in subparagraphs (1), (2), (4) or (5) above, a liquidation committee shall be established and the liquidation process shall commence within 15 days after the occurrence of an event of dissolution.

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The members of the company's liquidation committee shall be composed of its Directors or the personnel appointed by the Shareholders' general meeting. If a liquidation committee is not established within the stipulated period, creditors may apply to the people's court and request the court to appoint relevant personnel to form the liquidation committee. The people's court shall accept such application and form a liquidation committee to conduct liquidation in a timely manner.

The liquidation committee shall exercise the following functions and power during liquidation:

- (1) to clear up the assets of the company and prepare a balance sheet and property list respectively;
- (2) to notify creditors by a notice or public announcement;
- (3) to handle the outstanding business of the company in connection with liquidation;
- (4) to settle all outstanding tax payment and the tax payment which arise in the course of the liquidation process;
- (5) to clear up claims and debts;
- (6) to distribute the remaining assets after full payment of the company's debts;
- (7) to participate in civil litigation on behalf of the company.

The liquidation committee shall notify the company's creditors within 10 days after its establishment and issue public notices in newspapers within 60 days. A creditor shall lodge his/her claim with the liquidation committee within 30 days after receiving the notification, or within 45 days of the public notice if he/she did not receive any notification. A creditor shall state all matters relevant to his/her creditor rights in making his/her claim and furnish evidence. The liquidation committee shall register such claims. The liquidation committee shall not make any debt rights settlement to creditors during the period of claim.

Upon liquidation of properties and the preparation of the balance sheet and inventory of assets, the liquidation committee shall draw up a liquidation plan to be submitted to the Shareholders' general meeting or people's court for confirmation.

The company's remaining assets after payment of liquidation expenses, wages, social insurance expenses and statutory compensation, outstanding taxes and debts shall be distributed to Shareholders according to their shareholding proportion. The company shall continue to exist during the liquidation period but may only engage in any operating activities related to the liquidation. The company's properties shall not be distributed to the Shareholders before repayments are made in accordance to the foregoing provisions.

Upon liquidation of the company's properties and the preparation of the balance sheet and inventory of assets, if the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it shall apply to the people's court for bankruptcy liquidation.

After the people's court accepts the bankruptcy petition, the liquidation committee shall hand over the liquidation matters to the bankruptcy administrator appointed by the people's court.



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Upon completion of the liquidation, the liquidation committee shall submit a liquidation report to the Shareholders' general meeting or the people's court for confirmation. Thereafter, the report shall be submitted to the registration authority of the company in order to cancel the company's registration, and a public notice of its termination shall be issued. Members of the liquidation committee are required to discharge their duties honestly and in compliance with the relevant laws. Members of the liquidation committee shall be prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating the company's properties.

A member of the liquidation committee is liable to indemnify the company and its creditors in respect of any loss arising from his/her intentional or gross negligence.

### Loss of Share Certificates

In the event that a registered share certificate is lost, stolen or destroyed, the Shareholder concerned may apply to the People's Court to declare the certificate null and void in accordance with the relevant provisions of the Civil Procedure Law. After the people's court has invalidated such share certificate through the public notice procedure, the Shareholder may apply to the company for re-issuance of a certificate for the share.

### Merger and Division

The company may merge by absorption or by creating a newly merged entity. If it merges by absorption, the company which is absorbed shall be dissolved. If it merges by forming a new corporation, both companies will be dissolved.

### PRC SECURITIES LAWS AND REGULATIONS

China has enacted a number of regulations governing the issuance and trading of our Shares and the disclosure of information. In October 1992, the State Council set up the Securities Commission of the State Council and the CSRC. The Securities Commission of the State Council is responsible for coordinating the drafting of securities-related laws and regulations, formulating policies on securities matters, planning the development of the securities market, and guiding, coordinating and supervising all organizations involved in securities matters in China, as well as managing the China Securities Regulatory Commission (CSRC). The CSRC is a regulatory body under the Securities Commission of the State Council, responsible for drafting regulatory laws and regulations governing the securities market, supervising securities companies, overseeing public offerings of securities by Chinese companies in China and abroad, regulating securities trading, compiling securities-related statistics, and conducting related research and analysis. On March 29, 1998, the State Council merged the two organizations and reformed the CSRC.

On April 22, 1993, the State Council promulgated the Provisional Regulations on the Administration of Share Issuance and Trading to regulate the application and approval procedures for public offerings of equity securities, the purchase and sale of equity securities, the acquisition of listed companies, the deposit, settlement and transfer of listed equity securities, and the disclosure of information on listed companies, investigations, penalties and the resolution of disputes.

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On December 25, 1995, the State Council promulgated the “Regulations of the State Council on Domestically Listed Foreign Shares of Joint Stock Limited Companies”, which mainly regulate the issuance, subscription, purchase and sale of domestically listed foreign Shares and dividend declaration, and the disclosure of information by joint stock limited companies that own domestically listed foreign Shares.

The PRC Securities Law became effective on July 1, 1999 and was amended on August 28, 2004, October 27, 2005, June 29, 2013, August 31, 2014 and December 28, 2019, respectively. This is China’s first national securities law, which is divided into 14 chapters and 226 articles, regulating, among other things, the issuance and trading of securities, takeovers of listed companies, stock exchanges, securities companies and the duties of securities regulatory authorities under the State Council. The PRC Securities Law comprehensively regulates the activities of China’s securities market. Article 224 of the PRC Securities Law provides that domestic enterprises that directly or indirectly issue securities outside China or list and trade their securities outside China shall comply with the relevant provisions of the State Council. At present, the issuance and trading of overseas issued securities (including H Shares) are mainly regulated by rules and regulations promulgated by the State Council and the CSRC.

The CSRC promulgated the Guidelines for the “Full Circulation” Program for Domestic Unlisted Shares of H-share Listed Companies ([2019] No. 22) on November 14, 2019, which became effective on the same day. The purpose of the Guidelines is to regulate the listing and circulation on the Stock Exchange of the unlisted domestic Shares of H-share companies listed on the Hong Kong Stock Exchange (including unlisted domestic Shares held by domestic Shareholders prior to their listing overseas, unlisted domestic Shares issued domestically after their listing overseas, and unlisted Shares held by Shareholders outside Hong Kong) (hereinafter referred to as “full circulation”). To apply for full circulation, an H-Share company shall file the application with the CSRC according to the administrative licensing procedures necessary for the “Examination and Approval of Public Issuance and Listing (Including Additional Issuance) of Shares Overseas By A Joint Stock Company”. H-share companies may make separate or simultaneous applications for “full circulation” when applying for overseas refinancing. Unlisted domestic companies may apply for “full circulation” at the same time as they apply for an overseas initial public offering and listing.

### ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the People’s Republic of China (the “Arbitration Law”) was adopted on August 31, 1994, became effective on September 1, 1995, and was amended on August 27, 2009 and September 1, 2017, respectively. The Arbitration Law applies when the parties have agreed in writing to submit the dispute in question to an arbitration commission constituted under the Arbitration Law for the arbitration of disputes relating to contracts and other property, and the parties to the dispute shall be natural persons, legal persons and other organizations. According to the Arbitration Law, before the China Arbitration Association formulates arbitration rules, the Arbitration Commission, in accordance with the relevant provisions of the Arbitration Law and the Civil Procedure Law, may formulate provisional rules for arbitration. Unless the arbitration agreement is invalid, the people’s court shall not accept a dispute that has been settled by arbitration in accordance with the agreement of the parties.

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## APPENDIX IV

## SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

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According to the Arbitration Law and the Civil Procedure Law, the award made by the arbitration institution is final and binding on both parties to the arbitration. If one of the parties to the arbitration fails to comply with the arbitral award, the other party to the arbitral award may apply to the people’s court for enforcement. The people’s court shall enforce the arbitral award upon receipt of the relevant application. If the arbitration procedure is unlawful (including, but not limited to, the composition of the Arbitration Commission or the procedure of the arbitration being in violation of the statutory procedure, or the matters to be awarded not falling within the scope of the arbitration agreement or the Arbitration Commission not having the authority to arbitrate), the people’s court, after forming a collegial panel to examine and verify the matter, decides that the arbitration decision made by the Arbitration Commission shall not be enforced.

A party seeking to enforce an arbitral award made by the China Arbitration Commission against another party who is not physically present in China or whose property is not located in China may apply for enforcement of the arbitral award to a foreign court having jurisdiction over the case. Similarly, arbitral awards made by foreign arbitral institutions may also be recognized and enforced by Chinese courts in accordance with the principle of reciprocity or any international treaty signed or acceded to by China. China acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the “New York Convention”), adopted on June 10, 1958, pursuant to a resolution of the Standing Committee of the National People’s Congress adopted on December 2, 1986. Under the New York Convention, member states of the New York Convention are required to recognize and enforce all arbitral awards made by other member states under the New York Convention, but are entitled to refuse to enforce an arbitral award in a number of circumstances, including where enforcement of the arbitral award conflicts with the public policy of the state in which the arbitration is to be enforced. Upon China’s accession to the New York Convention, the Standing Committee of the National People’s Congress declared that: (i) the New York Convention applies only to the recognition and enforcement of arbitral awards rendered on the basis of principles of equity in the territories of the other parties; and (ii) the New York Convention applies only to disputes that are deemed to arise out of a contractual or non-contractual commercial legal relationship under the laws of China.

Pursuant to the “Arrangement of the Supreme People’s Court Concerning Reciprocal Enforcement of Arbitral Awards between the Chinese Mainland and the Hong Kong Special Administrative Region” promulgated by the Supreme People’s Court on January 24, 2000, which came into effect on February 1, 2000, and the “Supplementary Arrangement of the Supreme People’s Court Concerning Reciprocal Enforcement of Arbitral Awards between the Chinese Mainland and the Hong Kong Special Administrative Region” promulgated on November 26, 2020 (with Articles I and IV coming into force on November 27, 2020, and Articles II and III coming into force on May 19, 2021), the Hong Kong courts have agreed to enforce awards made under the Arbitration Law by Chinese Mainland arbitral institutions (the list of which was provided by the former Legislative Affairs Office of the State Council through the Hong Kong and Macao Affairs Office of the State Council), and the people’s courts of Chinese Mainland have agreed to enforce awards made in Hong Kong in accordance with the Hong Kong Arbitration Ordinance. Enforcement of an award made by a Hong Kong arbitral institution in the Chinese Mainland may not be enforced if the people’s court of the Chinese Mainland is of the opinion that enforcement of the award in the Chinese Mainland would be contrary to the public interest of the Chinese Mainland, or if the court of Hong Kong is of the opinion that enforcement of the arbitral award in Hong Kong would be contrary to the public interest of Hong Kong.

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**APPENDIX IV**

**SUMMARY OF PRINCIPAL LEGAL AND  
REGULATORY PROVISIONS**

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**JUDICIAL DECISION AND ENFORCEMENT**

According to the Arrangement of the Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned promulgated by the Supreme People’s Court on July 3, 2008 and implemented on August 1, 2008, a party with a final court judgment rendered by a PRC court and a Hong Kong court requiring payment of money in a civil or commercial case pursuant to a choice of court agreement in writing may apply to the PRC court or Hong Kong court for recognition and enforcement of the judgment according to the Arrangement. “A choice of court agreement in writing” is defined as any agreement in writing entered into between parties for the purpose of resolving a dispute that has arisen or is likely to arise in connection with a particular legal relationship, in which a PRC court or a Hong Kong court is expressly designated as the court having sole jurisdiction for the dispute. Accordingly, the final court judgment satisfying the aforesaid conditions of the Arrangement may be recognized and enforced by the PRC court or Hong Kong court upon the application by the parties concerned. On January 18, 2019, the Supreme People’s Court and the Hong Kong Government signed the Arrangement on Mutual Recognition and Enforcement of Judgments in Civil and Commercial Cases between the Courts of the Mainland and the Hong Kong Special Administrative Region (the “New Arrangement”), with the aim of establishing a more transparent and clearer mechanism for the reciprocal recognition and enforcement of a wider range of judgments in civil and commercial cases between Hong Kong and China. The New Arrangement terminates the requirement for reciprocal recognition and enforcement of the choice of court agreement in writing. The New Arrangement will come into effect only after the promulgation of the judicial interpretation by the Supreme People’s Court and the completion of the related legislative procedures in Hong Kong. The new Arrangement will replace the Arrangement of the Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned upon its entry into force. As a result, it may be difficult or impossible to enforce Hong Kong court judgments in the PRC if the disputing parties do not agree to enter into a choice of court agreement in writing before the New Arrangement comes into effect.

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## APPENDIX V

## SUMMARY OF THE ARTICLES OF ASSOCIATION

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This appendix contains a summary of the principal provisions of the Articles of Association adopted on August 9, 2024, which will become effective on the date of [REDACTED] of the H Shares on the Stock Exchange. The main purpose of this appendix is to provide potential investors with an overview of the company's Articles of Association, and therefore it may not contain all the data that is important to potential investors.

### ISSUE OF SHARES

The company's Shares take the form of Share certificates.

The company shall issue Shares under the principles of openness, fairness and equality. Each Share of the same class shall have equal rights.

Shares of the same class issued at the same time shall be issued on the same terms and at the same price per Share; the same price shall be paid for each Share subscribed for by any entity or individual.

The Share certificates issued by the company shall have a par value denominated in Renminbi, with a par value of RMB1 per Share.

### INCREASE, REDUCTION AND REPURCHASE OF SHARES

The company may increase its capital in the following ways based on the needs of its operation and development, and in accordance with the provisions of laws and regulations, and upon the resolution of the Shareholders' general meeting:

- (I) Public offering of Shares;
- (II) Private offerings of Shares;
- (III) Distribution of bonus Shares to existing Shareholders;
- (IV) Converting capital reserve into share capital;
- (V) Other means as prescribed by laws and regulations and approved by competent administrative authorities.

The company shall not issue preferred Shares that are convertible into ordinary Shares.

The company may reduce its registered capital. The company shall reduce its registered capital in accordance with the Company Law and other relevant regulations as well as the procedures as stipulated in the Articles of Association.

The company shall not acquire its Shares. However, there is an exception for one of the following circumstances:

- (I) Reduction of the registered capital of the company;
- (II) Merging with other companies that hold the Shares of the company;
- (III) Use of Shares for employee Share ownership schemes or for equity incentive;
- (IV) Shareholders disagreeing with the merger or division resolution made by the Shareholders' general meeting ask the company to acquire their Shares;

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## APPENDIX V

## SUMMARY OF THE ARTICLES OF ASSOCIATION

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- (V) Use of Shares for converting corporate bonds issued by the company that are convertible into Shares;
- (VI) Necessary for the company to protect the corporate value and the Shareholders' equity;
- (VII) Other circumstances permitted by laws, regulations, and regulatory rules of the place where the company's Shares are listed.

The acquisition of Shares of the company by the company may be carried out through open and centralized trading, or in other ways recognized by laws, administrative regulations and the securities regulatory authorities of the place where the company's Shares are listed.

Any acquisition of Shares of the company by the company under the circumstances set forth in items (III), (V) and (VI) of paragraph 1 above shall be carried out through open and centralized trading, subject to compliance with the applicable securities regulatory rules of the place where the company's Shares are listed.

The acquisition of Shares of the company by the company under the circumstances specified in items (I) and (II) of paragraph 1 above shall be resolved by the Shareholders' general meeting; the acquisition of Shares of the company by the company under the circumstances set forth in items (III), (V) and (VI) of paragraph 1 above shall be resolved by the Board meeting attended by more than two-thirds of the Directors in accordance with the Articles of Association or the authorization of the Shareholders' general meeting.

After the company acquires the Shares of the company in accordance with the provisions of paragraph 1 above, subject to the applicable securities regulatory rules of the place where the company's Shares are listed, in the case of item (I), the Shares shall be canceled within 10 days from the date of acquisition; in the case of items (II) and (IV), the Shares shall be transferred or canceled within six months; in the case of items (III), (V) and (VI), the number of Shares of the company held by the company in the aggregate shall not exceed 10% of the total number of issued Shares of the company, and shall be transferred or canceled within three years.

### TRANSFER OF SHARES

The Shares of the company may be transferred in accordance with the law. The transfer of H Shares shall be registered with the local share registrar in Hong Kong entrusted by the company.

The company shall not accept the company's Shares as the subject matter of pledge.

Shares issued prior to the public offering of the company's Shares shall not be transferred within one year from the date of listing and trading of the company's Shares on the stock exchange. Where laws, administrative regulations or the securities regulatory authorities under the State Council otherwise provide for the transfer of Shares of the company held by Shareholders or de facto controllers of the listed company, such provisions shall apply.

Directors, Supervisors and senior management of the company shall declare to the company their holdings of the company's Shares and changes therein, and shall not transfer more than 25% of the total number of Shares of the company held by them in each year of their term of office as determined at the time of their assumption of office; and their holdings of the company's Shares shall not be transferred within one year from the date of listing and trading of the company's Shares. The above persons shall not transfer their Shares in the company within six months after their departure.

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If the Shares are pledged within the period of restriction on transfer prescribed by laws and administrative regulations, the pledgee shall not exercise the pledge right within such period.

Where the relevant regulations of the securities regulatory authorities of the place where the company's Shares are listed provide otherwise for restrictions on the transfer of the company's Shares listed overseas, such regulations shall apply.

If the Director, Supervisor, senior management, or Shareholder holding more than 5% of the company's Shares sells the company's Shares or other securities of an equity nature held by them within six months after purchase, or buys again within six months after sale, the proceeds therefrom shall belong to the company, and the Board of the company shall reclaim the proceeds therefrom. However, if a securities company holds more than 5% of the Shares after purchasing the remaining Shares upon public offering due to underwriting, and other circumstances stipulated by the CSRC are excluded. If the listing rules of the stock exchange where the company's Shares are listed provide otherwise for restrictions on the transfer of H Shares, such provisions shall apply.

The Shares or other securities with an equity nature held by Directors, Supervisors, senior management and natural person Shareholders as mentioned in the preceding paragraph shall include the Shares or other securities with an equity nature held by their spouses, parents, children, and those held in the accounts of others.

In the event that the Board of the company fails to comply with the above provisions, the Shareholders shall have the right to request the Board to do so within 30 days.

If the Board of the company fails to follow the above-mentioned deadline, the Shareholders shall have the right to file a lawsuit directly to the people's court in their own name in the interest of the company.

If the Board of the company fails to comply with the above provisions, the responsible Directors shall be jointly and severally liable in accordance with the law.

### RIGHTS AND OBLIGATIONS OF SHAREHOLDERS

#### (1) Shareholders

The company establishes a register of Shareholders and registers Shareholders based on the certificates provided by the securities registrar and in accordance with the laws, regulations and regulatory filings, the Hong Kong Listing Rules, etc. The register of Shareholders is sufficient evidence to prove that the Shareholders hold the Shares of the company.

The original register of H Shareholders shall be maintained in Hong Kong for inspection by Shareholders.

The Shareholders shall enjoy the rights and assume the obligations according to the class and amount of the Shares they hold. The Shareholders holding the same class of Shares shall enjoy the equal rights and assume the equal obligations.

**(2) Rights and obligations of Shareholders**

The Shareholders of the company shall be entitled to the following rights:

- (I) to receive dividends and other forms of distribution of interests in proportion to their respective shareholdings;
- (II) to legally request, convene, preside over, attend or appoint a proxy to attend Shareholders' general meetings, and to speak and exercise the corresponding voting rights at Shareholders' general meetings;
- (III) to supervise the company's operations, and to put forward proposals and raise inquiries;
- (IV) to transfer, grant or pledge the Shares they hold in accordance with the laws, regulations, the relevant provisions of the securities regulatory authorities and stock exchange in the places where the company's Shares are listed and the provisions of the Articles of Association;
- (V) to inspect and copy the Articles of Association, register of Shareholders, minutes of Shareholders' general meetings, resolutions of Board meetings, resolutions of meetings of the Supervisory Committee, and financial and accounting reports; Shareholders who individually or collectively hold more than 3% of the Shares of the company for a period of more than 180 consecutive days may inspect the company's accounting books and documents after fulfilling the procedures required by laws and regulations;
- (VI) to request the company to repurchase Shares held by the Shareholders if they oppose the merger or division of the company at the Shareholders' general meeting;
- (VII) to participate in the distribution of remaining assets of the company in proportion to the number of Shares they held, in the event of the termination or liquidation of the company;
- (VIII) to inspect at the Hong Kong branch register of Shareholders of the company. However, the register of Shareholders of the company may be closed on terms equivalent to Section 632 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong);
- (IX) other rights conferred by laws, regulations, relevant provisions of the securities regulatory authorities and stock exchanges where the company's securities are listed, and the Articles of Association.

Shareholders of the company shall assume the following obligations:

- (I) to comply with the laws, administrative regulations and the Articles of Association;
- (II) to pay capital contributions in accordance with the Shares subscribed and the capital participation method;
- (III) no withdrawal from the company except for the circumstances set out in the relevant laws and regulations;
- (IV) not to abuse Shareholder's rights to damage the interests of the company or other Shareholders; not to abuse the independent legal person status of the company and the limited liability of Shareholders to damage the interests of the creditors of the company;
- (V) other obligations to be assumed by the Shareholders according to laws, regulations, and the Articles of Association.



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## SUMMARY OF THE ARTICLES OF ASSOCIATION

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A Shareholder of the company who abuses the rights of Shareholders to cause losses to the company or other Shareholders shall be liable for compensation in accordance with the law. If any Shareholder of the company abuses the independent legal person status of the company and the limited liability of Shareholders to evade debts and severely damages the interests of the creditors of the company, such Shareholder shall bear joint liability for the debts of the company.

### RESTRICTIONS ON RIGHTS OF CONTROLLING SHAREHOLDERS

The controlling Shareholders and de facto controllers of the company shall not use their connections to prejudice the interests of the company, and, where any losses are incurred in violation hereof, shall be liable for compensation.

The controlling Shareholders and de facto controllers of the company shall bear the fiduciary duty to the company and other Shareholders. The controlling Shareholders shall exercise the rights of the investor in strict accordance with law. The controlling Shareholders shall not damage the legitimate rights and interests of the company and other Shareholders by means of profit distribution, asset restructuring, outbound investment, capital occupation, loan guarantee, etc., and shall not damage the interests of the company and other Shareholders by means of its controlling position.

If a controlling Shareholder of the company abuses its Shareholders' rights to the serious detriment of the interests of the company or other Shareholders, the other Shareholders shall have the right to request the company to acquire their Shares at a reasonable price, subject to compliance with the applicable rules of the securities regulatory authorities of the place where the company's Shares are listed.

### SHAREHOLDERS' GENERAL MEETING

#### General Provisions of the Shareholders' General Meeting

The Shareholders' general meeting shall be the organ of authority of the company and shall exercise the following functions and powers according to law:

- (I) to elect or replace Directors and Supervisors who are not employee representatives and to decide matters relating to the remuneration of Directors and Supervisors;
- (II) to consider and approve reports of the Board;
- (III) to consider and approve reports of the Supervisory Committee;
- (IV) to consider and approve the company's profit distribution plan and loss recovery plan;
- (V) to resolve on increase or decrease of the registered capital of the company;
- (VI) to resolve on issuance of bonds of the company;
- (VII) to resolve on the merger, division, dissolution, liquidation of the company or change in the organizational form of the company;
- (VIII) to amend the Articles of Association;
- (IX) to resolve on the engagement or removal of the accounting firm by the company;
- (X) to consider and approve external guarantees that are required to be approved by the Shareholders' general meeting as stipulated by laws, regulations and the Articles of Association;

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**APPENDIX V****SUMMARY OF THE ARTICLES OF ASSOCIATION**

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- (XI) to consider the company's purchase or disposal of major assets within one year of an aggregate value exceeding 30% of the company's audited total assets for the latest period;
- (XII) to consider equity incentive scheme and employee stock ownership plan;
- (XIII) to approve connected transactions which are required to be approved by the Shareholders' general meeting in accordance with the laws, regulations, listing rules of the stock exchange where the company's Shares are listed and the Articles of Association;
- (XIV) other matters to be decided by the Shareholders' general meeting as stipulated by laws, regulations, the listing rules of the stock exchange where the company's Shares are listed and the Articles of Association.

The following external guarantees of the company shall be considered and approved by the Shareholders' general meeting:

- (I) any guarantee provided after the total amount of the external guarantees provided by the company and its controlled subsidiaries exceeds 50% of the audited net assets for the latest period;
- (II) any guarantee provided after the total amount of the external guarantees provided by the company exceeds 30% of the company's audited total assets for the latest period;
- (III) the guarantee with its amount provided by the company within one year exceeding 30% of the company's audited total assets for the latest period;
- (IV) the guarantee provided to the guaranteed object with a debt-to-asset ratio of more than 70%;
- (V) any single guarantee with its amount exceeding 10% of the audited net assets for the latest period;
- (VI) any guarantee provided to Shareholders, de facto controllers and their related parties;
- (VII) any other guarantee circumstances stipulated in the laws, regulations, regulatory rules of the place where the company's Shares are listed and the Articles of Association.

The above external guarantees that shall be approved by the Shareholders' general meeting shall be submitted to the Shareholders' general meeting for approval only after being considered and approved by the Board.

The Board has the right to consider and approve the external guarantees other than the foregoing that are subject to approval of the Shareholders' general meeting.

When the proposal for providing guarantees to a Shareholder, de facto controller and related party is considered by the Shareholders' general meeting, the relevant Shareholder or the Shareholders controlled by the de facto controller shall not participate in the voting, and this proposal shall be adopted by the majority votes of other Shareholders present at the meeting.

Except in special circumstances, such as when the company is in crisis, the company shall not, without the approval of Shareholders' general meeting by a special resolution, make and enter into contracts with persons other than Directors, General Manager and other senior management granting such persons the responsibility for managing all or part of the company's material business.

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Shareholders’ general meetings are categorized into annual Shareholders’ general meetings and extraordinary Shareholders’ general meetings. The annual Shareholders’ general meeting shall be held once a year and shall be held within six months after the end of the preceding fiscal year.

In the event of any of the following circumstances, the company shall convene an extraordinary Shareholders’ general meeting within two months from the date of occurrence of the fact:

- (I) When the number of Directors is below the quorum specified in the Company Law or two-thirds of the number required by the Articles of Association;
- (II) When the company’s losses which are not covered amount to one-third of the total share capital;
- (III) At the request of Shareholders who individually or collectively hold 10% or more of the company’s Shares;
- (IV) When the Board considers it necessary;
- (V) When the Supervisory Committee proposes to hold such a meeting;
- (VI) Other cases stipulated by laws, regulations, or the Articles of Association.

The number of Shares held by the Shareholders referred to in the preceding item (III) shall be calculated on the basis of the Shares of the company held by the Shareholders on the date of their written requests.

### **Notice of Shareholders’ General Meeting**

The convener shall notify the Shareholders in writing at least 21 days before the annual Shareholders’ general meeting and at least 15 days before the extraordinary Shareholders’ general meeting.

The notice of the Shareholders’ general meeting shall be delivered to the Shareholders (whether he/she has voting rights at the Shareholders’ general meeting or not) by sending to the address of the Shareholders listed in the register of Shareholders via personal delivery or prepaid mail, or, subject to the applicable laws and regulations and the listing rules of the place where the company’s Shares are listed, making an announcement on the company’s website or other designated websites of the Hong Kong Stock Exchange. Where an announcement is required to be made to Shareholders of overseas listed foreign Shares under the Articles of Association, such announcement shall at the same time be published in accordance with the ways prescribed under the Hong Kong Listing Rules. For the holders of domestic Shares, the notice of Shareholders’ general meeting may also be given by means of a public announcement.

When the company calculates the starting period of the aforementioned “21 days” and “15 days”, it does not include the day on which the meeting is held, but includes the day on which the notice is given.

The notice of Shareholders’ general meeting shall include the following particulars:

- (I) the time, venue and duration of the meeting;
- (II) the matters and proposals to be considered at the meeting;

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**APPENDIX V**

**SUMMARY OF THE ARTICLES OF ASSOCIATION**

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- (III) explicit textual explanation that all ordinary Shareholders (including preferred Shareholders whose voting rights have been restored) are entitled to attend the Shareholders' general meeting and may appoint a proxy in writing to attend and vote at the meeting, and that such proxy need not be a Shareholder of the company;
- (IV) the record date for Shareholders who are entitled to attend the Shareholders' general meeting;
- (V) containing the name and telephone number of the regular contact person for the meeting;
- (VI) the voting time and voting procedures of the meeting for the online voting or other means of voting;
- (VII) other requirements stipulated in the laws, regulations, regulatory rules of the place where the company's Shares are listed and the Articles of Association.

The notice and the supplementary notice of the Shareholders' general meeting shall fully and completely disclose all the specific content of all proposals. Where the matters to be discussed require opinions from independent non-executive Directors, the opinions and reasons of independent non-executive Directors shall be provided at the time when the notice or the supplementary notice of the Shareholders' general meeting is issued.

#### **Convening of Shareholders' General Meeting**

The Board and other conveners of the company shall take necessary measures to ensure the proper order of the Shareholders' general meeting. Any act that interferes with the Shareholders' general meeting, stirs up troubles or infringes upon the Shareholders' legitimate rights and interests shall be stopped by measures and promptly reported to the relevant departments for investigation.

All ordinary Shareholders (including preferred Shareholders whose voting rights have been restored) or their proxies registered on the record date are entitled to attend the Shareholders' general meeting and to speak and exercise their voting rights at the meeting in accordance with the relevant laws, regulations and the Articles of Association (unless individual Shareholders are required to waive their voting rights in respect of individual matters by the rules of the securities regulatory authorities in the place where the company's Shares are listed).

Shareholders may attend the Shareholders' general meeting in person, or they may appoint a proxy, who need not be a Shareholder of the company, to attend, speak and vote on their behalf.

A Shareholder shall appoint a proxy via written power of attorney or at another designated electronic address recognized by the Board, which shall be signed by the principal or the proxy or submitted at a designated electronic address or by electronic means; if the principal is a legal person, the power of attorney shall be affixed with the seal of the legal person or signed by the duly appointed proxy or submitted at a designated electronic address or by electronic means.

If the Shareholder is a recognized clearing house (or its proxy) in the place where the company's Shares are listed, the Shareholder may authorize one or more persons as it thinks fit to act as its representative(s) at any Shareholders' general meeting or any creditors' meeting. However, if more than one person is authorized, the power of attorney shall state the number and type of shares in respect of which each such person is authorized and shall be signed by the authorized officer of the recognized clearing house. A person so authorized may attend a meeting on behalf of a recognized

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clearing house (or its proxy) (who should present proof of his/her identity, without having to produce proof of shareholding, notarized authorization and/or further evidence confirming that he/she is duly authorized to do so) and exercise rights as if he/she were an individual shareholder of the company, and enjoy the same statutory rights as those enjoyed by the other Shareholders, including the right to speak and to vote. An individual Shareholder who attends the meeting in person shall present his/her identity card or other valid documents or proof evidencing his/her identity. If a proxy is appointed to attend the meeting, such proxy shall present his/her own valid identity documents and the power of attorney from the Shareholder.

Corporate shareholders shall attend the meeting by legal representatives or proxies appointed by legal representatives. The legal representative attending the meeting shall present his/her identity card and valid certificate evidencing his/her capacity as a legal representative; if a proxy is appointed to attend the meeting, such proxy shall present his/her identity card and a written power of attorney duly issued by the legal representative of the corporate Shareholder.

The power of attorney issued by a Shareholder to appoint a proxy to attend a Shareholders' general meeting shall contain the following information:

- (I) name of the proxy;
- (II) the number of Shares represented by the proxy;
- (III) whether the proxy has the voting right;
- (IV) instructions to vote separately for, against or abstain from voting on each of the matters to be considered on the agenda of the Shareholders' general meeting;
- (V) whether the proxy has the voting right on an extempore proposal that may be added to the agenda of the Shareholders' general meeting, and if yes, the specific instructions as to what vote to cast if the proxy has such right to vote;
- (VI) date of issuance and effective period of the power of attorney;
- (VII) if several persons act as proxies, the power of attorney shall indicate the number of Shares represented by each proxy;
- (VIII) signature (or seal) of the principal. If the principal is a legal person, the power of attorney shall be stamped with the name of the legal person or signed by a legally authorized person, or submitted at a designated electronic address or by electronic means.

The power of attorney shall specify that in the absence of specific instructions from the Shareholders, the proxies may vote as they think fit.

If the power of attorney for proxy voting is signed by another person authorized by the principal, the power of attorney or other authorization documents shall be notarized. The notarized power of attorney or other authorization documents and the power of attorney for voting by proxies shall be deposited at the domicile of the company or such other places as designated in the notice of the meeting.

If the principal is a legal person, its legal representative or the person authorized by the Board or other decision-making authorities shall attend the Shareholders' general meeting of the company on its behalf.

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**APPENDIX V****SUMMARY OF THE ARTICLES OF ASSOCIATION**

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The register of the persons attending the meeting shall be prepared by the company. The register shall set out the names of the persons attending the meeting (or names of the entities they are from), their ID numbers, residential addresses, numbers of Shares held or representing voting rights and names of the proxies (or names of the entities they are from).

The convener shall verify the legality of the Shareholders' qualifications according to the register of Shareholders, and register their name (or titles) and the number of the voting Shares they hold respectively. The meeting registration shall be terminated by the time the meeting presider announces the number of Shareholders and proxies present in person at the meeting as well as the total number of Shares with voting rights they hold.

When the Shareholders' general meeting is held, all the Directors, Supervisors and Secretary to the Board of the company shall attend the meeting, while the General Manager and other senior management shall attend as a nonvoting delegate.

The Shareholders' general meeting shall chaired by the Chairman of the Board. If the Chairman of the Board is unable or fails to perform his/her duty, a Director jointly elected by more than half of the Directors shall preside over the meeting.

A Shareholders' general meeting convened by the Supervisory Committee shall be presided over by the chairman of the Supervisory Committee. If the chairman of the Supervisory Committee is unable or fails to perform his/her duty, a Supervisor jointly elected by more than half of the Supervisors shall preside over the meeting.

If a Shareholders' general meeting is convened by the Shareholders, the convener shall elect a representative to preside over the meeting.

During the course of a Shareholders' general meeting, if the meeting presider violates the procedural rules such that the meeting cannot continue, the Shareholders' general meeting may elect a person to act as the meeting presider and continue the meeting with the consent of the majority of the Shareholders entitled to vote present at the Shareholders' general meeting.

The company shall formulate rules of procedure for the Shareholders' general meeting, stipulating in detail the convening and voting procedures of the Shareholders' general meeting, including notification, consideration of proposals, voting, counting of votes, announcement of voting results, formation of resolutions of the meeting, minutes of the meeting and their signatures, etc., as well as the principle of authorization by the Shareholders' general meeting to the Board. The content of the authorization shall be clear and specific. The rules of procedure for the Shareholders' general meeting shall be annexed to the Articles of Association and shall be drawn up by the Board and approved by the Shareholders' general meeting.

At the annual Shareholders' general meeting, the Board of Directors and the Supervisory Committee shall report to the Shareholders' general meeting on their work over the past year. Each independent non-executive Director shall also report on their duty performance.

Directors, Supervisors and senior management shall provide explanations and clarifications on Shareholders' queries and suggestions at the Shareholders' general meeting.

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The meeting presider shall declare the number of Shareholders and proxies present and the total number of Shares with voting rights they hold before voting. To determine the number of Shareholders and proxies present and the total number of Shares with voting rights they hold, the meeting register shall prevail.

The Shareholders' general meeting shall have meeting minutes, and the Secretary to the Board shall be responsible for the meeting minutes. The meeting minute shall contain the following contents:

- (I) the time and venue of, and the agenda for the meeting, and the name or title of the convener;
- (II) names of the meeting presider and the Directors, Supervisors, General Managers and other senior management present at the meeting or attending the meeting as non-voting delegates;
- (III) the number of Shareholders and proxies present at the meeting, and the total number of Shares with voting rights held and their respective proportions in the total number of the company's Shares;
- (IV) considerations on each proposal, highlights of statements and the voting results;
- (V) queries and recommendations of Shareholders and corresponding replies or explanations;
- (VI) names of the vote counter and the scrutineer;
- (VII) other contents that shall be included in the meeting minutes according to the Articles of Association.

The convener shall guarantee the authenticity, accuracy and integrity of the content of the meeting minutes. The Directors, Supervisors, Secretary to the Board, the convener or his/her representative, and the meeting presider who attend the meeting shall sign the meeting minutes. The meeting minutes shall be kept at the company's domicile for a period of not less than 10 years, together with the register of signatures of Shareholders attending on-site and the power of attorney for attendance, and valid documents on voting by other means.

The convener shall guarantee that the Shareholders' general meeting continues until the final resolution has been adopted. In the event that a Shareholders' general meeting is suspended or a resolution cannot be made due to force majeure or other special reasons, necessary measures shall be taken to resume the convening of the Shareholders' general meeting as soon as possible or to directly terminate this Shareholders' general meeting, and announcements and reports shall be made in a timely manner in accordance with the laws and regulations or the provisions of the securities regulatory authorities of the place where the company's Shares are listed.

### **Resolutions of Shareholders' General Meeting**

The resolutions of Shareholders' general meeting are classified into ordinary ones and special ones.

Ordinary resolutions of the Shareholders' general meeting shall be adopted by more than half of the voting rights held by the Shareholders (including their proxies) present at the Shareholders' general meeting.

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Special resolutions of the Shareholders' general meeting shall be adopted by more than two-thirds of the voting rights held by the Shareholders (including their proxies) present at the Shareholders' general meeting.

**Resolutions of the Shareholders' general meeting**

- (I) Unless otherwise provided by laws, regulations and the Articles of Association, the following matters shall be adopted by ordinary resolution of the Shareholders' general meeting:
  - (1) work reports of the Board and the Supervisory Committee;
  - (2) profit distribution plans and proposals for making up losses formulated by the Board;
  - (3) removal of members of the Board and the Supervisory Committee and their remuneration and method of payment;
  - (4) annual report of the company;
  - (5) matters other than those which are required by the laws, regulations and the Articles of Association to be resolved by way of special resolutions.
- (II) The following matters shall be resolved by way of special resolution of the Shareholders' general meeting:
  - (1) increase or reduction of the company's share capital; issuance of any type of securities, warrants and other similar securities by the company;
  - (2) amendment of the Articles of Association by the company;
  - (3) issuance of corporate bonds by the company and the listing of securities;
  - (4) merger, division, dissolution and liquidation of the company (including voluntary winding up) or change in the organizational form of the company;
  - (5) purchase and disposal of major assets by the company within one year, or a guarantee amount exceeding 30% of the company's audited total assets for the latest period except for matters necessary for the company's daily operations or the provision of guarantees for the company;
  - (6) the company's equity incentive plan;
  - (7) any other matters provided for by laws, regulations or the Articles of Association, and any other matters that the Shareholders' general meeting determines by an ordinary resolution will have a material impact on the company, and which require the adoption of a special resolution at the Shareholders' general meeting.

In addition to the above, changes in the rights attached to a class of Shares (if applicable) are subject to the approval of Shareholders of the company holding Shares in the class of Shares with the relevant rights by more than two-thirds of the voting rights held.

When the connected transactions are considered at the Shareholders' general meeting, the connected Shareholders shall not participate in voting, and the number of voting Shares represented by them shall not be counted into the total number of valid votes. The voting particulars of the unconnected Shareholders shall be disclosed in the resolutions of the Shareholders' general meeting.



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Shareholders (including proxies) shall exercise their voting rights by the number of Shares with voting rights they represent, and each Share shall have one vote.

Shares of the company held by the company do not have voting rights, and such Shares are not counted in the total number of Shares entitled to vote at the Shareholders' general meeting.

The name list of candidates for Directors and Supervisors shall be included in the proposal to be submitted to the Shareholders' general meeting for voting.

The methods and procedures for nomination of candidates for Directors and Supervisors are as follows:

- (I) The current Board and Shareholders who individually or collectively continuously hold more than 1% of the company's Shares may, without exceeding the number of persons to be elected, nominate candidates of Directors for the next term of the Board (other than independent non-executive Directors) or candidates for additional Directors. The current Board shall conduct a review of the qualifications, and those who meet the qualifications of Directors after review shall be submitted to the Shareholders' general meeting for vote by the Board.
- (II) The current Supervisory Committee and Shareholders who individually or collectively continuously hold more than 1% of the company's Shares may, without exceeding the number of persons to be elected, nominate candidates for supervisors for the next session of the Supervisory Committee or additional candidates who are non-employee representatives. The current Supervisory Committee shall conduct a review of the qualifications, and those who meet the qualifications of Supervisors after review shall be submitted to the Shareholders' general meeting for vote by the Supervisory Committee. Employee representative Supervisors are elected through the Employee Representatives' General Meeting and have direct access to the Supervisory Committee.
- (III) The current Board, the Supervisory Committee, and Shareholders who individually or collectively continuously hold more than 1% of the company's Shares may propose to the Shareholders' general meeting a proposal for a candidate for an independent non-executive Director; the current Board shall conduct a review of the qualifications, and those who meet the qualifications of independent non-executive Directors after review shall be submitted to the Shareholders' general meeting for vote by the Board.
- (IV) The aforesaid proposals submitted by the Board, the Supervisory Committee and the Shareholders entitled to make nominations to the convener of the Shareholders' general meeting shall include relevant information such as proof of identity, curriculum vitae and basic information of the candidates for Directors and Supervisors; the Board shall disclose the details of the candidates for Directors and Supervisors prior to the convening of the Shareholders' general meeting.

When considering a proposal, the Shareholders' general meeting shall not revise it; otherwise such amendments shall be deemed as a new proposal and may not be voted at the current meeting.

The same voting right shall only be exercised on site or by other means. Where the same vote is cast for two or more times, the first cast shall hold.

The Shareholders' general meeting shall vote by open ballot.

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Before the relevant proposal is voted at the Shareholders' general meeting, two representatives of the Shareholders shall be elected to take part in counting the votes and scrutinizing the conduct of the poll. Any shareholder who is interested in the matter under consideration and his/her proxy shall not take part in counting the votes or scrutinizing the conduct of the poll.

At the time of deciding on proposals by voting at the Shareholders' general meeting, the Shareholder representatives and Supervisor representatives shall count the votes and scrutinize the voting jointly, and announce the voting results forthwith. The voting results in connection with the resolutions shall be recorded in the meeting minutes.

The Shareholders' general meeting shall end on-site no earlier than otherwise, and the meeting presider shall announce the vote on each proposal and the result thereof, and whether or not the proposal has been adopted on the basis of the voting results.

Prior to the formal announcement of the voting results, the relevant parties involved in relation to the on-site voting or otherwise at the Shareholders' general meeting, including the company, the persons responsible for counting the votes and scrutinizing the voting, and substantial Shareholders, shall be obliged to keep the voting status confidential.

The Shareholders attending the Shareholders' general meeting shall express one of the following opinions on the proposals to be voted on: for, against, or abstain. Save for the circumstance under which the securities registration and settlement institution, acting as the nominal holder of Shares under the mutual stock market access between the Mainland and Hong Kong, makes reporting in accordance with the instruction of the de facto holder of relevant Shares.

An unfilled, wrongly filled, or illegible vote, or an uncast vote shall be deemed to be a waiver of the voting right of the voter, and the voting result for the number of Shares he/she holds shall be accounted as "abstain".

Where the stock exchange on which the company's Shares are listed requires any Shareholder to abstain from voting on a particular resolution or restricts any shareholder to vote only for (or only against) a particular resolution, any votes cast by the Shareholder (or his/her proxy) in contravention thereof shall not be counted into the voting result. If the meeting presider has any doubt as to the result of a resolution put to the vote, he/she may have the votes counted. If the meeting presider fails to have the votes counted, a Shareholder or proxy attending the meeting who objects to the result announced by the meeting presider may, immediately after the announcement of the voting results, demand that the votes be counted and the meeting presider shall have the votes counted immediately.

Resolutions of the Shareholders' general meeting shall set out the number of Shareholders and proxies present at the meeting, the total number of voting Shares held by them and their proportion in the total number of voting Shares of the company, voting methods, voting results of each proposal, and details of resolutions adopted.

Where the proposals fail to be adopted or if the Shareholders' general meeting changes the resolutions of the previous one, a special notice shall be included in the resolutions of the Shareholders' general meeting.

If the Shareholders' general meeting adopts a proposal for the election of Directors and Supervisors, the new Directors and Supervisors shall take office on the date of adoption of the

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resolution at the Shareholders' general meeting. However, in the case of a general election of Directors and Supervisors, if the term of office of the former Director or Supervisor expires later than the date on which the resolution of the Shareholders' general meeting is adopted, the time of assumption of office of the new Director or Supervisor shall be counted from the day following the date on which the term of office of the predecessor expires.

If the Shareholders' general meeting passes the proposal on cash dividends, scrip issue or conversion of capital reserve into share capital, the company shall implement the relevant plan in two months after the end of the Shareholders' general meeting. Where the laws and regulations and the relevant provisions of the securities regulatory authorities in the place where the company's Shares are listed provide otherwise in respect of the above matters, such provisions shall apply.

### DIRECTORS AND THE BOARD

#### (1) Directors

Directors shall be natural persons, and none of the following persons may serve as a director of the Company:

- (I) persons without capacity or with limited capacity for civil acts;
- (II) persons who were sentenced for crimes of corruption, bribery, encroachment or embezzlement of property or disruption of the social and economic order, where five years have not lapsed following the serving of the sentence, or persons who were deprived of their political rights for committing a crime, where five years have not lapsed following the serving of the sentence, or in case of a suspended sentence, not more than two years have elapsed since the date of expiration of the probationary period;
- (III) persons who were former Directors, factory managers or Managers of a company or enterprise which was declared bankrupt and was liquidated and who were personally liable for the bankruptcy of such company or enterprise, where less than three years have elapsed since the date of completion of the bankruptcy and liquidation of the company or enterprise;
- (IV) persons who were legal representatives of a company or enterprise, which had its business license revoked due to a violation of the law and were ordered to close down, and who were personally liable for the revocation of business license of such company or enterprise, where less than three years have elapsed since the date of the revocation of business license of such company or enterprise;
- (V) persons who have been listed by the People's Court as defaulter because they have incurred debts of a large amount that have not been settled by the due date;
- (VI) persons who are imposed by the CSRC a ban from entering into the securities market for a period which has not yet expired;
- (VII) any other circumstances specified by the laws, administrative regulations, departmental rules, listing rules of the place where the Company's shares are listed.

Elections, appointments or employment of Directors in violation of the above provisions shall be invalid. In the event that the above circumstances arise during the term of appointment of a Director, the Company shall dismiss the relevant Director.

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Directors shall be elected or replaced by the Shareholders' general meeting and may be removed from office by the Shareholders' general meeting before the expiration of their term of office. The term of office of the Directors is three years. Upon expiration of the term, the Directors may be re-elected and serve consecutive terms.

The Shareholders' general meeting may, subject to the provisions of relevant laws and administrative regulations, remove by ordinary resolution any director (including executive Director) whose term of office has not yet expired (provided that claims under any contract shall not be affected).

The term of office of Directors shall last from the date on which the Directors take office to the expiration of the term of office of the current Board. If the term of office of a Director expires but the Director fails to be reelected in time, the former Director shall, before the newly elected Director takes office, still perform the duties of the Director in accordance with the provisions of laws, regulations and the Articles of Association. Any person appointed by the Board as a Director to fill a vacancy or increase the number of members of the Board shall serve until the first annual Shareholders' general meeting of the Company after his/her appointment and shall be eligible for re-election at that time.

A Director may be the general manager or other senior officers concurrently, provided that the number of Directors who serve as the general manager or other senior officers concurrently shall not exceed one half of the number of Directors of the Company.

Directors shall fulfill the following duties of loyalty in accordance with laws, administrative regulations and the Articles of Association:

- (I) not to encroach upon the Company's property or misappropriate the Company's funds;
- (II) not to deposit the Company's assets or funds in an account opened in his/her own name or in the name of any other individual;
- (III) not to take advantage of his/her functions and powers to accept bribes or obtain other illegal income;
- (IV) not to accept and keep privately commissions on transactions with the Company;
- (V) not to disclose the secrets of the Company without authorization;
- (VI) not to enter into contracts or transactions directly or indirectly with the Company without reporting to the Board or the Shareholders' general meeting and obtaining the approval of the Board or the Shareholders' general meeting through resolution in accordance with the provisions of the Articles of Association;

The provisions of this paragraph shall apply to the conclusion of contracts or transactions with the Company by close relatives of Directors, Supervisors and senior officers, enterprises directly or indirectly controlled by Directors, Supervisors and senior officers or their close relatives, as well as connected persons with whom Directors, Supervisors and senior officers have other affiliations;

- (VII) not to take advantage of his/her position to obtain business opportunities that should belong to the Company for himself/herself or others, except in any of the following circumstances:
  - (1) It has been reported to the Board or the Shareholders' general meeting and approved by

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- a resolution of the Board or the Shareholders' general meeting in accordance with the Articles of Association; (2) According to laws, administrative regulations or the Articles of Association, the Company cannot take advantage of the business opportunity;
- (VIII) not to carry on business of the same kind as that of the Company, either on his/her own account or on behalf of others without reporting to the Board or the Shareholders' general meeting and obtaining the approval of the Board or the Shareholders' general meeting through resolution in accordance with the provisions of the Articles of Association;
- (IX) not to lend the Company's funds to others or use the Company's assets as security for others in violation of the Articles of Association and without the prior approval of the Shareholders' general meeting or the Board through resolution;
- (X) not to damage the interests of the Company by taking advantage of his/her affiliation;
- (XI) other duties of loyalty stipulated by laws, administrative regulations, and departmental rules and the Articles of Association.

The income derived by the Directors in violation of above provisions shall be returned to the Company. If losses are caused to the Company, they shall be liable for compensation.

Directors shall fulfill the following duties of diligence in accordance with laws, regulations and the Articles of Association:

- (I) to exercise the rights conferred by the Company with due discretion, care and diligence to ensure the business operations of the Company comply with the requirements of PRC laws, regulations and relevant PRC economic policies and are not beyond the business scope specified in the business license of the Company;
- (II) to be fair to all shareholders;
- (III) to timely understand the business operations and management of the Company;
- (IV) to sign a written confirmation on the Company's periodic reports to ensure that the information disclosed by the Company is true, accurate and complete;
- (V) to provide the status reports and information to the Supervisory Committee honestly, and not to hinder the Supervisory Committee or Supervisors from exercising their powers;
- (VI) other duties of diligence stipulated by laws, regulations and the Articles of Association.

If a Director fails to attend the Board meeting in person or entrust any other directors to attend the meeting on his/her behalf for two consecutive times, it shall be deemed that he/she cannot perform his/her duties, and the Board shall advise the Shareholders' general meeting to remove such Director.

A Director may resign before the expiry of his term of office. The Director who resigns shall submit to the Board a written report in relation to his/her resignation.

In the event that the resignation of any director during his term of office results in the number of members of the Board being less than the statutory minimum requirement, the said director shall continue to perform his/her duties in accordance with laws, regulations and the Articles of Association until the re-elected director assume his/her office.

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Save for the circumstances referred to in the preceding paragraph, the resignation of a director becomes effective upon submission of his/her resignation report to the Board of Directors.

An independent director may resign before the end of his term of office. If at any time the Company's independent directors do not meet the number, qualifications or independence requirements set out in the Hong Kong Listing Rules, the Company shall immediately notify the HKEX and make an announcement stating the relevant details and the reasons thereof, and shall appoint within 3 months of the non-compliance with the relevant requirements a sufficient number of independent directors to fulfill the requirements of the Hong Kong Listing Rules.

A Director shall clear all handover procedures with the Board of Directors on resignation or expiry of term of office. His/her duties of loyalty to the Company and its shareholders shall not be naturally discharged after the effective date of his/her resignation report or after the end of his/her term of office, and his/her obligation to keep the Company's trade secrets confidential shall remain in effect after the end of his/her term of office until such secrets become public information. The duration of other duties shall be determined in accordance with the principle of fairness.

If a Director violates laws and regulations or the Articles of Association while performing his/her duties and causes losses to the Company, he/she shall be liable for compensation.

Where a Director causes damage to others in the performance of his/her duties, the Company shall be liable for compensation. If the director commits intentional or gross negligence, he/she shall also be liable for compensation.

Where the controlling shareholder or actual controller of the Company instructs a director to engage in acts that are detrimental to the interests of the Company or shareholders, he/she shall be jointly and severally liable with the director.

The Company has independent non-executive directors. The independent non-executive Directors shall act in accordance with the laws, regulations, and the Articles of Association.

### **(2) The Board**

The Company shall have a Board of Directors, which is accountable to the Shareholders' general meeting.

The Board of Directors consists of 9 directors, 3 of whom shall be independent non-executive directors.

The Board of Directors shall exercise the following power:

- (I) being responsible for convening Shareholders' general meetings and presenting reports thereto;
- (II) implementing resolutions adopted by the Shareholders' general meeting;
- (III) determining the Company's operational planning and investment programs;
- (IV) formulating the profit distribution plan and loss recovery plan of the Company;
- (V) formulating plans for the increase or reduction of the registered capital of the Company;

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- (VI) formulating programs for the issuance of bonds, other securities and listing of the Company;
- (VII) formulating plans for merger, division, change of corporate form or dissolution of the Company;
- (VIII) formulating a transaction plan for the purchase or sale of significant assets by the Company that exceeds 30% of the Company's total audited assets for the most recent period;
- (IX) deciding on the establishment of internal management organizations and branches of the Company;
- (X) deciding on the appointment or removal of the general manager and the Board Secretary of the Company, appointing or dismissing senior management personnel such as the deputy general manager and the financial officer according to the nomination of the general manager; and deciding on matters of remuneration, rewards and punishments;
- (XI) formulating the basic management system of the Company;
- (XII) formulating the remuneration and incentive system of the Company;
- (XIII) formulating the amendment to the Articles of Association;
- (XIV) proposing to the Shareholders' general meeting the engagement or replacement of the accounting firm that provides audit service for the Company;
- (XV) deciding on matters of external guarantees of the Company other than those subject to consideration by the Shareholders' general meeting;
- (XVI) deciding on the establishment of subsidiaries and branches of the Company and formulating the restructuring plans for the Company's controlling subsidiaries;
- (XVII) debriefing the work report of the general manager of the Company and checking the works of the general manager;
- (XVIII) reviewing and approving connected transactions which are required to be approved by the Board in accordance with the laws, regulations, listing rules of the stock exchange where the Company's securities are listed and the Articles of Association;
- (XIX) other powers granted by the Articles of Association or the Shareholders' general meeting;
- (XX) other matters specified by laws, regulations, and the listing rules of the stock exchange where the Company's shares are listed.

There are special committees under the Board, such as the Audit Committee, Strategy Committee, Nomination Committee, Remuneration and Appraisal Committee. The special committees shall be accountable to the Board of Directors and shall perform their duties in accordance with the Articles of Association and the authorization of the Board of Directors. Their proposals shall be submitted to the Board of Directors for deliberation and decision. All special committees are comprised of Directors. The majority of members of the Audit Committee, the Nomination Committee, and the Remuneration and Appraisal Committee shall be independent non-executive Directors, who shall also be the conveners, provided that the convener of the Audit Committee shall be an accounting

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professional. The Board of Directors shall be responsible for formulating the working rules of the special committees and regulating their operation.

Matters beyond the scope authorized by the Shareholders' general meeting shall be submitted to the Shareholders' general meeting for consideration.

The Board of the Company shall make explanations to the Shareholders' general meeting on the qualified auditing opinions issued by the certified public accountants on the Company's financial reports.

The Board of Directors shall formulate the rules of procedures for the Board of Directors, so as to ensure that the Board of Directors duly implements the resolutions of the Shareholders' general meeting, and works more efficiently to make reasonable decisions.

The convening and voting procedures of the Board meeting shall be specified in the rules of procedure of the Board as an attachment of the Articles of Association, which shall be formulated by the Board and approved by the Shareholders' general meeting.

The Board of Directors shall determine the permissions for outbound investment, acquisition and disposal of assets, asset mortgages, external guarantees, entrusted wealth management and connected transactions, and set up strict inspection and decision-making procedures. For important investment projects, the Board of Directors shall organize relevant experts and professionals to review and report to the Shareholders' general meeting for approval.

The Board of Directors shall have one chairman and no vice chairman. The chairman of the Board of Directors shall be elected and removed by more than half of all the Directors. The chairman has a tenure of three years and can be reelected upon the expiry of the tenure.

The Chairman of the Board of Directors shall exercise the following power:

- (I) to convene and preside over the Shareholders' general meeting, and to preside over the Board meeting;
- (II) to procure and examine the implementation of resolutions of the board of directors;
- (III) to sign share certificates, corporate bonds and others securities issued by the Company;
- (IV) to sign the important documents of the Board and other documents required to be signed by the legal representative of the Company;
- (V) to exercise the functions and powers of the legal representative;
- (VI) to exercise special right of disposal of the Company's affairs that conform to laws as well as the Company's interests in case of emergency arising from force majeure such as catastrophic natural disasters, and report to the Board of Directors and the Shareholders' general meeting in a timely manner afterwards;
- (VII) other functions and powers granted by the Board.

If the Chairman of the Board of Directors is unable or fails to perform his/her duties, a director shall be elected jointly by more than half of the directors to perform such duties.

Board Meetings include regular meetings and extraordinary ones. Regular meetings shall be held at least 4 times every year, once per quarter.



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Shareholders representing more than one-tenth of the voting rights, and more than one-third of the directors or the Supervisory Committee may propose an extraordinary Board meeting. The Chairman of the Board shall convene and preside over a Board meeting within ten days after receiving the proposal.

The board of directors shall give a written notice 14 days in advance of convening a regular board meeting, and 5 days in advance of convening an extraordinary Board meeting.

The above notice period may be waived by the Board depending on the specific situations. The meeting notice shall be deemed to have been given to the Directors who are present at the meeting and do not raise an objection that they have not received the notice of the meeting before or at the meeting.

The notice of the Board meeting shall contain the following contents:

- (I) date and venue of the meeting;
- (II) duration of the meeting;
- (III) reason for convening the meeting and agenda thereof;
- (IV) the date on which the notice is sent.

A Board meeting shall not be held unless more than half of the Directors are present. A resolution made by the Board shall be approved by more than half of all the Directors.

In the voting process, one director shall represent one vote.

Board meetings may be held on the spot, by written transmission or by other means approved by all the directors. Where the board meeting takes the form of an on-site meeting, telephone, video and other means may be used to facilitate the directors' participation in the board meeting. If a director attends a board meeting by telephone, video or other means, he/she shall be deemed to have attended an on-site meeting.

If a substantial shareholder (for the purpose of this section only, substantial shareholders refer to shareholders who individually or jointly hold more than 10% of total voting shares of the Company) or a director has a conflict of interest considered significant by the Board in matters to be considered by the Board, the matter shall be dealt with in the form of board meeting (rather than a written resolution). Independent Non-executive Directors who, and whose close associates (as defined in the Hong Kong Listing Rules), have no material interest in the transaction, shall be present at such a Board meeting.

Voting of Board Meeting shall proceed by the following methods: voting by a show of hands or voting by poll.

Under the premise of ensuring that the directors fully express their opinions, the extraordinary meeting of the Board may be conducted by means of communication and a resolution may be made, which shall be signed by the participating directors.

Directors shall attend the Board meetings in person. In the event a Director is unable to attend a Board meeting in person for any reason, he/she may appoint in writing another Director to attend the meeting on his/her behalf. The power of attorney shall contain the name of proxy, subject matters of

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representation, the scope of the authorization and validity period, and be signed or sealed by the principal. The appointed director attending the meeting shall only exercise the rights within the scope of authorization. A Director failing to attend the Board meeting in person or by proxy shall be deemed as having waived his/her voting rights at such meeting.

The board of directors shall prepare minutes regarding the decisions on matters considered at the meeting, which shall be signed by the directors attending the meeting.

The minutes of Board meetings shall be kept in corporate archives for a period of no less than ten years.

The minutes of the Board meeting shall include the following:

- (I) the date and venue of the meeting and the name of the convener;
- (II) names of the Directors present and the Directors (proxies) appointed by others to attend the Board meeting;
- (III) agenda of the meeting;
- (IV) main points made by the Directors;
- (V) voting method and results of each item (the voting results shall indicate the number of votes approved, opposed or abstained).

### SECRETARY TO THE BOARD

The Company shall have a board secretary, who, as a senior officer of the Company, shall be appointed by the board, and be accountable to the board. The secretary to the Board shall be a natural person with the necessary professional knowledge and experience.

The Secretary to the Board mainly performs the following responsibilities:

- (I) to ensure that the Company has complete organizational documents and records;
- (II) to ensure that the Company prepares and submits reports and documents required by competent authorities according to law;
- (III) to prepare board meetings and Shareholders' general meetings, and to be responsible for the maintenance of the minutes, documents and records of the meetings;
- (IV) to ensure that the Company's register of shareholders is properly established and that persons entitled to relevant records and documents of the Company can obtain such records and documents in a timely manner;
- (V) to handle affairs related to information disclosure;
- (VI) other responsibilities as specified by the applicable laws, regulations, rules, listing rules of the stock exchanges, other provisions and the Articles of Association.

The board secretary shall comply with the relevant provisions of laws, regulations, and the Articles of Association.

The Directors or other Senior Officers of the Company may concurrently serve as the Board Secretary. The accountants of the accounting firm engaged by the company shall not act concurrently as the Secretary to the Board.

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**APPENDIX V****SUMMARY OF THE ARTICLES OF ASSOCIATION**

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**GENERAL MANAGER**

The Company shall have a general manager who shall be appointed or removed by the Board.

The general manager shall serve a term of office of three years, and can be re-elected upon expiration of his/her term of office.

The general manager shall be accountable to the Board and exercise the following powers and functions:

- (I) to be in charge of the Company's production, operation and management, organize the implementation of resolutions of the Board of Directors, and report to the Board of Directors;
- (II) to formulate the Company's annual business plan and investment plan, and submit them to the Board for consideration and approval, and to organize the implementation of the Company's annual business plan and investment plan;
- (III) to be responsible for convening and chairing the General Manager's Office meeting;
- (IV) to prepare the proposal for the internal management organization setting scheme of the Company;
- (V) to prepare the proposal for the basic management system of the Company;
- (VI) to formulate the specific rules of the Company;
- (VII) to propose to the Board the appointment or dismissal of other senior officers of the Company;
- (VIII) to decide to employ and dismiss the responsible management personnel other than those to be employed and dismissed by the Board of Directors;
- (IX) to propose to convene an extraordinary board meeting;
- (X) other powers granted by the Articles of Association or the Board.

The general manager shall attend meetings of the Board.

The general manager may resign before the end of his/her tenure. The specific procedures and methods for the resignation of the general manager shall be stipulated in the employment contract between the general manager and the Company.

**SUPERVISORY COMMITTEE**

The company shall have a Supervisory Committee. The Supervisory Committee shall be composed of 3 supervisors, who shall be the representatives of the shareholders and the representatives of the employees. Among them, 2 supervisors shall be the representatives of the shareholders and shall be elected by the Shareholders' general meeting; 1 supervisor shall be the employee representative, who shall be democratically elected or replaced by the employees of the Company.

The Supervisory Committee shall have a chairman, who shall be elected or removed by more than half of all the supervisors.

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**APPENDIX V**

**SUMMARY OF THE ARTICLES OF ASSOCIATION**

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The meetings of the Supervisory Committee shall be convened and presided over by the chairman of Supervisory Committee. In the event that the chairman is unable or fails to perform his duties, the meeting shall be convened and presided over by a supervisor jointly elected by more than half of all the supervisors.

The Supervisory Committee shall be accountable to the Shareholders' general meeting, report to the general meeting and exercise the following functions and powers:

- (I) to review the periodical reports of the Company prepared by the Board of Directors and propose written review opinions thereon;
- (II) to check the finance of the Company;
- (III) to supervise the Directors and senior officers in the performance of their duties and to propose the dismissal of Directors or senior officers who violate laws, regulations or the Articles of Association or resolutions of the Shareholders' general meeting;
- (IV) to urge the Director or senior officers to correct his/her act that is detrimental to the Company's interests;
- (V) to propose the holding of extraordinary Shareholders' general meeting and, in the event that the Board of Directors fails to perform its duty of convening and presiding over a Shareholders' general meeting, to convene and preside over such a meeting in accordance with the Company Law;
- (VI) to submit proposals to the Shareholders' general meeting;
- (VII) to raise litigation against any Director or senior officer according to the Company Law;
- (VIII) to conduct investigation if there are any unusual circumstances in the Company's operations; and if necessary, to engage a law firm, accounting firm or other professional institutions to assist in their work at the expense of the Company;
- (IX) other functions and powers granted by laws, regulations or the Articles of Association.

The Supervisory Committee shall convene a meeting at least every six months. The supervisors can propose to convene extraordinary meetings of Supervisory Committee.

If the Company holds a meeting of the Supervisory Committee, it shall notify all the supervisors in writing 10 days before the meeting is held.

The notice of a meeting of Supervisory Committee shall contain the following contents:

- (I) date, place and duration for convening the meeting;
- (II) reason for convening the meeting and agenda thereof;
- (III) date of issuing the notice.

The above notice period may be waived by the Supervisory Committee depending on the specific situations. The meeting notice shall be deemed to have been given to the Supervisors who are present at the meeting and do not raise an objection that they have not received the notice of the meeting before or at the meeting.

In the voting process for resolutions of Supervisory Committee, one Supervisor shall represent one vote.

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**APPENDIX V****SUMMARY OF THE ARTICLES OF ASSOCIATION**

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A resolution made by the Supervisory Committee shall be approved by more than half of all the Supervisors.

Voting on resolutions of Meeting of Supervisory Committee shall proceed by the following methods: voting by a show of hands or voting by poll.

Under the premise of ensuring the full expression of opinions by the supervisors, the extraordinary meeting of the Supervisory Committee may be conducted by fax or other means approved by the Supervisory Committee and a resolution shall be made, which shall be signed by the supervisors attending the meeting.

The Supervisory Committee shall formulate a set of rules for the Supervisory Committee to specify the rules of procedures and voting procedures of the Supervisory Committee in order to ensure the efficiency and scientific decision making.

The rules of procedures of the Supervisory Committee shall be prepared by the Supervisory Committee, approved at the Shareholders' general meeting, and attached to the Articles of Association as an attachment.

The Supervisory Committee shall record the decisions on matters discussed in the minutes, supervisors who attend the meeting shall sign the minutes of the meeting.

The supervisor is entitled to request for some descriptive record to be made with regard to his/her speech in the meeting. The minutes of meetings of Supervisory Committee shall be kept in corporate archives for a period of no less than 10 years.

Supervisors shall attend meetings of Supervisory Committee in person. If a supervisor is unable to attend the meeting, he/she may appoint another supervisor by a written power of attorney to attend on his/her behalf. The supervisor who attends the meeting on behalf of another supervisor shall exercise the rights of supervisors within the authority. A supervisor failing to attend the meeting of Supervisory Committee in person or by proxy shall be deemed as having waived his/her voting rights at such meeting.

**FINANCIAL ACCOUNTING SYSTEM**

The Company shall formulate its own financial and accounting systems in accordance with laws, regulations, and rules of the relevant authorities of the state.

The Company adopts the calendar year as its fiscal year, i.e. from January 1 to December 31. The Company shall, from the end of each fiscal year, prepare the annual financial report in a timely manner in accordance with the requirements of relevant laws, regulations and the regulatory rules of the place where its shares are listed.

The Company shall have no other accounting books except the statutory accounting books. The Company's assets shall not be deposited in an account maintained in the name of any individual.

When the Company distributes the after-tax profits of the current year, it shall allocate 10% of the profits into the statutory surplus reserve. When the cumulated amount of the statutory surplus reserve of the Company has reached 50% or more of its registered capital, no further allocations is required.

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**APPENDIX V**

**SUMMARY OF THE ARTICLES OF ASSOCIATION**

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Where the statutory surplus reserve of the Company is not sufficient to recover its losses in the previous years, the profits of the current year shall be used to cover the loss before the withdrawing of the statutory surplus reserve in accordance with the above provisions.

After the Company has withdrawn the statutory surplus reserve from the after-tax profit, it can also withdraw the arbitrary surplus reserve from the after-tax profit by a resolution of the Shareholders' general meeting.

After the Company has covered its losses and withdrawn its reserves, the remaining profits of the Company shall be distributed in proportion to the shareholdings of its shareholders, unless the Articles of Association provide that distributions are to be made otherwise than proportionally.

If the Shareholders' general meeting distributes profits to shareholders in violation of the provisions of the preceding paragraph and before the Company covers the losses and withdraws statutory surplus reserve, the shareholders shall return the profits distributed in violation of the provisions to the Company. If any loss is caused to the Company, the shareholders and the responsible directors, supervisors and senior officers shall be liable for compensation.

No profits shall be distributed in respect of the Company's Shares held by the Company.

The reserve fund of the Company shall be used to cover the Company's losses, expand its production and operation or to increase its registered capital.

To make up for the Company's losses, the Company shall first use the arbitrary surplus reserve and statutory surplus reserve; if they are insufficient, the capital reserve can be used in accordance with the regulations.

When the statutory reserve fund is converted into registered capital, the remaining statutory reserve fund shall be no less than 25% of the registered capital of the Company before the capital increase.

When a resolution is made by Shareholders' general meeting on the profit distribution scheme, the Board shall complete the dividend (or share) distribution in 2 months after the general meeting. The Company shall distribute dividend in the form of cash or shares.

After the Company pays the income tax, the profit after making up for the loss of the previous year shall be distributed in the following order:

- (I) withdrawal of statutory surplus reserve;
- (II) withdrawal of arbitrary surplus reserve based on the resolution of the Shareholders' general meeting;
- (III) distribution of dividends to shareholders based on the resolution of the Shareholders' general meeting.

The Company shall appoint collection agents for shareholders of overseas listed foreign shares. The collection agent shall receive on behalf of the Shareholders concerned the dividends and other payables by the Company in respect of the overseas listed foreign shares and shall hold such amounts on behalf of the Shareholders pending payment to such shareholders.

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**APPENDIX V****SUMMARY OF THE ARTICLES OF ASSOCIATION**

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The collection agents appointed by the Company shall meet the provisions of the laws of the listing place, or the relevant regulations of the stock exchange where the Company's shares are listed.

**DISSOLUTION AND LIQUIDATION OF THE COMPANY**

The Company shall be dissolved if:

- (I) business term specified in the Articles of Association expires or other dissolution reasons as stipulated in the Articles of Association arise;
- (II) a resolution on dissolution is passed by the Shareholders' general meeting;
- (III) dissolution is necessary due to a merger or division of the Company;
- (IV) the business license of the Company is revoked, or the Company is ordered to close down, or it is canceled, according to law;
- (V) where the Company's operations and management encounter serious difficulty, and its continuation will cause substantial loss to the interests of the shareholders and no solution can be found through any other channel, shareholders holding 10% or more of the total voting rights of the Company may make requisition to the people's court to dissolve the Company.

If the Company has the reasons for dissolution specified in the preceding paragraph, it shall publicize the reasons for dissolution through the national enterprise credit information publicity system within 10 days.

If the Company is in the situations of the above items (I) or (II) and has not yet distributed its property to its shareholders, it may survive by amending the Articles of Association or by a resolution of the Shareholders' general meeting.

Amendments to the Articles of Association or resolutions of general meeting made in accordance with the provisions of the preceding paragraph shall be approved by more than two-thirds of the voting rights held by the shareholders attending the general meeting.

If the Company is dissolved under items (I), (II), (IV) or (V) above, a liquidation committee shall be set up, which shall start liquidation within 15 days from the date of occurrence of the cause for dissolution. The members of such liquidation committee shall be determined by the Directors or the Shareholders' general meeting.

If the liquidation obligor fails to perform the liquidation obligation in time and causes losses to the Company or the creditors, it shall be liable for compensation.

If the Company shall be liquidated in accordance with the provisions of the first paragraph above, and the liquidation committee is not established within the prescribed period, the interested party may request the people's court to appoint the relevant personnel to establish such committee to carry out the liquidation. The people's court shall accept the application and shall, in a timely manner, organize a liquidation committee to conduct liquidation.

Where the Company is dissolved due to the provisions of item (IV) above, the department or company registration authority that has made the decision of revoking its business license, ordering

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**APPENDIX V****SUMMARY OF THE ARTICLES OF ASSOCIATION**

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closure or cancellation may apply to the people's court to appoint the relevant personnel to form a liquidation committee to carry out the liquidation.

The liquidation committee shall exercise the following functions and power during liquidation:

- (I) to thoroughly examine the assets of the Company and prepare a balance sheet and a schedule of assets respectively;
- (II) to notify creditors by notice or public announcements;
- (III) to dispose of and liquidate any unfinished businesses of the Company;
- (IV) to pay the outstanding taxes and the taxes incurred during the liquidation process;
- (V) to settle claims and debts;
- (VI) to distribute the remaining assets after full payment of the Company's debts;
- (VII) to represent the Company in any civil proceedings.

The liquidation committee shall notify the creditors within 10 days since the date it is established, publish the relevant announcements in the newspaper or the national enterprise credit information publicity system within 60 days. The creditors may declare their claims to the liquidation committee within 30 days from the date they receive such notice or within 45 days from the date of announcement if no such notice is received.

When declaring the claims, the creditors shall specify the relevant matters about the claims and provide evidences. The liquidation committee shall register such claims.

During the period of declaration of claims, the liquidation committee shall not repay any debts to the creditors.

After the liquidation committee has thoroughly examined the Company's assets and prepared a balance sheet and schedule of assets, it shall formulate a liquidation plan and submit such plan to the Shareholders' general meeting or the people's court for confirmation.

The remaining property of the Company after paying the liquidation expenses, wages owed to employees of the Company, labor insurance fees and statutory compensation, outstanding taxes and debts of the Company shall be distributed in proportion to the number of shares held by shareholders.

During the liquidation period, the Company still exists but shall not carry out any business activities not related to liquidation.

The property of the Company shall not be distributed to shareholders until all liabilities have been paid off in accordance with the provisions of the preceding paragraph.

If the liquidation committee, having thoroughly examined the Company's property and prepared a balance sheet and schedule of assets, discovers that the Company's property is insufficient to pay its debts in full, it shall immediately apply to the People's Court for bankruptcy liquidation.

After the people's court accepts the bankruptcy application, the liquidation committee shall hand over the liquidation affairs to the bankruptcy administrator appointed by the people's court.



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**APPENDIX V****SUMMARY OF THE ARTICLES OF ASSOCIATION**

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After the liquidation of a company is completed, the liquidation committee shall prepare a liquidation report and submit the report to the Shareholders' general meeting or the people's court for confirmation, and shall submit it to the company registration authority to apply for cancellation of the registration of the company.

The liquidation committee shall perform the duties of liquidation and shall have obligations of loyalty and diligence.

Members of the liquidation committee shall not take advantage of his/her authority to accept bribes or other illegal income, and shall not misappropriate the property of the Company.

Where a member of the liquidation committee causes losses to the Company due to his/her failure in performing the liquidation duties, he/she shall be liable for compensation; where losses are caused to the creditors due to intent or gross negligence, he/she shall be liable for compensation.

If the Company has not incurred any debts during its existence or has paid off all its debts, it may, upon the commitment of all the shareholders, log out of the company register through simple procedures in accordance with regulations.

If the Company logs out of the company register through simple procedures, it shall be announced through the national enterprise credit information publicity system, and the announcement period shall not be less than 20 days. If there is no objection upon the expiration of the period of announcement, the Company may apply to the company registration authority for cancellation of the company registration within 20 days.

Where the Company logs out of the company register through simple procedures and the shareholders make an untruthful commitment to the contents stipulated in the first paragraph above, they shall bear joint and several liability for the debts incurred before the cancellation of registration.

Where the Company is revoked of its business license, ordered to close down or canceled, and fails to apply to the company registration authority for cancellation of company registration within three years, the company registration authority may make a public announcement through the national enterprise credit information publicity system, and the announcement period shall not be less than 60 days. If there is no objection upon the expiration of the period of announcement, the company registration authority may cancel the registration of the Company.

Where the registration of the Company is canceled in accordance with the provisions of the preceding paragraph, the liability of the original shareholders and liquidation obligors of the Company shall not be affected.

If the Company is declared bankrupt, the bankruptcy liquidation shall be implemented in accordance with the laws on enterprise bankruptcy.

**AMENDMENT OF THE ARTICLES OF ASSOCIATION**

The Company shall amend the Articles of Association under any of the following circumstances:

- (I) after the amendment of the Company Law or relevant laws, regulations, or the regulatory rules of the place where the Company's share are listed, the matters stipulated in the

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**APPENDIX V**

**SUMMARY OF THE ARTICLES OF ASSOCIATION**

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Articles of Association conflict with the provisions of the amended laws, regulations or regulatory rules of the place where the Company's shares are listed;

- (II) there has been a change to the Company, resulting in inconsistency with the contents in the Articles of Association;
- (III) the Shareholders' general meeting decides to amend the Articles of Association.

The amendment to the Articles of Association approved by way of resolution at the Shareholders' general meeting shall be submitted to the relevant authorities for approval (if necessary). Where the Company's registered items are involved, change registration shall be made according to law.

The Board shall amend the Articles of Association in accordance with the resolutions of the Shareholders' general meeting and the approval opinions of relevant authorities.

If the amendments to the Articles of Association are required to be disclosed under laws and regulations, they shall be announced in accordance with the regulations.

## APPENDIX VI

## STATUTORY AND GENERAL INFORMATION

### 1. FURTHER INFORMATION ABOUT OUR GROUP

#### A. Incorporation

Our Company was established in the PRC on February 16, 2015 with limited liability.

Our registered office is located at Room 301, 3/F, Building No.1, 19, Shangdi Xinxu Road, Haidian District, Beijing, China. We were registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on August 29, 2024, and our principal place of business in Hong Kong is at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. Ms. Chu Cheuk Ting (朱卓婷) has been appointed as the authorised representative of our Company for the acceptance of service of process and notices in Hong Kong under Part 16 of the Companies Ordinance. The address for service of process on our Company in Hong Kong is the same as our principal place of business in Hong Kong as set out above.

As our Company was established in China, its operations are subject to the relevant laws and regulations of China. A summary of the relevant aspects of laws and regulations of China and the Articles of Association is set out in Appendices IV and V to this document, respectively.

#### B. Changes in Share Capital of Our Company

The registered capital of our Company increased from RMB365,000,000 to RMB382,380,952 on August 15, 2024.

Saved as disclosed above, there has been no alteration in our share capital within two years immediately preceding the date of this document.

#### C. Further Information about Our Principal Subsidiaries

The list of our principal subsidiaries as of the Latest Practicable Date is set out in the Accountants' Report in Appendix I to this document.

Save as disclosed below, no alteration in the registered capital of our major subsidiaries has taken place within the two years preceding the date of this document:

##### *Beijing 51Sim Technology Co., Ltd. (萬物鏡像 (北京) 計算機系統有限公司)*

On November 17, 2023, the registered share capital of Beijing 51Sim Technology Co., Ltd. increased from RMB10,000,000 to RMB11,364,286.

##### *51WORLD High Technology (HK) Co., Limited*

On April 25, 2024, the registered share capital of 51WORLD High Technology (HK) Co., Limited increased from HK\$10,000,001 to HK\$30,000,001.

#### D. Resolutions Passed by Shareholders' General Meeting of Our Company in Relation to the [REDACTED]

Pursuant to the Shareholders' meeting held on August 9, 2024, the following resolutions, among others, were duly passed:

- the issue by our Company of H Shares with a nominal value of RMB1.00 each and such H Shares be [REDACTED] on the Hong Kong Stock Exchange;

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## STATUTORY AND GENERAL INFORMATION

- the number of H Shares to be issued before the exercise of the [REDACTED] shall not exceed 25% of the enlarged share capital of our Company upon completion of the [REDACTED] and granting the [REDACTED] the [REDACTED] of no more than 15% of the above number of H Shares to be issued;
- subject to the completion of the [REDACTED], the conditional adoption of the Articles of Association, which shall become effective on [REDACTED]; and
- authorization of the Board and its authorized person to handle relevant matters relating to, among other things, the [REDACTED], the issue and [REDACTED] of the H Shares.

### 2. FURTHER INFORMATION ABOUT OUR BUSINESS

#### A. Summary of Our Material Contracts

The following are contracts (not being contracts entered into in the ordinary course of business) entered into by any member of our Group within the two years immediately preceding the date of this document that are or may be material:

- the investment agreement dated June 28, 2024 entered into by and among Nanning Qianchuang, Mr. Li and the Company, pursuant to which Nanning Qianchuang agreed to subscribe for 17,380,952 Shares at a consideration of RMB200,000,000;
- the pre-purchase contract (標的物業預購合同) dated November 22, 2024 entered into between First Moma Commercial Operation Management (Beijing) Co., Ltd.\* (第一摩碼商業運營管理(北京)有限公司) and Mirrorverse Asset Management (Beijing) Co., Ltd. (萬物鏡像資產管理(北京)有限公司), pursuant to which Mirrorverse Asset Management (Beijing) Co., Ltd. (萬物鏡像資產管理(北京)有限公司) agreed to purchase a property located in Dongcheng District, Beijing, the PRC at a consideration of RMB60,000,000;
- the [REDACTED]; and
- the [REDACTED].



#### B. Our Material Intellectual Property Rights

Save as disclosed below, as of the Latest Practicable Date, there were no other intellectual property rights which are or may be material in relation to our business.

##### (a) Trademarks













###### (i) Registered Trademarks

As of the Latest Practicable Date, our Group had registered or has been authorised to use the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Registered Number	Class	Registered Owner	Place of Registration	Registration Date	Expiry Date
1.		22266876	9	51WORLD	Beijing	March 28, 2018	March 27, 2028
2.		22266892	9	51WORLD	Beijing	March 28, 2018	March 27, 2028

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No.	Trademark	Registered Number	Class	Registered Owner	Place of Registration	Registration Date	Expiry Date
3.		22267342	28	51WORLD	Beijing	January 28, 2018	January 27, 2028
4.		22267533	12	51WORLD	Beijing	January 28, 2018	January 27, 2028
5.		22267611	12	51WORLD	Beijing	January 28, 2018	January 27, 2028
6.		22268263	37	51WORLD	Beijing	January 28, 2018	January 27, 2028
7.		22268307	37	51WORLD	Beijing	January 28, 2018	January 27, 2028
8.		22268313	35	51WORLD	Beijing	March 27, 2028	March 27, 2028
9.		22268410	35	51WORLD	Beijing	February 28, 2018	February 27, 2028
10.		22268493	38	51WORLD	Beijing	January 28, 2018	January 27, 2028
11.		22268636	38	51WORLD	Beijing	January 28, 2018	January 27, 2028
12.		22269313	39	51WORLD	Beijing	March 28, 2018	March 27, 2028
13.		22269335	39	51WORLD	Beijing	March 28, 2018	March 27, 2028
14.		22269525	41	51WORLD	Beijing	January 28, 2019	January 27, 2029
15.	51WORLD	26298853	37	51WORLD	Beijing	April 28, 2019	April 27, 2029
16.	Earth Clone	38512818	9	51WORLD	Beijing	January 28, 2020	January 27, 2030
17.	Earth Clone	38516177	38	51WORLD	Beijing	January 28, 2020	January 27, 2030
18.	镜像世界	38519802	42	51WORLD	Beijing	April 14, 2020	April 13, 2030
19.	镜像世界	38526187	9	51WORLD	Beijing	January 28, 2021	January 27, 2031
20.	Earth Clone	38526210	41	51WORLD	Beijing	February 7, 2020	February 6, 2030
21.	Earth Clone	38526212	42	51WORLD	Beijing	February 7, 2020	February 6, 2030
22.	地球克隆	38527469	9	51WORLD	Beijing	January 28, 2020	January 27, 2030
23.	地球克隆	38527475	41	51WORLD	Beijing	February 7, 2020	February 6, 2030
24.	地球克隆	38532255	42	51WORLD	Beijing	February 7, 2020	February 6, 2030
25.	Earth Replica	38536953	42	51WORLD	Beijing	February 7, 2020	February 6, 2030
26.	地球克隆	38540124	38	51WORLD	Beijing	February 7, 2020	February 6, 2030
27.	全要素场景	46095810	41	51WORLD	Beijing	April 14, 2021	April 13, 2031
28.	全要素场景	46095818	42	51WORLD	Beijing	May 7, 2021	May 6, 2031

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No.	Trademark	Registered Number	Class	Registered Owner	Place of Registration	Registration Date	Expiry Date
29.	 All Element Scenario-AES	46101756	35	51WORLD	Beijing	January 28, 2021	January 27, 2031
30.	 AES	46113798	41	51WORLD	Beijing	April 28, 2021	April 27, 2031
31.	 All Element Scenario-AES	46118513	9	51WORLD	Beijing	January 28, 2021	January 27, 2031
32.	 All Element Scenario-AES	46125056	38	51WORLD	Beijing	January 28, 2021	January 27, 2031
33.	 All Element Scenario-AES	46125971	41	51WORLD	Beijing	January 28, 2021	January 27, 2031
34.	 All Element Scenario-AES	46131731	42	51WORLD	Beijing	January 28, 2021	January 27, 2031
35.	Earth Clone	46139032	35	51WORLD	Beijing	January 7, 2021	January 6, 2031
36.	地球克隆	46142356	35	51WORLD	Beijing	February 14, 2021	February 13, 2031
37.	 51WORLD	47895979	38	51WORLD	Beijing	April 7, 2022	April 6, 2032
38.	51WORLD	47921606	38	51WORLD	Beijing	April 7, 2022	April 6, 2032
39.	 Super API Powered by 51WORLD	48089825	38	51WORLD	Beijing	April 7, 2021	April 6, 2031
40.	 Super API Powered by 51WORLD	48089850	41	51WORLD	Beijing	December 14, 2021	December 13, 2031
41.	 WDT Powered by 51WORLD	48090739	9	51WORLD	Beijing	October 7, 2021	October 6, 2031
42.	 Super API Powered by 51WORLD	48095469	9	51WORLD	Beijing	January 7, 2022	January 6, 2032
43.	 WDT Powered by 51WORLD	48105137A	42	51WORLD	Beijing	April 28, 2021	April 27, 2031
44.	 WDT Powered by 51WORLD	48105518A	41	51WORLD	Beijing	April 7, 2021	April 6, 2031
45.	 Super API Powered by 51WORLD	48122777	42	51WORLD	Beijing	May 21, 2022	May 20, 2032
46.	 AES 全要素系统	48556255	42	51WORLD	Beijing	September 21, 2021	September 20, 2031
47.	 AES 全要素系统	48574930	41	51WORLD	Beijing	October 7, 2021	October 6, 2031
48.	 51WORLD	48937836	38	51WORLD	Beijing	March 14, 2022	March 13, 2032
49.	SIMWORLD	49849905	38	51WORLD	Beijing	April 21, 2021	April 20, 2031
50.	SIMWORLD	49849981	42	51WORLD	Beijing	April 21, 2021	April 20, 2031
51.	 51City-Operating System	49855125	42	51WORLD	Beijing	December 28, 2021	December 27, 2031
52.	 51City-Operating System	49856608	41	51WORLD	Beijing	December 28, 2021	December 27, 2031
53.	SIMWORLD	49869232	41	51WORLD	Beijing	December 28, 2021	December 27, 2031
54.	SIMWORLD	49876842	9	51WORLD	Beijing	December 28, 2021	December 27, 2031
55.	 DST Powered by 51WORLD	50560592	41	51WORLD	Beijing	November 7, 2022	November 6, 2032
56.	 DST Powered by 51WORLD	50572798	9	51WORLD	Beijing	December 21, 2021	December 20, 2031
57.	 AES	50578619	41	51WORLD	Beijing	October 14, 2021	October 13, 2031
58.	 WDP Powered by 51WORLD	50993344	9	51WORLD	Beijing	September 14, 2021	September 13, 2031
59.	 WDP Powered by 51WORLD	50995067	38	51WORLD	Beijing	July 21, 2021	July 20, 2031
60.	 EQP POWERED BY 51WORLD	51976518	38	51WORLD	Beijing	June 14, 2022	June 13, 2032
61.	 EQP POWERED BY 51WORLD	51990977	9	51WORLD	Beijing	May 21, 2022	May 20, 2032
62.	 EQP POWERED BY 51WORLD	52022293	41	51WORLD	Beijing	June 14, 2022	June 13, 2032
63.	五一视界	52116679	41	51WORLD	Beijing	October 7, 2021	October 6, 2031
64.	五一视界	52969269	45	51WORLD	Beijing	August 28, 2021	August 27, 2031













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**STATUTORY AND GENERAL INFORMATION**

<u>No.</u>	<u>Trademark</u>	<u>Registered Number</u>	<u>Class</u>	<u>Registered Owner</u>	<u>Place of Registration</u>	<u>Registration Date</u>	<u>Expiry Date</u>
65.	五一视界	52969949	14	51WORLD	Beijing	October 21, 2021	October 20, 2031
66.	五一视界	52969949	16	51WORLD	Beijing	October 21, 2021	October 20, 2031
67.	五一视界	52969949	15	51WORLD	Beijing	October 21, 2021	October 20, 2031
68.	五一视界	52970628	26	51WORLD	Beijing	October 21, 2021	October 20, 2031
69.	五一视界	52970628	29	51WORLD	Beijing	October 21, 2021	October 20, 2031
70.	五一视界	52970628	27	51WORLD	Beijing	October 21, 2021	October 20, 2031
71.	五一视界	52970628	28	51WORLD	Beijing	October 21, 2021	October 20, 2031
72.	五一视界	52975650	32	51WORLD	Beijing	August 28, 2021	August 27, 2031
73.	五一视界	52975650	31	51WORLD	Beijing	August 28, 2021	August 27, 2031
74.	五一视界	52975650	33	51WORLD	Beijing	August 28, 2021	August 27, 2031
75.	五一视界	52975650	30	51WORLD	Beijing	August 28, 2021	August 27, 2031
76.	五一视界	52975650	34	51WORLD	Beijing	August 28, 2021	August 27, 2031
77.	五一视界	52980937	18	51WORLD	Beijing	August 21, 2021	August 20, 2031
78.	五一视界	52980937	17	51WORLD	Beijing	August 21, 2021	August 20, 2031
79.	五一视界	52983157	37	51WORLD	Beijing	August 28, 2021	August 27, 2031
80.	五一视界	52983157	36	51WORLD	Beijing	August 28, 2021	August 27, 2031
81.	五一视界	52983157	39	51WORLD	Beijing	August 28, 2021	August 27, 2031
82.	五一视界	52984531	8	51WORLD	Beijing	November 7, 2022	October 27, 2031
83.	五一视界	52984531	6	51WORLD	Beijing	November 7, 2022	October 27, 2031
84.	五一视界	52989084	20	51WORLD	Beijing	August 21, 2021	August 20, 2031
85.	五一视界	52989084	21	51WORLD	Beijing	August 21, 2021	August 20, 2031
86.	五一视界	52989084	19	51WORLD	Beijing	August 21, 2021	August 20, 2031
87.	五一视界	52989389	10	51WORLD	Beijing	August 21, 2021	August 20, 2031
88.	五一视界	52989389	13	51WORLD	Beijing	August 21, 2021	August 20, 2031
89.	五一视界	52989389	11	51WORLD	Beijing	August 21, 2021	August 20, 2031
90.	五一视界	52989865	1	51WORLD	Beijing	October 28, 2021	October 27, 2031
91.	五一视界	52989865	3	51WORLD	Beijing	October 28, 2021	October 27, 2031
92.	五一视界	52989865	4	51WORLD	Beijing	October 28, 2021	October 27, 2031
93.	五一视界	52989865	5	51WORLD	Beijing	October 28, 2021	October 27, 2031
94.	五一视界	52996574	43	51WORLD	Beijing	October 7, 2021	October 6, 2031
95.	五一视界	52996574	44	51WORLD	Beijing	October 7, 2021	October 6, 2031
96.	五一视界	52996574	40	51WORLD	Beijing	October 7, 2021	October 6, 2031
97.	五一视界	52999643	23	51WORLD	Beijing	August 21, 2021	August 20, 2031
98.	五一视界	52999643	22	51WORLD	Beijing	August 21, 2021	August 20, 2031
99.	五一视界	52999643	25	51WORLD	Beijing	August 21, 2021	August 20, 2031
100.	五一视界	52999643	24	51WORLD	Beijing	August 21, 2021	August 20, 2031

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No.	Trademark	Registered Number	Class	Registered Owner	Place of Registration	Registration Date	Expiry Date
101.		55217738	38	51WORLD	Beijing	November 14, 2021	November 13, 2031
102.		55221054	35	51WORLD	Beijing	November 14, 2021	November 13, 2031
103.		55226179	42	51WORLD	Beijing	November 14, 2021	November 13, 2031
104.		55226264	9	51WORLD	Beijing	November 14, 2021	November 13, 2031
105.		56384346	41	51WORLD	Beijing	October 21, 2022	October 20, 2032
106.		56738009	38	51WORLD	Beijing	August 14, 2022	August 13, 2032
107.		57096019	41	51WORLD	Beijing	October 14, 2022	October 13, 2032
108.		58774521	41	51WORLD	Beijing	November 14, 2022	November 13, 2032
109.	51WORLD	47922508	9	51WORLD	Beijing	May 21, 2022	May 20, 2032
110.		48756698	9	51WORLD	Beijing	October 21, 2022	October 20, 2032
111.	五一视界	52984531	7	51WORLD	Beijing	November 7, 2022	October 27, 2031
112.	AES	46094268	35	51WORLD	Beijing	March 7, 2022	March 6, 2032
113.	51MEET	62573831	9	51WORLD	Beijing	September 7, 2023	December 13, 2032
114.		48927251	9	51WORLD	Beijing	October 21, 2022	October 20, 2032
115.		47903508	9	51WORLD	Beijing	May 14, 2022	May 13, 2032
116.	51WORLD	47922508	9	51WORLD	Beijing	May 21, 2022	May 20, 2032
117.	SIM-ONE	37886908	41	Mirrorverse Beijing	Beijing	March 14, 2020	March 13, 2030
118.		57649968	42	Wanwu Twin Chongqing	Chongqing	April 14, 2022	April 13, 2032

(b) Patents

(i) Registered Patents

As of the Latest Practicable Date, we had registered the owner of and/or had the right to use the following patents which we consider to be or may be material to our business:

No.	Patent	Patent Category	Registration Number	Name of Registered Proprietor	Place of Registration	Date of Application	Expiry Date
1.	Methods, apparatuses, storage media, and electronic devices for monolithizing a realistic three-dimensional model (實景三維模型單體化方法、裝置、存儲介質及電子設備)	Invention patent	202010519705X	51WORLD	Beijing	June 9, 2020	June 9, 2040
2.	Methods, apparatuses, electronic devices and readable medium for monomerization of three-dimensional models (三維模型的單體化方法、裝置、電子設備和可讀介質)	Invention patent	2020108143475	51WORLD	Beijing	August 13, 2020	August 12, 2040



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No.	Patent	Patent Category	Registration Number	Name of Registered Proprietor	Place of Registration	Date of Application	Expiry Date
3.	Methods, apparatuses and electronic devices for controlling an item (項目的控制方法、裝置及電子設備)	Invention patent	2020111216715	51WORLD	Beijing	October 19, 2020	October 18, 2030
4.	Graphical user interface for displaying a screen panel of a one-stop service platform for enterprise online meta-universe activities (51Meet) (用於顯示屏幕面板的企業線上元宇宙活動一站式服務平臺的圖形用戶界面(51Meet))	Design patent	2022305759061	Mirrorverse Data	Beijing	September 1, 2022	August 30, 2042
5.	Methods, apparatuses, storage media and electronic devices for generating intersections (路口生成方法、裝置、存儲介質及電子設備)	Invention patent	2020114878784	Beijing 51Sim	Beijing	December 16, 2020	December 15, 2040
6.	Methods, apparatuses, storage media and electronic devices for constructing a traffic simulation road network (構建交通仿真路網的方法、裝置、存儲介質及電子設備)	Invention patent	2020106637220	Beijing 51Sim	Beijing	July 10, 2020	July 9, 2040
7.	A method, device, and apparatus for generating an edge simulation test scenario for autonomous driving (一種自動駕駛邊緣仿真測試場景生成方法、裝置及設備)	Invention patent	2023117539051	Beijing 51Sim	Beijing	December 19, 2023	December 18, 2043
8.	A processing method for traditional model in VR system (VR系統中對傳統模型的處理方法)	Invention patent	2016112584578	51WORLD	Beijing	December 30, 2016	December 29, 2036
9.	Image processing method, apparatus, storage medium and electronic device (圖像處理方法、裝置、存儲介質及電子設備)	Invention patent	201910647488X	51WORLD	Beijing	July 17, 2019	July 16, 2039

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No.	Patent	Patent Category	Registration Number	Name of Registered Proprietor	Place of Registration	Date of Application	Expiry Date
10.	Image fusion method, apparatus, storage medium, and electronic device (圖像融合方法、裝置、存儲介質和電子設備)	Invention patent	2020101313634	51WORLD	Beijing	February 28, 2020	February 27, 2040
11.	Image modeling method, apparatus, storage medium and electronic device (圖像的建模方法、裝置、存儲介質和電子設備)	Invention patent	2020101088424	51WORLD	Beijing	February 21, 2020	February 20, 2040
12.	Image processing method, apparatus, storage medium and electronic device (圖像的處理方法、裝置、存儲介質和電子設備)	Invention patent	2020100674527	51WORLD	Beijing	January 20, 2020	January 19, 2040
13.	An anti-dizziness technology for VR applications based on adaptive edge view occlusion (一種基於自適應邊緣視野遮擋的VR應用防眩暈技術)	Invention patent	2018103668658	51WORLD	Beijing	April 23, 2018	April 22, 2038
14.	A real-time cloud mapping optimization method based on spherical UV (一種基於球面UV和重投影的雲實時繪製優化方法)	Invention patent	2017107274985	51WORLD	Beijing	August 23, 2017	August 22, 2037
15.	Systems and methods for facilitating common designers to create VR content (便於普通設計師創造VR內容的系統及方法)	Invention patent	2016112590988	51WORLD	Beijing	December 30, 2016	December 29, 2036
16.	Methods, apparatuses, storage media and electronic devices for viewing virtual objects (觀察虛擬對象的方法、裝置、存儲介質及電子設備)	Invention patent	2020105197100	51WORLD	Beijing	June 9, 2020	June 8, 2040
17.	Method, apparatus, storage medium and electronic device for generating three-dimensional image of an object (生成物體三維圖像的方法、裝置、存儲介質及電子設備)	Invention patent	2020101137492	51WORLD	Beijing	February 24, 2020	February 23, 2040

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No.	Patent	Patent Category	Registration Number	Name of Registered Proprietor	Place of Registration	Date of Application	Expiry Date
18.	Target object localization method, apparatus, storage medium, and electronic device (目標物體定位方法、裝置、存儲介質以及電子設備)	Invention patent	202010113127X	51WORLD	Beijing	February 24, 2020	February 23, 2040
19.	Method, apparatus, storage medium and electronic device for displaying three-dimensional scene model (三維場景模型的展示方法、裝置、存儲介質及電子設備)	Invention patent	2020101085500	51WORLD	Beijing	February 21, 2020	February 20, 2040
20.	Method and system for distinguishing professional issue and greetings issue by robots (機器人區分專業問題和寒暄問題的方法及系統)	Invention patent	2017106565451	51WORLD	Beijing	August 3, 2017	August 2, 2037
21.	A semantic segmentation processing method, device and apparatus (一種數據的語義分割處理方法、裝置及設備)	Invention patent	2023103081283	51WORLD	Beijing	March 28, 2023	March 27, 2043
22.	Method for real-time driving expression and gesture of character model based on speech (基於語音實時驅動人物模型的表情和姿態的方法)	Invention patent	2016112610962	51WORLD	Beijing	December 30, 2016	December 29, 2036
23.	A method, apparatus and device for determining an instance of data flow type (一種數據流形實例的確定方法、裝置及設備)	Invention patent	2023103774376	51WORLD	Beijing	April 11, 2023	April 10, 2043
24.	Graphical user interface for displaying screen panel of one-stop service platform for enterprise online metaverse activity (用於顯示屏幕面板的企業線上元宇宙活動一站式服務平台圖形用戶界面)	Design patent	2022305403184	51WORLD	Beijing	August 18, 2022	August 17, 2032

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No.	Patent	Patent Category	Registration Number	Name of Registered Proprietor	Place of Registration	Date of Application	Expiry Date
25.	A data processing method, device and apparatus (一種數據處理方法、裝置及設備)	Invention patent	2023103081279	51WORLD	Beijing	March 28, 2023	March 27, 2043
26.	Method and apparatus for generating three-dimensional image of a building (生成建築物的三維圖像的方法及裝置)	Invention patent	2020101313672	51WORLD	Beijing	February 28, 2020	February 27, 2040
27.	Methods, apparatus, storage media and electronic devices for compiling and obtaining files (編譯和獲取文件的方法、裝置、存儲介質、電子設備)	Invention patent	2020114833444	51WORLD	Beijing	December 15, 2020	December 14, 2040
28.	A data processing method, apparatus and electronic device (一種數據處理方法、裝置及電子設備)	Invention patent	2023108761461	Mirrorverse Data	Beijing	July 18, 2023	July 17, 2043
29.	A method, device and apparatus for processing video data information (一種視頻數據信息的處理方法、裝置及設備)	Invention patent	202310738482X	Mirrorverse Data	Beijing	June 21, 2023	June 20, 2043
30.	A method, device and equipment for processing advertising information in virtual space (一種虛擬空間中的廣告信息處理方法、裝置及設備)	Invention patent	2023106775050	Mirrorverse Data	Beijing	June 9, 2023	June 8, 2043
31.	A method, apparatus and electronic device for processing comment data in virtual space (一種虛擬空間的評論數據處理方法、裝置及電子設備)	Invention patent	2023107532056	Mirrorverse Data	Beijing	June 26, 2023	June 25, 2043
32.	A method, device and apparatus for determining the spatial heat of a target element (一種目標元素空間熱度的確定方法、裝置及設備)	Invention patent	2023106949048	Mirrorverse Data	Beijing	June 13, 2023	June 12, 2043

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<b>No.</b>	<b>Patent</b>	<b>Patent Category</b>	<b>Registration Number</b>	<b>Name of Registered Proprietor</b>	<b>Place of Registration</b>	<b>Date of Application</b>	<b>Expiry Date</b>
33.	Method, apparatus, storage medium, and electronic device for acquiring simulation data set (模擬仿真數據集的獲取方法、裝置、存儲介質和電子設備)	Invention patent	2020111659056	Mirrorverse Beijing	Beijing	October 27, 2020	October 26, 2040
34.	Method, apparatus, storage medium, and electronic device for constructing a roadway net-work at a road intersection (構建道路交叉口路網的方法、裝置、存儲介質及電子設備)	Invention patent	2019103575056	Mirrorverse Beijing	Beijing	April 29, 2019	April 28, 2039
35.	Road generation method, apparatus, storage medium and electronic device (道路生成方法、裝置、存儲介質及電子設備)	Invention patent	2019103566697	Mirrorverse Beijing	Beijing	April 29, 2019	April 28, 2039
36.	Vehicle steering lightness test equipment (車輛轉向輕便性測試裝置)	Utility model patent	2019217042508	Mirrorverse Beijing	Beijing	October 11, 2019	October 10, 2029
37.	Simulation steering wheel system (模擬仿真方向盤轉向系統)	Utility model patent	2020207639106	Mirrorverse Beijing	Beijing	May 9, 2020	May 8, 2030
38.	Method, apparatus, storage medium and electronic device for generalization of driving track (行車軌跡的泛化方法、裝置、存儲介質及電子設備)	Invention patent	2021106143263	Mirrorverse Beijing	Beijing	June 2, 2021	June 1, 2041
39.	Image labeling method, apparatus, storage medium and electronic device (圖像標注方法、裝置、存儲介質及電子設備)	Invention patent	2020110806359	Mirrorverse Beijing	Beijing	October 10, 2020	October 9, 2040
40.	Method, apparatus, storage medium and electronic device for generating attribute information of transportation road network (交通路網屬性信息生成方法、裝置、存儲介質及電子設備)	Invention patent	2019106212181	Mirrorverse Beijing	Beijing	July 10, 2019	July 9, 2039
41.	A hand motion tracking method in a virtual driving environment (一種虛擬駕駛環境中手部運動跟蹤方法)	Invention patent	2018102829046	Mirrorverse Beijing	Beijing	April 2, 2018	April 1, 2038

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No.	Patent	Patent Category	Registration Number	Name of Registered Proprietor	Place of Registration	Date of Application	Expiry Date
42.	Pavement point cloud data extraction method, apparatus, storage medium and electronic device (路面點雲數據提取方法、裝置、存儲介質及電子設備)	Invention patent	2019103566983	Mirrorverse Beijing	Beijing	April 29, 2019	April 28, 2039
43.	Traffic signal recognition method, apparatus, storage medium and electronic device (交通信號識別方法、裝置、存儲介質及電子設備)	Invention patent	2019103566837	Mirrorverse Beijing	Beijing	April 29, 2019	April 28, 2039
44.	Vehicle braking control method and device, vehicle (車輛制動控制方法及裝置、車輛)	Invention patent	2020110527242	Mirrorverse Beijing	Beijing	September 29, 2020	September 28, 2040
45.	Method, apparatus, storage medium, and electronic device for generating motion trajectories (運動軌迹的生成方法、裝置、存儲介質和電子設備)	Invention patent	2020105268727	Mirrorverse Beijing	Beijing	June 9, 2020	June 8, 2040
46.	Radar simulation method, apparatus, storage medium and electronic device (雷達模擬仿真方法、裝置、存儲介質及電子設備)	Invention patent	2019103574903	Mirrorverse Beijing	Beijing	April 29, 2019	April 28, 2039
47.	Platform for in-loop simulation and testing of in-vehicle cameras (車載相機在環模擬仿真測試用平台)	Utility model patent	2019217038771	Mirrorverse Beijing	Beijing	October 11, 2019	October 10, 2029
48.	Navigation map road network generation method, apparatus, storage medium and electronic device (導航地圖路網生成方法、裝置、存儲介質及電子設備)	Invention patent	2020105924177	Mirrorverse Beijing	Beijing	June 24, 2020	June 23, 2040

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No.	Patent	Patent Category	Registration Number	Name of Registered Proprietor	Place of Registration	Date of Application	Expiry Date
49.	A method of docking a virtual steering wheel and a real steering wheel in a virtual driving application (一種虛擬駕駛應用中虛擬方向盤和真實方向盤對接方法)	Invention patent	201810283139X	Mirrorverse Beijing	Beijing	April 2, 2018	April 1, 2038
50.	Method, apparatuses, storage media and electronic devices for building models (建立模型的方法、裝置、存儲介質及電子設備)	Invention patent	2020105498979	Mirrorverse Beijing	Beijing	June 16, 2020	June 15, 2040
51.	Lane line detection method, apparatus, storage medium and electronic device (車道綫檢測方法、裝置、存儲介質及電子設備)	Invention patent	2019106469063	Mirrorverse Beijing	Beijing	July 17, 2019	July 16, 2039
52.	3D road modeling method, apparatus, electronic device and storage medium (三維道路建模方法、裝置、電子設備及存儲介質)	Invention patent	2019107034586	Mirrorverse Beijing	Beijing	July 31, 2019	July 30, 2039
53.	Method, apparatus, storage medium and electronic device for displaying driving conditions (行駛狀況展示方法、裝置、存儲介質和電子設備)	Invention patent	2020105499030	Mirrorverse Beijing	Beijing	June 16, 2020	June 15, 2040
54.	Hardware-in-the-loop evaluation methods, devices, storage media, electronic devices and systems (硬件在環評價方法、裝置、存儲介質、電子設備與系統)	Invention patent	2020115113309	Mirrorverse Beijing	Beijing	December 18, 2020	December 17, 2040
55.	Intersection traffic simulation method, apparatus, medium and electronic device (交叉口交通模擬仿真方法、裝置、介質及電子設備)	Invention patent	2019103900989	Mirrorverse Beijing	Beijing	May 10, 2019	May 9, 2039

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No.	Patent	Patent Category	Registration Number	Name of Registered Proprietor	Place of Registration	Date of Application	Expiry Date
56.	Method, apparatus, storage medium and electronic device for adjusting camera parameters (調整攝像頭參數的方法、裝置、存儲介質及電子設備)	Invention patent	202011280791X	Mirrorverse Beijing	Beijing	November 16, 2020	November 15, 2040
57.	Method, apparatus, storage medium and electronic device for determining road connection relationships (道路連接關係確定方法、裝置、存儲介質及電子設備)	Invention patent	2020107062358	Mirrorverse Beijing	Beijing	July 21, 2020	July 20, 2040
58.	Method, apparatus, storage medium and electronic device for identification of road elements and construction of road network (道路元素的識別和路網構建方法、裝置、存儲介質及電子設備)	Invention patent	2019103567204	Mirrorverse Beijing	Beijing	April 29, 2019	April 28, 2039
59.	Simulated image processing method, apparatus, storage medium and electronic device (模擬仿真圖像處理方法、裝置、存儲介質及電子設備)	Invention patent	2019103574975	Mirrorverse Beijing	Beijing	April 29, 2019	April 28, 2039
60.	Methods, apparatus, media, and electronic devices for regulating the speed of simulation process (調節模擬仿真過程的速度的方法、裝置、介質及電子設備)	Invention patent	2019103566907	Mirrorverse Beijing	Beijing	April 29, 2019	April 28, 2039
61.	Steering wheel assembly (方向盤總成)	Design patent	2019305130289	Mirrorverse Beijing	Beijing	September 18, 2019	September 17, 2029
62.	Lane generation method, apparatus, storage medium and electronic device (車道綫生成方法、裝置、存儲介質及電子設備)	Invention patent	2020105498841	Mirrorverse Beijing	Beijing	June 16, 2020	June 15, 2040
63.	Driving simulator (模擬仿真駕駛器)	Design patent	2019305136092	Mirrorverse Beijing	Beijing	September 18, 2019	September 17, 2029



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No.	Patent	Patent Category	Registration Number	Name of Registered Proprietor	Place of Registration	Date of Application	Expiry Date
64.	Simulation data synchronization method, apparatus, storage medium and electronic device (模擬仿真數據同步方法、裝置、存儲介質及電子設備)	Invention patent	2019103574871	Mirrorverse Beijing	Beijing	April 29, 2019	April 28, 2039
65.	Brake pedal simulator (制動踏板模擬仿真器)	Utility model patent	2019217040269	Mirrorverse Beijing	Beijing	October 11, 2019	October 10, 2029
66.	Display screen panel with cloud-controlled high-level automatic driving interface (帶雲控式高級別自動駕駛界面的顯示屏幕面板)	Design patent	2021300167975	Mirrorverse Beijing	Beijing	January 11, 2021	January 10, 2031
67.	Pavement marking generation method, apparatus, storage medium and electronic device (路面標識生成方法及裝置、存儲介質及電子設備)	Invention patent	2020107976299	Mirrorverse Beijing	Beijing	August 10, 2020	August 9, 2040
68.	Method, devices, media and equipment for determining wheel loads of simulated vehicles (確定模擬仿真車輛的車輪載荷的方法、裝置、介質及設備)	Invention patent	2020110517946	Mirrorverse Beijing	Beijing	September 29, 2020	September 28, 2040
69.	Methods, apparatus, storage media and electronic devices for file manipulation (文件操作的方法、裝置、存儲介質及電子設備)	Invention patent	2020113642755	51WORLD	Beijing	November 27, 2020	November 26, 2040
70.	Method, apparatus, storage medium, and electronic device for determining an object in a three dimensional scene (三維場景中對象的確定方法、裝置、存儲介質和電子設備)	Invention patent	2020108898530	51WORLD	Beijing		August 27, 2040
71.	Rendering methods, apparatus, storage media and electronic devices (渲染方法、裝置、存儲介質及電子設備)	Invention patent	2020105202626	51WORLD	Beijing		June 8, 2040

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No.	Patent	Patent Category	Registration Number	Name of Registered Proprietor	Place of Registration	Date of Application	Expiry Date
72.	Data processing methods, apparatuses, storage media, and electronic devices (數據處理方法、裝置、存儲介質及電子設備)	Invention patent	2020110800386	Mirrorverse Beijing	Beijing		October 9, 2040
73.	A method, device and apparatus for generating an automatic driving simulation scenario (一種自動駕駛模擬仿真場景的生成方法、裝置及設備)	Invention patent	2023118111385	Mirrorverse Beijing	Beijing		December 26, 2043
74.	Method, apparatus and electronic device for testing vehicles in virtual scenario (虛擬場景下車輛的測試方法、裝置及電子設備)	Invention patent	2021110753290	Mirrorverse Beijing	Beijing		September 13, 2041
75.	A method, apparatus and device for synchronized information processing of virtual objects (一種虛擬對象的同步信息處理方法、裝置及設備)	Invention patent	202410026912X	Mirrorverse Data	Beijing		January 8, 2044
76.	A method, device and apparatus for processing three-dimensional model review information (一種三維模型審閱信息的處理方法、裝置及設備)	Invention patent	2023108601994	Mirrorverse Data	Beijing		July 12, 2043
77.	A method, apparatus and device for generating a virtual machine instruction set (一種虛擬機指令集的生成方法、裝置及設備)	Invention patent	2023117580431	Mirrorverse Beijing	Beijing		December 18, 2043
78.	A method, apparatus and device for generating maps (一種地圖的生成方法、裝置及設備)	Invention patent	2023117682172	Mirrorverse Beijing	Beijing		December 20, 2043

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### (c) Work Copyrights

As of the Latest Practicable Date, our Group had registered the following work copyrights which we consider to be material to our business:

No.	Copyright	Registration Number	Name of Registered Proprietor	Place of Registration	Date of Registration
1.	51MEET icon	Guozuodengzi.2022.F.10110298	51WORLD	Beijing	March 31, 2022
2.	DIGITAL TWIN ERA .03 Issue.	Guozuodengzi.2022.L.10013970	51WORLD	Beijing	unpublished
3.	DIGITAL TWIN ERA Report (First Issue)	Guozuodengzi.2020.L.01207084	51WORLD	Beijing	July 3, 2020
4.	Cloud icon	Guozuodengzi.2020.F.01207095	51WORLD	Beijing	July 1, 2020
5.	51WORLD icon	Guozuodengzi.2020.F.01207083	51WORLD	Beijing	July 1, 2020
6.	51WORLD icon	Guozuodengzi.2020.F.01207085	51WORLD	Beijing	August 10, 2020
7.	Autonomous Driving Simulation Technology Research Report (2019) - English version	Guozuodengzi.2020.L.01207087	51WORLD	Beijing	May 30, 2019
8.	Autonomous Driving Simulation Technology Research Report (2019)	Guozuodengzi.2020.L.01207086	51WORLD	Beijing	May 30, 2019
9.	51WORLD icon	Guozuodengzi.2020.F.01171076	51WORLD	Beijing	December 18, 2019
10.	WDT icon	Guozuodengzi.2020.F.01202991	51WORLD	Beijing	July 1, 2020
11.	AES Full Element Scenario icon	Guozuodengzi.2020.F.01202992	51WORLD	Beijing	July 1, 2020
12.	Super API icon	Guozuodengzi.2020.F.01202990	51WORLD	Beijing	July 1, 2020
13.	S Road icon	Guozuodengzi.2020.F.01202993	51WORLD	Beijing	April 1, 2019
14.	51 icon	Guozuodengzi.2016.F.00346244	51WORLD	Beijing	unpublished
15.	51Island	Guozuodengzi.2022.L.10259863	51WORLD	Beijing	August 16, 2022

### (d) Software Copyrights

As of the Latest Practicable Date, our Group had registered the following software copyrights which we consider to be material to our business:

No.	Copyright	Registration Number	Name of Registered Proprietor	Place of Registration	Date of Registration
1.	Digital Human Accessibility Simulation Operation Visualization Platform	2023SR1415367	51WORLD	Beijing	September 1, 2023
2.	51 Digital Twin Water Conservancy General Platform	2023SR0890855	51WORLD	Beijing	April 8, 2023
3.	51 Digital Twin Smart Oil and Gas Visualization Management and Operation Platform	2023SR0571471	51WORLD	Beijing	January 1, 2023
4.	51 Digital Twin Scenario Backplane Software (L3 SE Accuracy)	2023SR0524720	51WORLD	Beijing	March 31, 2023
5.	51 Digital Twin Scenario Backplane Software (L2 MAX Accuracy)	2023SR0524734	51WORLD	Beijing	March 31, 2023
6.	51 Digital Twin Smart mine OS	2023SR0392626	51WORLD	Beijing	January 1, 2023
7.	51 Digital Twin ISE Simulation Engine Platform	2023SR0215721	51WORLD	Beijing	November 1, 2022
8.	51 Digital Twin CTOS Platform	2022SR1442110	51WORLD	Beijing	March 31, 2022
9.	51 Digital Twin TIM Platform	2022SR1442111	51WORLD	Beijing	March 31, 2022
10.	51 Digital Twin CIM Platform	2022SR1437796	51WORLD	Beijing	March 31, 2022
11.	51 Digital Twin Global Dual-carbon Smart Park OS	2022SR1373771	51WORLD	Beijing	March 31, 2022
12.	51 Digital Twin PaaS Software (Enterprise Professional Edition)	2022SR0425548	51WORLD	Beijing	September 17, 2021
13.	51 Digital Twin Airport Basic Platform	2021SR2217377	51WORLD	Beijing	September 6, 2021
14.	51 Digital Twin Rail Basic Platform	2021SR2139122	51WORLD	Beijing	September 6, 2021
15.	51 Digital Twin Venue Basic Platform	2021SR2060254	51WORLD	Beijing	September 6, 2021

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No.	Copyright	Registration Number	Name of Registered Proprietor	Place of Registration	Date of Registration
16.	51 Digital Twin Traffic OS Platform	2021SR2060169	51WORLD	Beijing	July 1, 2021
17.	51 Digital Twin Scenic Spot Basic Platform	2021SR2056119	51WORLD	Beijing	September 6, 2021
18.	51 Digital Twin Basic Platform	2021SR2042215	51WORLD	Beijing	September 6, 2021
19.	51 Digital Twin BIM Platform	2021SR2042213	51WORLD	Beijing	September 6, 2021
20.	51World Real-time Cloud Rendering Platform ios Version	2021SR1390845	51WORLD	Beijing	March 10, 2021
21.	51WORLD Developer Tools (WDT) Platform	2020SR1724644	51WORLD	Beijing	September 30, 2020
22.	51WORLD Smart City Operation Management Platform	2020SR1175398	51WORLD	Beijing	May 6, 2020
23.	51WORLD Smart Park Operation and Management Platform	2020SR1082002	51WORLD	Beijing	May 22, 2020
24.	51WORLD Visualization Page Editing Platform	2020SR1071268	51WORLD	Beijing	March 31, 2020
25.	51WORLD DIP Data Integration Service Platform	2020SR0881772	51WORLD	Beijing	March 31, 2020
26.	51launcher Online Delivery Platform	2020SR0881652	51WORLD	Beijing	March 5, 2020
27.	51WORLD Digital Twin Scenario Backplane L3 Software	2020SR0785324	51WORLD	Beijing	October 1, 2019
28.	51WORLD Digital Twin Scenario Backplane L2 Software	2020SR0785550	51WORLD	Beijing	August 1, 2019
29.	51SuperAPI All-element Scenario Open Platform	2020SR0736731	51WORLD	Beijing	January 21, 2020
30.	51 Digital Twin Airport Basic Platform	2022SR0556119	Mirrorverse Chengdu	Chengdu	September 9, 2021
31.	51 Digital Twin BIM Basic Platform	2022SR0556120	Mirrorverse Chengdu	Chengdu	August 31, 2021
32.	51 Digital Twin Factory Basic Platform	2022SR0556123	Mirrorverse Chengdu	Chengdu	August 31, 2021
33.	51 Digital Twin Real Estate Sales Basic Platform	2022SR0556118	Mirrorverse Chengdu	Chengdu	August 20, 2021
34.	51 Digital Twin Building Operation Management Basic Platform	2022SR0556117	Mirrorverse Chengdu	Chengdu	May 12, 2021
35.	51 Digital Twin Rail Basic Platform	2022SR0556125	Mirrorverse Chengdu	Chengdu	June 22, 2021
36.	51 Digital Twin Water Operation Management Basic Platform	2022SR0556121	Mirrorverse Chengdu	Chengdu	April 22, 2021
37.	51 Digital Twin Energy Operation Management Basic Platform	2022SR0556122	Mirrorverse Chengdu	Chengdu	September 20, 2021
38.	51 Digital Twin Port Basic Platform	2022SR0556124	Mirrorverse Chengdu	Chengdu	April 22, 2021
39.	51 Digital Twin Smart BIM Platform	2022SR0524005	Mirrorverse Shenzhen	Shenzhen	September 1, 2021
40.	51 Digital Twin Smart Airport Platform	2022SR0524006	Mirrorverse Shenzhen	Shenzhen	September 1, 2021
41.	51 Digital Twin Smart Building Operation Management Platform	2022SR0524007	Mirrorverse Shenzhen	Shenzhen	May 6, 2021
42.	51 Digital Twin Smart Energy Operation Management Platform	2022SR0523870	Mirrorverse Shenzhen	Shenzhen	September 1, 2021
43.	51 Digital Twin Smart Park Operation Management Platform	2022SR0523871	Mirrorverse Shenzhen	Shenzhen	May 22, 2021
44.	51 Digital Twin Smart Water Operation Management Platform	2022SR0523872	Mirrorverse Shenzhen	Shenzhen	March 21, 2021
45.	51 Digital Twin Smart Rail Platform	2022SR0523873	Mirrorverse Shenzhen	Shenzhen	September 1, 2021
46.	51 Digital Twin Smart Factory Platform	2022SR0523874	Mirrorverse Shenzhen	Shenzhen	September 1, 2021
47.	51 Digital Twin Smart Real Estate Sales Platform	2022SR0523875	Mirrorverse Shenzhen	Shenzhen	September 6, 2021
48.	51 Digital Twin Smart Port Platform	2022SR0523850	Mirrorverse Shenzhen	Shenzhen	April 22, 2021
49.	51 Digital Twin Smart Building Operation Management Basic Platform	2022SR0912439	Mirrorverse Shanghai	Shanghai	May 7, 2021
50.	51 Digital Twin Scenario Backplane Software (L3 Accuracy)	2022SR0912526	Mirrorverse Shanghai	Shanghai	March 22, 2021
51.	51 Digital Twin Smart Real Estate Basic Platform	2022SR0911999	Mirrorverse Shanghai	Shanghai	September 6, 2021
52.	51 Digital Twin Scenario Interactive Interface Service Platform	2022SR0912524	Mirrorverse Shanghai	Shanghai	January 18, 2021
53.	51 Digital Twin Smart BIM Basic Platform	2022SR0912469	Mirrorverse Shanghai	Shanghai	September 1, 2021
54.	51 Digital Twin Smart Port Basic Platform	2022SR0912607	Mirrorverse Shanghai	Shanghai	April 22, 2021
55.	51 Digital Twin Smart Factory Basic Platform	2022SR0912525	Mirrorverse Shanghai	Shanghai	September 1, 2021

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No.	Copyright	Registration Number	Name of Registered Proprietor	Place of Registration	Date of Registration
56.	51 Digital Twin Smart Rail Basic Platform	2022SR0912470	Mirrorverse Shanghai	Shanghai	September 1, 2021
57.	51 Digital Twin Smart Airport Basic Platform	2022SR0912523	Mirrorverse Shanghai	Shanghai	September 1, 2021
58.	51 Digital Twin Smart Energy Operation Management Basic Platform	2022SR0912459	Mirrorverse Shanghai	Shanghai	September 1, 2021
59.	51 Digital Twin Smart Park Operation Management Basic Platform	2022SR0911959	Mirrorverse Shanghai	Shanghai	May 22, 2021
60.	51 Digital Twin Scene Backplane Software (L2 Accuracy)	2022SR0912431	Mirrorverse Shanghai	Shanghai	March 22, 2021
61.	51 Digital Twin Smart City Operation Management Basic Platform	2022SR0912417	Mirrorverse Shanghai	Shanghai	May 6, 2021
62.	51Sim-One Cloud Autonomous Driving Simulation Cloud Platform	2023SR0269724	Mirrorverse Beijing	Beijing	April 30, 2021
63.	51Sim-One Cloud Autonomous Driving Simulation Cloud Platform	2022SR1578164	Mirrorverse Beijing	Beijing	March 31, 2022
64.	51Digital Twin Dynamic Simulation Microservice (DSTService) Platform	2022SR1442109	Mirrorverse Beijing	Beijing	April 1, 2022
65.	51Sim-One Vehicle-road Collaborative Intelligent Integrated Management and Control Platform	2023SR0269722	Mirrorverse Beijing	Beijing	May 9, 2020
66.	51Sim-One Autonomous Driving Simulation Platform	2022SR1578180	Mirrorverse Beijing	Beijing	March 31, 2022
67.	51Sim-One Autonomous Driving Simulation Platform (Educational Edition)	2023SR0885550	Mirrorverse Beijing	Beijing	April 1, 2023
68.	51Sim-One Autonomous Driving Simulation and Testing Platform	2023SR0269723	Mirrorverse Beijing	Beijing	March 11, 2021
69.	51Sim Dataverse Data Platform	2023SR0375240	Mirrorverse Beijing	Beijing	March 1, 2022
70.	Open Sim-One Simulation Testing Open Platform	2023SR0269721	Mirrorverse Beijing	Beijing	August 14, 2021
71.	51Meet Visionary Platform Software	2022SR1610336	Mirrorverse Data	Beijing	July 8, 2022
72.	51 Digital Twin Traffic Simulation Platform	2024SR0727532	Mirrorverse Beijing	Beijing	February 29, 2024
73.	51 Digital Twin TIM Road Online Platform	2024SR0267826	Mirrorverse Beijing	Beijing	March 31, 2023

### (e) Domain Names

As of the Latest Practicable Date, our Group had registered the following domain names which we consider to be or may be material to our business:

No.	Domain name	Registrant	Date of Registration	Expiry Date
1.	51world.com.cn	Beijing 51WORLD Digital Twin Technology Co., Ltd.	November 29, 2022	November 29, 2032
2.	51aes.com	Beijing 51WORLD Digital Twin Technology Co., Ltd.	April 11, 2020	April 11, 2026
3.	51sim.com	Beijing 51Sim Technology Co., Ltd.	December 1, 2008	December 1, 2025
4.	51earth.com	51WORLD High Technology (HK) Co., Limited	November 28, 2023	November 28, 2025

## 3. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUPERVISORS

### A. Particulars of Directors’ and Supervisors’ Service Contracts and Appointment Letters

We have entered into a service contract or appointment letter with each of the Directors and Supervisors. The principal particulars of these service contracts and appointment letters comprise (a) the term of the service; (b) subject to termination in accordance with their respective term; and (c) a dispute resolution provision. The service contracts and appointment letters may be renewed in accordance with our Articles of Association and the applicable laws, rules and regulations from time to time.

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Save as disclosed above, none of the Directors or Supervisors has or is proposed to have a service contract with any member of our Group (other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation (other than statutory compensation)).

### B. Remuneration of Directors and Supervisors

The aggregate remuneration (including fees, salaries, wages, share-based compensation, contributions to pension plans, benefits-in-kind and discretionary bonuses) for our Directors and Supervisors for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024 were RMB11.2 million, RMB5.0 million, RMB5.0 million and RMB2.2 million, respectively.

Based on the current arrangements in force as of the Latest Practicable Date, it is estimated that the total remuneration for our Directors (including independent non-executive Directors) and Supervisors for the year ending December 31, 2024 will be RMB5.3 million. The actual total remuneration of Directors and Supervisors for the year ending December 31, 2024 may be different from the expected remuneration as the discretionary bonuses will be determined based on the results of the Company for the year ending December 31, 2024.

During the Track Record Period, no remuneration was paid by us to, or receivable by, our Directors, Supervisors or the five highest paid individuals as an inducement to join or upon joining our Company. No compensation was paid by us to, or receivable by, our Directors, former Directors, Supervisors, former Supervisors or the five highest-paid individuals for each of the Track Record Period for the loss of any office in connection with the management of the affairs of any members of our Group. Furthermore, none of the Directors or Supervisors had waived or agreed to waive any emoluments during the same periods.

Save as disclosed above, no other payments have been made or are payable in respect of the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024 by any member of our Group to any of our Directors.

### C. Disclosure of Interests

Save as disclosed below, immediately following the completion of the [REDACTED] and assuming that no new Shares are issued under the [REDACTED], the share options granted under our [REDACTED] Share Option Scheme are not exercised and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the [REDACTED], none of our Directors or Supervisors has any interest and/or short position in the Shares, underlying Shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short position which they were 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 in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules to be notified to our Company, once the H Shares are [REDACTED] on the Hong Kong Stock Exchange.

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### (i) Interest in Shares of our Company

Name of Director, Supervisor or Chief Executive	Position	Nature of interests	As of the Latest Practicable Date <sup>(1)</sup>		Immediately after the [REDACTED] (without taking into account any H Shares which may be issued pursuant to the exercise of the [REDACTED] and the share options granted under our [REDACTED] Share Option Scheme are not exercised) <sup>(2)</sup>		
			Number and Type of Shares	Approximate percentage of interest in the total issued share capital	Number and Type of Shares	Approximate percentage of shareholding in the relevant type of Shares after the [REDACTED] <sup>(2)</sup>	Approximate percentage of shareholding in the total share capital of our Company after the [REDACTED] <sup>(2)</sup>
Mr. Li	Executive Director	Beneficial owner <sup>(3)</sup> Interest in controlled corporations <sup>(4)</sup>	47,670,825 Unlisted Shares	12.5%	[REDACTED]	[REDACTED]	[REDACTED]
			46,933,525 Unlisted Shares	12.3%	[REDACTED]	[REDACTED]	[REDACTED]
Ms. Zhang Yuwei	Executive Director	Interest in controlled corporations <sup>(5)</sup>	395,295 Unlisted Shares	0.1%	[REDACTED]	[REDACTED]	[REDACTED]

*Notes:*

- (1) The calculation is based on the total number of [REDACTED] Unlisted Shares in issue and [REDACTED] H Shares in issue upon [REDACTED].
- (2) The table above assumes the [REDACTED] becomes unconditional and the [REDACTED] are issued pursuant to the [REDACTED] and no new Shares are issued under the [REDACTED], the share options granted under our [REDACTED] Share Option Scheme are not exercised and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and [REDACTED].
- (3) As of the Latest Practicable Date, Mr. Li was granted 38,238,095 CEO Options by our Company, upon the vesting and exercise of which the same number of H Shares will be issued to him.
- (4) Mr. Li is interested in approximately 92.7% of Starcraft Technology and is deemed to be interested in all the Shares held by Starcraft Technology under the SFO.
- (5) Ms. Zhang Yuwei holds 40.0% of the economic interest in Xinyi Ruizhi Management Consulting Partnership (Limited Partnership)\* (新沂睿智管理諮詢合夥企業(有限合夥)) and is deemed to be interested in all the Shares held by Xinyi Ruizhi Management Consulting Partnership (Limited Partnership) under the SFO.

### (ii) Interests of Substantial Shareholders in Members of Our Group (Excluding Our Company)

Save as disclosed in the section headed “Substantial Shareholders”, our Directors are not aware of any other person who will, immediately following completion of the [REDACTED] and assuming that no new Shares are issued under the [REDACTED], the share options granted under our [REDACTED] Share Option Scheme are not exercised and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and [REDACTED], 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, will be, directly or indirectly, interested in 10% or more of the issued voting shares of our Company or any other member of our Group.

Member of our Group	Name of substantial Shareholder	Approximate % held by the substantial Shareholder
Beijing Mirrorverse Data Service Co., Ltd.* (北京萬物鏡像數據服務有限公司)	Wanwu Yuanjian (Beijing) Information Consulting Limited Partnership* (萬物遠見(北京)信息諮詢合夥企業(有限合夥))	40.0%
Chengdu Sanjian World Software Technology Co., Ltd.* (成都三見世界軟件科技有限公司)	Chengdu Suojiansuode Media Group Co., Ltd.* (成都所見所得傳媒集團有限公司)	49%

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### D. Disclaimer

Save as disclosed in this document:

- (i) none of our Directors or the chief executive of our Company has any interest or short position in the shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers once the H Shares are [REDACTED];
- (ii) none of our Directors, Supervisors or any of the experts referred to under the paragraph headed “—5. Other Information—G. Qualification of Experts” has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this document been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (iii) none of our Directors or Supervisors is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole;
- (iv) none of our Directors or Supervisors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (v) so far as is known to our Directors, no person (not being a Director or chief executive of our Company or any member of our Group) will, immediately following the completion of the [REDACTED], have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group; and
- (vi) none of our Directors, Supervisors or their respective close associates (as defined under the Listing Rules) or our Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in the five largest customers or the five largest suppliers of our Group.

## 4. OUR INCENTIVE SCHEMES

### A. [REDACTED] Share Incentive Scheme

Our Company adopted a [REDACTED] Share Incentive Scheme on June 28, 2023 which was further amended on August 9, 2024 (the “Share Incentive Scheme”). The following is a summary of the principal terms of the Share Incentive Scheme. The terms of Share Incentive Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as they do not involve any grant of options or Shares by our Company after our [REDACTED].



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**(i) Purpose**

The purpose of the Share Incentive Scheme is to improve our Group’s corporate governance structure and incentive mechanism and incentivize our Group’s employees to achieve a sustained and healthy development of our Group in order to realize our Group’s long-term objectives. The Share Incentive Scheme is implemented to align the interests of the Shareholders with the interests of the Group and employees which will benefit the sustained development of our Group.

**(ii) Administration**

The Share Incentive Scheme is subject to the approval of the Shareholders’ meeting, administration and supervision of the Board.

**(iii) Participants**

The participants of the Share Incentive Scheme include employees of our Group.

**(iv) Source and maximum number of Shares**

Qingdao Mirrorverse No. 8 Management Consulting Partnership (Limited Partnership)\* (青島萬物鏡像八號管理諮詢合夥企業 (有限合夥)) (“**Qingdao Mirrorverse No. 8**”) was established as our employee incentive platform. Qingdao Mirrorverse No. 8 is a limited partner of Qingdao Mirrorverse, holding approximately 13.67% of the economic interest in Qingdao Mirrorverse and, thus, indirectly interested in 3,650,034 Shares. Participants under the Share Incentive Scheme are granted the right to subscribe for partnership interest in Qingdao Mirrorverse No. 8 (the “**Awards**”), where upon the payment of the subscription price, the participants will be registered as its limited partners and would be indirectly interested in our Shares.

**(v) Term of the Share Incentive Scheme**

The Share Incentive Scheme shall be effective from the date of approval by the Shareholders up to the date when the participants no longer hold any partnership interest in reference.

**(vi) Lock-up of Shares Awards**

The grantees shall not dispose of their respective partnership interest in Qingdao Mirrorverse No. 8 during the period commencing from the date of establishment of Qingdao Mirrorverse No. 8 until (i) the Shares underlying the Awards are not subject to any lock-up pursuant to any relevant laws, regulations and listing rules of our Company’s place of listing, or (ii) December 31, 2025, whichever is later.

**(vii) Details of Awards**

As of the Latest Practicable Date, all Awards have been granted to the participants. The subscription price has been fully paid by the grantees and the grantees have become partners of Qingdao Mirrorverse No. 8. The grantees are entitled to the right to receiving dividends. In the event that any grantee ceases to be an employee of the Company during the term of service, the Company may require the grantee to transfer his or her partnership interest in Qingdao Mirrorverse No. 8 to a third party designated by the Company at the subscription price pursuant to the terms of the Share Incentive Scheme.

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As of the Latest Practicable Date, the total number of Shares underlying the Awards was 3,650,034, representing approximately [REDACTED] of the issued Shares immediately following the completion of the [REDACTED] (assuming no changes to our issued Shares between the Latest Practicable Date and the [REDACTED]).

The following table sets forth the details of Awards granted to the Directors, Supervisors, senior management or connected persons of our Company as of the Latest Practicable Date:

Name of participant	Position in our Company	Date of subscription	Number of Underlying Shares	Subscription Price per Share	Approximate % of issued Shares immediately after completion of the [REDACTED] <sup>(1)</sup>
<i>Directors</i>					
Ms. Zhang Yuwei . . . . .	Executive Director	July 4, 2024	147,056	RMB1.36	[REDACTED]
Ms. Tong Shan . . . . .	Executive Director	June 15, 2023	200,004	RMB1.36	[REDACTED]
<i>Supervisors</i>					
Mr. Hou Tao . . . . .	Supervisor	June 15, 2023	100,000	RMB1.36	[REDACTED]
<i>Senior management</i>					
Ms. Du Jinyan . . . . .	Senior management	June 15, 2023	200,004	RMB1.36	[REDACTED]
Ms. Ding Ronghui . . . . .	Senior management	June 15, 2023	200,004	RMB1.36	[REDACTED]
Ms. Zhang Jing . . . . .	Senior management	June 15, 2023	200,004	RMB1.36	[REDACTED]

Note:

- (1) The calculation is based on the assumption that no new Shares are issued under the [REDACTED], the share options granted under our [REDACTED] Share Option Scheme are not exercised and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and [REDACTED].

The following table sets forth the details of Awards granted to other participants (excluding Directors, Supervisors, senior management and connected persons of our Company) as of the Latest Practicable Date:

Number of participants	Date of subscription	Number of Underlying Shares	Subscription Price per Share	Approximate % of issued Shares immediately after completion of the [REDACTED] <sup>(1)</sup>
18 <sup>(2)</sup>	June 15, 2023	1,908,847	RMB1.36	[REDACTED]
	December 27, 2023	200,004	RMB1.36	[REDACTED]
	July 4, 2024	494,112	RMB1.36	[REDACTED]
		2,602,963		[REDACTED]

Notes:

- (1) Please refer to the note to the preceding table.  
(2) As of the Latest Practicable Date, three of the participants collectively holding approximately 6.16% of the interests in Qingdao Mirrorverse No. 8 and, thus, indirectly interested in 224,842 Shares have resigned and are no longer employees of our Group.

### (viii) Details of interests in Qingdao Mirrorverse No. 8

As of the Latest Practicable Date, all partnership interests in Qingdao Mirrorverse No. 8 have been granted to, vested in and subscribed by and fully paid up by the limited partners, and the relevant registration had been completed.

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**STATUTORY AND GENERAL INFORMATION**

As of the Latest Practicable Date, Qingdao Mirrorverse No. 8 held 3,650,034 Shares, representing approximately 13.67% of the total issued Shares of our Company. Details of the Awards (which have been fully vested and corresponded to a total of 3,650,034 underlying Shares of our Company) granted to Directors, Supervisors, senior management of our Company, and employees of the Group under the Share Incentive Scheme are set out below:

Name	Position(s)	Relevant Employee Shareholding Platforms	Approximate partnership interests in the relevant Employee Incentive Platform	Approximate number of Shares corresponding to partnership interests held by the grantees	Approximate shareholding percentage of total issued Shares immediately prior to the [REDACTED]
Ms. Zhang Yuwei (張雨薇) . . . . .	Executive Director and vice president	Qingdao Mirrorverse No. 8	4.03%	147,060	[REDACTED]
Ms. Tong Shan (佟珊) . . .	Executive Director	Qingdao Mirrorverse No. 8	5.48%	200,003	[REDACTED]
Ms. Du Jinyan (杜金艷) . . . . .	Secretary to the Board, chief legal officer and one of our joint company secretaries upon [REDACTED]	Qingdao Mirrorverse No. 8	5.48%	200,003	[REDACTED]
Mr. Hou Tao (侯濤) . . . . .	Supervisor	Qingdao Mirrorverse No. 8	2.74%	100,000	[REDACTED]
Ms. Ding Ronghui (丁蓉慧) . . . . .	Senior management	Qingdao Mirrorverse No. 8	5.48%	200,003	[REDACTED]
Ms. Zhang Jing (張敬) . . . . .	Senior management	Qingdao Mirrorverse No. 8	5.48%	200,003	[REDACTED]
Han Zhuang (韓壯) . . . . .	Finance director	Qingdao Mirrorverse No. 8	5.48%	200,000	[REDACTED]
Wang Hong (王宏) . . . . .	Finance director	Qingdao Mirrorverse No. 8	10.60%	386,769	[REDACTED]
Liang Haoxiang (梁昊翔) . . . . .	Solution manager	Qingdao Mirrorverse No. 8	4.03%	147,060	[REDACTED]
Wang Yongchao (王永超) . . . . .	Senior architect	Qingdao Mirrorverse No. 8	6.77%	247,060	[REDACTED]
Peng Bo (彭博) . . . . .	Senior technical artist	Qingdao Mirrorverse No. 8	2.01%	73,526	[REDACTED]
Xiong Xing (熊星) . . . . .	Senior engineer	Qingdao Mirrorverse No. 8	2.01%	73,526	[REDACTED]
Du Fei (杜菲) . . . . .	Marketing manager	Qingdao Mirrorverse No. 8	5.48%	200,003	[REDACTED]
Dou Shuai (竇帥) . . . . .	Secretary to the board of Directors of Beijing 51Sim	Qingdao Mirrorverse No. 8	4.11%	150,002	[REDACTED]
Bao Shiqiang (鮑世強) . . . . .	CEO of 51Sim	Qingdao Mirrorverse No. 8	2.74%	100,000	[REDACTED]
Wu Yaguang (吳亞光) . . .	CEO of shanghai branch of Beijing Mirrorverse Data Service Co., Ltd.* (北京萬物鏡像數據服務有限公司)	Qingdao Mirrorverse No. 8	2.74%	100,000	[REDACTED]
Zhang Anchun (張安春) . . . . .	Deputy general manager and director of R&D	Qingdao Mirrorverse No. 8	2.74%	100,000	[REDACTED]
Tong Liang (童亮) . . . . .	Sales director	Qingdao Mirrorverse No. 8	8.22%	300,004	[REDACTED]
Wang Qingtao (王慶濤) . . . . .	Sales director	Qingdao Mirrorverse No. 8	4.11%	150,002	[REDACTED]

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Name	Position(s)	Relevant Employee Shareholding Platforms	Approximate partnership interests in the relevant Employee Incentive Platform	Approximate number of Shares corresponding to partnership interests held by the grantees	Approximate shareholding percentage of total issued Shares immediately prior to the [REDACTED]
Zhang Xiaona (張曉娜) .....	Deputy general manager	Qingdao Mirrorverse No. 8	4.11%	150,002	[REDACTED]
Hao Lili (郝麗麗) .....	Human resources director manager	Qingdao Mirrorverse No. 8	0.00%	4	[REDACTED]

**B. [REDACTED] Share Option Scheme**

Our Company adopted a [REDACTED] Share Option Scheme on August 9, 2024 (the “[REDACTED] Share Option Scheme”). The [REDACTED] Share Option Scheme does not involve the grant of any options or Share after [REDACTED] and is not subject to the provisions of Chapter 17 of the Listing Rules. The following is a summary of the principal terms of the [REDACTED] Share Option Scheme:

***Objective***

The [REDACTED] Share Option Scheme is to improve the Company’s incentive mechanism, attract and retain talents and to motivate the senior management to ensure the achievement of the Company’s development goals.

***Administration***

The [REDACTED] Share Option Scheme’s approval, alteration and termination are subject to Shareholders meetings. The Board is authorized for the implementation of the [REDACTED] Share Option Scheme.

***Eligibility***

The eligible participants of the [REDACTED] Share Option Scheme are the senior management of the Company.

***Maximum Number of Shares***

The maximum number of Shares to be granted under the [REDACTED] Share Option Scheme shall not exceed 38,238,095 Shares, representing approximately 10.0% of the Shares of the Company as of the Latest Practicable Date.

***Source of Shares***

The underlying Shares under the [REDACTED] Share Option Scheme are the H Shares to be issued or, subject to the compliance with the relevant laws and regulations and the listing rules of the stock exchange where the Shares are listed, treasury shares to be transferred to the specified participants by the Company upon [REDACTED].

***Validity***

The [REDACTED] Share Option Scheme shall be valid and effective for the period of six years commencing on the date of grant.

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### *Vesting Schedule and Performance Targets*

The Board, in its discretion, determines the vesting schedule, which is specified in the relevant award agreement. The actual amount of options to be vested under the [REDACTED] Share Option Scheme are subject to the achievement of certain performance targets specified in the relevant award agreement.

### *Exercise Period*

Options may be exercised by the grantees provided that the H Shares are [REDACTED] on the Stock Exchange and the grantees may exercise the vested options in accordance with the terms of the [REDACTED] Share Option Scheme and the relevant award agreement if the vesting conditions under the [REDACTED] Share Option Scheme are met. The grantees must exercise their options within ten years from the date of grant.

### *Exercise Price*

The Board, in its discretion, determines the exercise price, which is specified in the relevant award agreement.

### *Lock-up Periods and Restrictions*

The participants under the [REDACTED] Share Option Scheme shall comply with the lock-up period and restriction requirements under the relevant laws and regulations.

### *CEO Options*

On August 9, 2024, our Company granted 38,238,095 options to Mr. Li to subscribe for 38,238,095 Unlisted Shares (the “CEO Options”) under the [REDACTED] Share Option Scheme. See “Directors, Supervisors and Parties involved in the [REDACTED]” for details on the address of Mr. Li. In respect of the grant of the CEO Options, Mr. Li has also undertaken and covenanted that his annual compensation shall not exceed HK\$510,000 for the period between January 1, 2025 and December 31, 2030.

The exercise price of the CEO Options is HK\$5.1 per Share. The exercise period of the CEO Options is 10 years from the date of grant. If Mr. Li ceases to hold the position of the Director or chief executive officer during the exercise period, Mr. Li may continue to exercise any vested CEO Options in accordance with the terms of the grant and any unvested CEO Options may be cancelled by the Company.

The CEO Options shall vest in accordance with the achievement of the performance targets set out below. The Board shall from time to time, by benchmarking Mr. Li’s performance with the performance targets, assess whether and to what extent the performance targets have been achieved.

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Tranche	Market capitalization target <sup>(1)</sup> (HK\$)	% of CEO Options vested
1	[REDACTED]	10%
2	[REDACTED]	10%
3	[REDACTED]	10%
4	[REDACTED]	10%
5	[REDACTED]	10%
6	[REDACTED]	10%
7	[REDACTED]	10%
8	[REDACTED]	10%
9	[REDACTED]	10%
10	[REDACTED]	10%

*Note:*

(1) The market capitalization target is achieved when the Six-month Market Cap or Thirty-day Market Cap between January 1, 2025 and December 31, 2030 meets or exceeds the requisite market capitalization target.

- A trading day refers to a day on which the Stock Exchange is open for trading;
- The Company’s market capitalization for a particular trading day is equal to the product of (a) the [REDACTED] of the H Shares as stated in the Stock Exchange’s daily quotations sheet for such trading day and (b) the total number of issued shares of the Company as of the close of such trading day (the “**Daily Market Capitalization**”);
- The “**Six-month Market Cap**” is equal to (a) the sum of the Daily Market Capitalization for each trading day during the six consecutive month period, divided by (b) the number of trading days during such period; and
- The “**Thirty-day Market Cap**” is equal to (a) the sum of the Daily Market Capitalization for each trading day during the 30 consecutive calendar day period, divided by (b) the number of trading days during such period.

An application has been made to the Stock Exchange for the [REDACTED] of and permission to [REDACTED] in the H Shares which may be [REDACTED] and issued upon the exercise of the outstanding CEO Options pursuant to the [REDACTED] Share Option Scheme.

### Outstanding CEO Options granted under the [REDACTED] Share Option Scheme

As of the Latest Practicable Date, CEO Options to subscribe for a total of 38,238,095 Unlisted Shares, representing approximately [REDACTED] of the total issued share capital of our Company immediately after completion of the [REDACTED] of Unlisted Shares into H Shares and the [REDACTED] (assuming the CEO Options granted have not been exercised and remain outstanding) have been granted to Mr. Li under the [REDACTED] Share Option Scheme.

### C. Beijing 51Sim Stock Option Scheme

The following is a summary of the principal terms of the Beijing 51Sim Stock Option Scheme adopted by Beijing 51Sim, a subsidiary of the Company, which took effect on August 4, 2023. The terms of the Beijing 51Sim Stock Option Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as Beijing 51Sim is not a principal subsidiary of our Company under Rule 17.14 of the Listing Rules.

#### Summary of terms

##### (a) Purpose

The purpose of the Beijing 51Sim Stock Option Scheme is to motivate and retain employees within the Group or consultants to contribute to the growth of Beijing 51Sim.

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## STATUTORY AND GENERAL INFORMATION

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**(b) Eligible participants**

Eligible participants of the Beijing 51Sim Stock Option Scheme may include employees (including officers, directors and other employees) of Beijing 51Sim.

**(c) Administration**

The Beijing 51Sim Stock Option Scheme is administered by the executive director of Beijing 51Sim (the “**Scheme Administrator**”).

**(d) Awards**

An award will take the form of option only which represents the right to subscribe for shares of Beijing 51Sim.

**(e) Grant of awards**

Awards granted will be evidenced by a written agreement, which will contain the terms, conditions, limitations, and restrictions determined by the Scheme Administrator. Such written agreements must include or incorporate by reference at least the following terms and conditions: number of shares, exercise price, vesting schedule, term and termination.

**(f) Validity period of the Beijing 51Sim Stock Option Scheme**

Unless being terminated earlier, the term of the Beijing 51Sim Stock Option Scheme is for the period from the date of adoption by the shareholders until all the share options have been exercised by the grantees.

**(g) Term of options**

Unless determined by the Scheme Administrator, the option has a term of 4 years commencing from the grant date.

**(h) Vesting period of options**

All the options granted shall vest in four equal installments on each of the first, second, third and fourth anniversaries of the date of the grant. Upon exercise of the options, the grantees will become limited partners of an employee incentive platform of Beijing 51Sim and, thus, indirectly held economic interest in the relevant shares of Beijing 51Sim.

### **Awards granted**

As of the Latest Practicable Date, options representing the right to acquire economic interests in 680,000 shares of Beijing 51Sim granted to 36 employees of the Group remain outstanding, accounting for approximately 6.0% of the total issued share capital of Beijing 51Sim.

## **5. OTHER INFORMATION**

### **A. Estate Duty**

Our Directors have been advised that no material liability for estate duty under laws of China is likely to fall upon any member of our Group.

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### B. Litigation

Save as disclosed in this document, no member of our Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Company that would have a material adverse effect on our Company’s results of operations or financial condition.

### C. Joint Sponsors

[The Joint Sponsors have made an application on behalf of our Company to the Hong Kong Stock Exchange for the [REDACTED] of, and permission to [REDACTED] in, the H Shares of our Company. All necessary arrangements have been made enabling the H Shares to be admitted into [REDACTED].]

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

Pursuant to the engagement letter entered into between our Company and each of the Joint Sponsors, we have agreed to pay each of the Joint Sponsors a fee of US\$400,000 to act as the sponsors of our Company in connection with the proposed [REDACTED] on the Hong Kong Stock Exchange.

### D. Compliance Adviser

Our Company has appointed Somerley Capital Limited as our compliance adviser in compliance with Rule 3A.19 of the Listing Rules.

### E. Qualification of Experts

The qualification of the experts, as defined under the Listing Rules, who have given opinions in this document are as follows:

<u>Name</u>	<u>Qualification</u>
China International Capital Corporation Hong Kong Securities Limited	A licensed corporation under the SFO for type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
Huatai Financial Holdings (Hong Kong) Limited	A licensed corporation under the SFO for type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance), type 7 (providing automated trading services) and type 9 (asset management) of the regulated activities as defined under the SFO
Zhong Lun Law Firm	Legal advisor to the Company as to PRC laws
KPMG	Certified Public Accountants Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant



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### **F. Consents of Experts**

Each of the experts as referred to in “—5. Other Information—E. Qualification of Experts” in this Appendix has given and has not withdrawn its consent to the issue of this document with the inclusion of its view, report and/or letter and/or legal opinion (as the case may be) and references to its name included herein in the form and context in which it respectively appears.

None of the experts named above has any shareholding interest in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

### **G. Binding Effect**

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

### **H. No Material Adverse Change**

Our Directors confirm that, there has been no material adverse change in our business, financial condition and results of operations since June 30, 2024, being the latest balance sheet date of our consolidated financial statements as set out in the consolidated financial statements included in Appendix I to this document, and up to the date of this document.

### **I. Taxation of Holders of H Shares**

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty if such sale, purchase and transfer are affected on the H Share register of members of our Company, including in circumstances where such transactions are effected on the Stock Exchange. The current rate of Hong Kong stamp duty for such sale, purchase and transfer on each of the purchaser and the seller is 0.10% of the consideration or, if higher, the fair value of the H Shares being sold or transferred.

### **J. Restriction on Share Repurchases**

For details of the restrictions on share repurchases by our Company, please refer to “Summary of the Articles of Association—Increase, Reduction and Repurchase of Shares—Repurchase of Shares” in Appendix V to this document.

### **K. Preliminary Expenses**

We have not incurred any material preliminary expenses.

### **L. Promoters**

Within two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given nor is any proposed to be paid, allotted or given to any promoters in connection with the [REDACTED] and the related transactions described in this document.

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## APPENDIX VI

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### M. Related Party Transactions

Our Group entered into the related party transactions within the two years immediately preceding the date of this document as mentioned in “Appendix I—Accountants’ Report—[45]. Related Party Transactions.”

### N. Miscellaneous

Save as disclosed in this document:

- (i) within the two years immediately preceding the date of this document:
  - (a) no share or loan capital of our Company or any of our subsidiaries had been issued or agreed to be issued or proposed to be fully or partly paid either for cash or a consideration other than cash;
  - (b) no share or loan capital of our Company or any of our subsidiaries had been under option or is agreed conditionally or unconditionally to be put under option;
  - (c) no commissions, discounts, brokerages or other special terms had been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and
  - (d) no commission had been paid or payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries;
- (ii) there are no founder, management or deferred shares, convertible debt securities nor any debentures in our Company or any of our subsidiaries;
- (iii) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this document;
- (iv) our Company has no outstanding convertible debt securities or debentures;
- (v) there is no arrangement under which future dividends are waived or agreed to be waived;
- (vi) save for the H Shares to be issued in connection with the [REDACTED], none of the equity and debt securities of our Company, if any, is [REDACTED] or [REDACTED] with in any other stock exchange nor is any [REDACTED] or permission to [REDACTED] being or proposed to be sought; and
- (vii) all necessary arrangements have been made to enable the H shares to be admitted into [REDACTED] for clearing and settlement.

### O. Bilingual Document

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

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## APPENDIX VII

## DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE ON DISPLAY

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### A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

- (i) a copy of each of the material contracts referred to in “Appendix VI—Statutory and General Information—2. Further Information about our Business—A. Summary of Our Material Contracts”; and
- (ii) the written consents referred to in the section headed “Appendix VI—Statutory and General Information—5. Other Information—F. Consents of Experts”.

### B. DOCUMENTS AVAILABLE ON DISPLAY

Electronic copies of the following documents will be available on display on the website of our Company at <https://51world.com.cn/> and on the website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) during a period of 14 days from the date of this document:

- (a) the Articles of Association;
- (b) the Accountants’ Report from KPMG, the text of which is set out in Appendix I to this document;
- (c) the audited consolidated financial statements of our Group for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024;
- (d) the report from KPMG on the unaudited [REDACTED] financial information of our Group, the texts of which are set out in the section headed “Unaudited [REDACTED] Financial Information” in Appendix II to this document;
- (e) the industry report issued by Frost & Sullivan referred to in “Industry Overview” in this document;
- (f) the PRC legal opinions issued by Zhong Lun Law Firm in respect of certain general corporate matters and property interests in China of our Group;
- (g) the material contracts referred to in “Appendix VI—Statutory and General Information—2. Further Information about our Business—A. Summary of Our Material Contracts”;
- (h) the service contracts and appointment letters referred to in “Appendix VI—Statutory and General Information—3. Further Information about our Directors and Supervisors—A. Particulars of Directors’ and Supervisors’ Service Contracts and Appointment Letters”;
- (i) the written consents referred to in “Appendix VI—Statutory and General Information—5. Other Information—F. Consents of Experts”; and
- (j) the PRC Company Law, Securities Law, and the Trial Measures for the Administration Related to the Overseas Securities Offering and Listing by Domestic Companies, together with unofficial English translations thereof.