



知行汽車科技(蘇州)股份有限公司
iMotion Automotive Technology (Suzhou) Co., Ltd.

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

Stock Code: 1274

GLOBAL OFFERING



Joint Sponsors



Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



IMPORTANT

IMPORTANT: If you have doubt about any of the contents in this prospectus, you should obtain independent professional advice.



iMotion Automotive Technology (Suzhou) Co., Ltd. 知行汽車科技(蘇州)股份有限公司

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

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 22,116,000 H Shares
Number of Hong Kong Offer Shares	: 2,211,600 H Shares (subject to reallocation)
Number of International Offer Shares	: 19,904,400 H Shares (subject to reallocation)
Offer Price	: HK\$29.65 per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and the Stock Exchange trading fee of 0.00565% (payable in full on application in Hong Kong dollars, subject to refund)
Nominal Value	: RMB1.00 per Share
Stock Code	: 1274

Joint Sponsors



Overall Coordinators, Joint Global Coordinators,
Joint Bookrunners and Joint Lead Managers



Joint Bookrunners and Joint Lead Managers



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in "Appendix VII — Documents Delivered to the Registrar of Companies and Available on Display" to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above. The Offer Price will be HK\$29.65 per H Share. Applicants for Hong Kong Offer Shares are required to pay, on application, the Offer Price of HK\$29.65 for each Hong Kong Offer Share together with brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%.

The Overall Coordinators, for themselves and on behalf of the Underwriters, may, with the consent of our Company, reduce the number of Hong Kong Offer Shares and/or the Offer Price below that stated in this prospectus (being HK\$29.65 per H Share) at any time on or prior to the morning of the last date for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Hong Kong Offer Shares and/or the Offer Price will be published on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.imotion.ai as soon as practicable following the decision to make such reduction, but in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. For further information, see "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

We are incorporated, and a majority part of our businesses are located, in the PRC. Potential investors should be aware of the differences in the legal, economic and financial systems between the PRC and Hong Kong and that there are different risk factors relating to investment in PRC-incorporated businesses. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of the H Shares. Such differences and risk factors are set out in "Risk Factors," "Appendix IV — Summary of Principal Legal and Regulatory Provisions" and "Appendix V — Summary of Articles of Association."

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Hong Kong Offer Shares, are subject to termination by the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that trading in the Shares commences on the Hong Kong Stock Exchange. Such grounds are set out in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" in this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold (i) solely to QIBs as defined in Rule 144A pursuant to an exemption from registration under the U.S. Securities Act, and (ii) outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the websites of the Stock Exchange (www.hkexnews.hk) and our Company (www.imotion.ai). If you require a printed copy of this prospectus, you may download and print from the website addresses above.

December 12, 2023

IMPORTANT

IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the “*HKEXnews > New Listings > New Listing Information*” section, and our website at www.imotion.ai. You may download and print from these website addresses if you want a printed copy of this prospectus.

To apply for the Hong Kong Offer Shares, you may:

- (1) apply online via the **White Form eIPO** service at www.eipo.com.hk; or
- (2) apply electronically through the **HKSCC EIPO** channel and cause HKSCC Nominees to apply on your behalf by instructing your broker or custodian who is a HKSCC Participant to give electronic application instructions via HKSCC’s FINI system to apply for the Hong Kong Offer Shares on your behalf.

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

If you are an **intermediary, broker or agent**, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses stated above.

Please refer to the section headed “*How to Apply for Hong Kong Offer Shares*” in this prospectus for further details on the procedures through which you can apply for the Hong Kong Offer Shares electronically.

IMPORTANT

Your application through the **White Form eIPO** service or the **HKSCC EIPO** channel must be made for a minimum of 100 Hong Kong Offer Shares and in multiples of that number of Hong Kong Offer Shares as set out in the table below. No application for any other number of Hong Kong Offer Shares will be considered and such an application is liable to be rejected.

If you are applying through the **White Form eIPO** service, you may refer to the table below for the amount payable for the number of Shares you have selected. You must pay the respective amount payable on application in full upon application for Hong Kong Offer Shares.

If you are applying through the **HKSCC EIPO** channel, you are required to pre-fund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong.

No. of Hong Kong Offer Shares applied for	Amount payable on application <i>HK\$</i>	No. of Hong Kong Offer Shares applied for	Amount payable on application <i>HK\$</i>	No. of Hong Kong Offer Shares applied for	Amount payable on application <i>HK\$</i>	No. of Hong Kong Offer Shares applied for	Amount payable ⁽²⁾ on application <i>HK\$</i>
100	2,994.90	3,000	89,847.06	50,000	1,497,451.01	400,000	11,979,608.10
200	5,989.81	4,000	119,796.08	60,000	1,796,941.21	450,000	13,477,059.11
300	8,984.70	5,000	149,745.10	70,000	2,096,431.42	500,000	14,974,510.13
400	11,979.61	6,000	179,694.12	80,000	2,395,921.62	600,000	17,969,412.16
500	14,974.51	7,000	209,643.14	90,000	2,695,411.82	700,000	20,964,314.18
600	17,969.42	8,000	239,592.16	100,000	2,994,902.03	800,000	23,959,216.20
700	20,964.31	9,000	269,541.18	150,000	4,492,353.03	900,000	26,954,118.23
800	23,959.22	10,000	299,490.20	200,000	5,989,804.06	1,000,000	29,949,020.26
900	26,954.12	20,000	598,980.40	250,000	7,487,255.07	1,105,800 ⁽¹⁾	33,117,626.59
1,000	29,949.02	30,000	898,470.61	300,000	8,984,706.08		
2,000	59,898.04	40,000	1,197,960.81	350,000	10,482,157.09		

(1) Maximum number of Hong Kong Offer Shares you may apply for.

(2) This is 50% of the Hong Kong Public Offer Shares offered, and the amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) or to the Share Registrar (for applications made through the application channel of the Hong Kong Share Registrar) while the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy will be paid to the SFC, the Stock Exchange and the AFRC, respectively.

EXPECTED TIMETABLE⁽¹⁾

If there is any change in the following expected timetable of the Hong Kong Public Offering, our Company will issue an announcement to be published on the website of the Stock Exchange at www.hkexnews.hk and the website of our Company at www.imotion.ai.

	Date ⁽¹⁾
Hong Kong Public Offering commences	9:00 a.m. on Tuesday, December 12, 2023
Latest time to complete electronic applications under White Form eIPO service through the designated website at www.eipo.com.hk ⁽²⁾	11:30 a.m. on Friday, December 15, 2023
Application lists of the Hong Kong Public Offering open ⁽³⁾	11:45 a.m. on Friday, December 15, 2023
Latest time to (a) complete payment of White Form eIPO applications by effecting internet banking transfer(s) or PPS payment transfer(s) and (b) give electronic application instructions to HKSCC ⁽⁴⁾	12:00 noon on Friday, December 15, 2023
<p>If you are instructing your broker or custodian who is a HKSCC Participant will submit an eIPO application on your behalf through HKSCC's FINI system in accordance with your instruction, you are advised to contact your broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian.</p>	
Application lists of the Hong Kong Public Offering close ⁽³⁾	12:00 noon on Friday, December 15, 2023
Announcement of the results of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering and the basis of allocation of the Hong Kong Offer Shares under the Hong Kong Public Offering to be published on the website of the Stock Exchange at www.hkexnews.hk and the website of our Company at www.imotion.ai ⁽⁵⁾ on or before Tuesday, December 19, 2023

EXPECTED TIMETABLE⁽¹⁾

Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels, including:

- (1) A full announcement of the Hong Kong Public Offering to be published on the website of the Stock Exchange at www.hkexnews.hk and the website of our Company at www.imotion.ai⁽⁵⁾ Tuesday, December 19, 2023

- (2) Results of allocations in the Hong Kong Public Offering will be available at www.iporeresults.com.hk (alternatively: www.eipo.com.hk/eIPOAllotment) with a "search by ID" function on a 24-hour basis from 11:00 p.m. on Tuesday, December 19, 2023 to 12:00 midnight on Monday, December 25, 2023

- (3) Allocation results telephone enquiry by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. on Wednesday, December 20, 2023, to Wednesday, December 27, 2023 (excluding Saturday, Sunday and public holidays in Hong Kong)

Deposit of H Share certificates into CCASS in respect of wholly or partially successful application under the Hong Kong Public Offering on⁽⁶⁾⁽⁸⁾ Tuesday, December 19, 2023

Dispatch of H Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before⁽⁶⁾⁽⁸⁾ Tuesday, December 19, 2023

Dispatch/collection of refund cheques and **White Form** e-Refund payment instructions in respect of (i) wholly or partially successful applications (if applicable) and (ii) wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before⁽⁷⁾⁽⁸⁾ Wednesday, December 20, 2023

Dealings in H Shares on the Stock Exchange expected to commence at 9:00 a.m. on Wednesday, December 20, 2023

EXPECTED TIMETABLE⁽¹⁾

Notes:

- (1) All dates and times refer to Hong Kong local dates and times, except as otherwise stated.
- (2) You will not be permitted to submit your application to the **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website on or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, December 15, 2023, the application lists will not open or close on that day. See “How to Apply for Hong Kong Offer Shares — E. Severe Weather Arrangements” in this prospectus.
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS or instructing your **broker** or **custodian** to apply on your behalf via CCASS should see “How to Apply for Hong Kong Offer Shares — A. Application for Hong Kong Offer Shares — 2. Application Channels” in this prospectus.
- (5) None of the websites or any of the information contained on the websites forms part of this prospectus.
- (6) H Share certificates for the Offer Shares will become valid evidence of title at 8:00 a.m. on Wednesday, December 20, 2023 provided that (i) the Global Offering has become unconditional in all respects and (ii) none of the Underwriting Agreements have been terminated in accordance with its terms.
- (7) White Form e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before encashment of the refund cheque. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may invalidate or delay encashment of the refund cheque.
- (8) Applicants who have applied for Hong Kong Offer Shares through **CCASS EIPO** service should refer to the section headed “How to Apply for Hong Kong Offer Shares — D. Despatch/Collection of Share Certificates and Refund of Application Monies” in this prospectus for details.

Applicants who have applied through the **White Form eIPO** service for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offering can collect their H Share certificates and/or refund cheque(s) (if any) in person from our H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong between 9:00 a.m. to 1:00 p.m. on Wednesday, December 20, 2023. For applicants who apply through the **White Form eIPO** service and paid the application monies from a single bank account, White Form e-Refund payment instructions (if any) will be dispatched to their application payment bank account on Wednesday, December 20, 2023. For applicants who apply through the **White Form eIPO** service and used multi-bank accounts to pay the application monies, refund cheque (if any) will be dispatched to the address specified in their electronic application instruction to the **White Form eIPO** Service Provider on or before Wednesday, December 20, 2023 at their own risk.

H Share certificates and/or refund cheques for applicants who have applied for less than 1,000,000 Hong Kong Offer Shares and any uncollected H Share certificates and/or refund cheques will be dispatched by ordinary post, at the applicants’ risk, to the addresses specified in the relevant applications.

Further information is set out in the sections headed “How to Apply for Hong Kong Offer Shares — D. Despatch/Collection of Share Certificates and Refund of Application Monies” in this prospectus.

The above expected timetable is a summary only. See the sections headed “Structure of the Global Offering” and “How to Apply for Hong Kong Offer Shares” in this prospectus for details of the structure and conditions of the Global Offering, as well as the application procedures for Hong Kong Public Offering.

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IMPORTANT NOTICE TO INVESTORS

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

You should rely only on the information contained in this prospectus to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Joint Sponsors, the Overall Coordinators, the Capital Market Intermediaries, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers or representatives, or any other person or party involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full document. You should read the whole document before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set forth in the section headed “Risk Factors” of this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are an autonomous driving solution provider in China with a focus on AD domain controllers. We have commercialized level 2 to level 2+ (level 2+ is not an official classification under SAE⁽¹⁾ standard), and are developing level 2 to level 4, autonomous driving solutions for automotive manufacturers (OEMs). Our revenue increased significantly from RMB47.7 million in 2020 to RMB178.3 million in 2021 and further to RMB1,325.9 million in 2022, with a CAGR of 427.2%, and from RMB359.2 million for the six months ended June 30, 2022 to RMB543.2 million for the six months ended June 30, 2023, primarily due to the sales of SuperVision™ in collaboration with Mobileye. We act as the system integrator in SuperVision™ projects, which are based on Mobileye’s technology and the base version of AD domain controllers acquired from Mobileye. In 2021, 2022 and the six months ended June 30, 2023, our revenue generated from the sales of SuperVision™ amounted to RMB86.0 million, RMB1,248.8 million and RMB510.2 million, respectively, accounting for 48.3%, 94.2% and 93.9% of our total revenue during the same periods, respectively, which were primarily generated from the sales of SuperVision™ to Geely Group. At the relatively early stages of large-scale commercialization, we have been loss-making since 2020 and we expect to incur net loss and net operating cash outflow in 2023. For details, see “Business — Business Sustainability.” As an automotive system integrator (Tier 1 supplier), we offer various autonomous driving in-vehicle solutions and products to OEMs on both new energy vehicles (NEVs) and internal combustion engine (ICE) vehicles. Our autonomous driving domain controller (AD domain controller) solutions typically include (i) an AD domain controller; (ii)

Note:

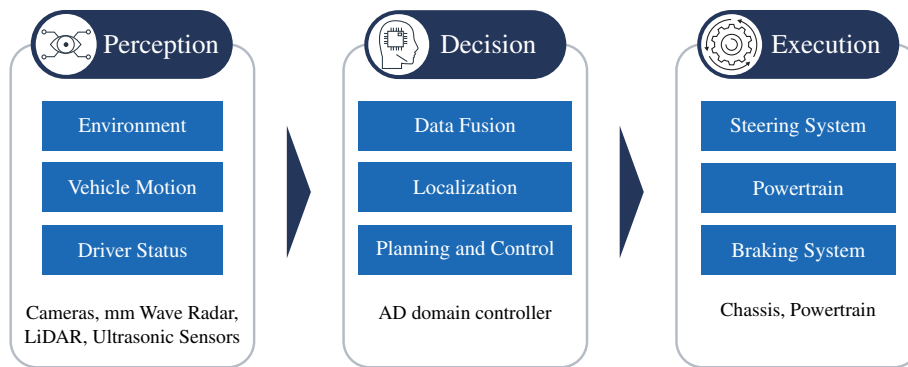
- (1) SAE, which is a U.S.-based global association of engineering professionals in various industries with a focus on transport industries, classifies vehicle automation into six levels (ranging from level 0 to level 5) based on the extent of human intervention and the scope of the driving scenario. Market participants classify autonomous driving solutions into more specific categories based on the SAE classification, such as level 2+, as a practice in the industry to give users and customers a more precise idea of the level of automation of their products. Although it is not an official classification under SAE standard, automotive industry has widely adopted the terminology of level 2+ to distinguish their advanced technologies and functions from the basic level 2 function. A typical basic level 2 function is a combination of Adaptive Cruise Control (ACC) and Lane Centering Control (LCC), which helps vehicles dynamically maintain a safe following distance and keeps the vehicles centered in the lane at the same time. An example of an level 2+ function is Automated Lane Change (ALC), which actively detects vehicles in the blind spot and, when clear, performs a lane change movement at the driver’s request.

SUMMARY

associated sensors, which we procure from third-party suppliers and integrate into our solutions; (iii) integrated software, algorithms and functions; and (iv) relevant services such as sensor implementation, vehicle systems integration, and function testing and validation.

We have commercialized two AD domain controller product lines which support level 2 to level 2+ autonomous driving functions, covering a wide price range of passenger vehicles and all types of driving scenarios, including highways, ring roads, complex urban roads, country roads, and parking areas. In addition to SuperVision™, we also provide self-designed and self-developed iDC series which includes iDC Mid and iDC High. In terms of revenue generated from sales of AD domain controller solutions in 2022, we were the fourth largest AD domain controller provider in China taking into account the in-house developed domain controllers by OEMs, with a market share of 8.6%.

AD domain controllers function as the brain of autonomous driving solutions - fusing and processing data from the vehicle's sensors to make autonomous driving decisions and trigger actuators in the vehicles. The diagram below illustrates the main components of an autonomous driving solution.



We also offer iFC products to OEMs based on our core algorithms on a stand-alone basis without providing relevant implementation and installation services. Our iFC product, which incorporates a controller supported by a SoC and a camera, is able to independently realize level 2 autonomous driving functions.

We possess comprehensive R&D capabilities for the development of iDC and iFC products, including self-developed algorithms and hardware-software co-design capabilities, and are able to capture the massive opportunities in the autonomous driving market with (i) our comprehensive capabilities in hardware, software, algorithms, functions and cloud, (ii) our continued algorithm optimization based on years of experience in commercializing level 2+ solutions, and (iii) our stable relationship with OEM customers and strategic partners.

According to Frost & Sullivan, under the trends of vehicle electrification, intelligence and connectivity, the autonomous driving market in China is expected to maintain significant growth momentum in the future. The size of the autonomous driving market, including software and hardware for passenger and commercial vehicles as well as robotaxi services, is

SUMMARY

expected to reach more than RMB1,100 billion and RMB3,100 billion in China and globally, respectively, in 2035. Accordingly, the market for AD domain controllers which are described as the brain of autonomous driving solutions, is expected to grow rapidly in the near future. The market size for AD domain controllers in China was RMB9.8 billion in 2022, of which RMB3.3 billion was attributed to third-party AD domain controller providers. The market size for AD domain controllers in China is expected to reach RMB64.5 billion in 2026, at a CAGR of 60.1% from 2022 to 2026. It is anticipated that third-party AD domain controller providers will occupy a larger market share in the future by offering more diverse and cost-effective solutions to OEMs.

During the Track Record Period, we generated most of our revenue from the sale of our autonomous driving solutions and products to OEMs and we delivered approximately 130 thousand units of AD domain controllers in total. Most of these were SuperVision™ supplied to Geely Group, which were based on Mobileye's technology and the base version of AD domain controllers acquired from Mobileye. As of the Latest Practicable Date, we obtained letters of nomination associated with 16 renowned OEM customers, such as Geely, Great Wall Motor, Chery and Dongfeng, among others, who sourced or are expected to source AD domain controllers and iFC products from us. Obtaining a letter of nomination indicates that we are selected as a designated supplier for autonomous driving solutions and products for a particular vehicle model of an OEM customer, and are qualified to join an OEM's supply chains for such particular vehicle model. However, there is no guarantee that our OEM customers will purchase our solutions and products in large quantities or at all and at a price that will be profitable to us even having entered into a letter of nomination and no certainty of finalization of contract and such letter of nomination may be terminated. There is also no guarantee that we will be able to recover the significant upfront costs incurred during the development of autonomous driving solutions. As of the Latest Practicable Date, to our knowledge, we were the sole suppliers for 16 of 17 projects in which we obtained letters of nomination for AD domain controllers, except in one case where, another autonomous driving solutions provider was engaged for lower-end versions of the vehicle model.

Since 2018, we have established a strategic partnership with Mobileye, and Mobileye has become one of our key suppliers who primarily supplied the base version of AD domain controllers for SuperVision™. The AD domain controller solution we provided for ZEEKR 001 was one of the first applications in the industry equipped with Mobileye's EyeQ®5H systems on chips (SoCs). The AD domain controller solution we provided for ZEEKR contributed to nil, 48.2%, 93.6% and 93.5% of our total revenue for the three years ended December 31, 2022, and six months ended June 30, 2023, respectively. For details, see "Business — Our Customers — Our Relationship with Geely Group" and "Business — Our Suppliers — Our Relationship with Mobileye." We also collaborate with renowned upstream business partners, such as Renesas, Texas Instruments, and Sunny Optical, to deliver tailored solutions to our OEM customers.

Through our established and stable partnerships with high-profile business partners and extensive experience in series production of autonomous driving solutions and products, we are able to accurately and quickly assess the varying needs of our OEM customers and continue

SUMMARY

to expand our business relationships with OEMs. Meanwhile, as we continue to update our technologies and enhance our solutions and products, we can respond to market trends in a timely manner. Therefore, leveraging our experience in the commercialization of autonomous driving solutions and products and outstanding capabilities in series production, we believe that we are able to seize the growth opportunities in the industry.

OUR BUSINESS MODEL

During the Track Record Period, we generated most of our revenue from the sales of our autonomous driving solutions and products to OEMs, which included AD domain controllers and iFC products. We develop autonomous driving solutions and products for OEMs leveraging our core vertically integrated competencies in product design and development, algorithm and function development, system integration and manufacturing, among others. Our solutions and products for autonomous driving can be installed on both new energy vehicles (NEVs) and internal combustion engine (ICE) vehicles, and are capable of realizing comprehensive autonomous driving functions. During the Track Record Period, we also generated revenue from (i) R&D services provided to OEMs in assistance of their autonomous driving projects, and (ii) the sales of printed circuit boards assembly (PCBA) products to third parties. Our R&D services are primarily focused on three aspects: (i) the development of software and hardware for autonomous driving; (ii) the development of algorithms and functions for autonomous driving; and (iii) functional safety consulting and validation. With respect to our sales of PCBA products to third parties, we mount different electronic components on the printed circuit board (PCB), such as SoCs, resistors, capacitors, and transmitters based on our customers' specifications to prepare fully usable circuit boards. We do not consider the sales of PCBA products to third parties as our core business and plan to gradually wind down sales of PCBA products to third parties over the next five years. However, we will continue to use our SMT lines to produce PCBA products as components of our own autonomous driving solutions and products.

The process of provision of our autonomous driving solutions is illustrated as follows:



SUMMARY

Our suppliers provide us with components of our solutions and products in accordance with our specific needs. We procure from the suppliers for standard electronic components like SoCs, MCUs, integrated circuits, resistors, capacitors, inductors, and connectors that can meet our specifications. Additionally, we entrust some suppliers to manufacture certain parts used in our products and solutions, including PCBs, housings, and camera modules, in accordance with our designs. Regarding SuperVision™, we procure from Mobileye the base version of AD domain controllers. However, for our self-developed iDC and iFC products, we are responsible for product design and development, algorithm and function development, as well as manufacturing.

The table below sets forth a breakdown of our revenue by business line both in absolute amount and as a percentage of our total revenue for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2020		2021		2022		2022		2023	
	<i>(RMB in thousands, except for percentages)</i>									
	<i>(Unaudited)</i>									
Autonomous driving solutions and products										
— AD domain controller solutions	—	—	86,010	48.2%	1,249,834	94.3%	335,959	93.5%	515,535	94.9%
— ZEEKR	—	—	86,010	48.2%	1,240,400	93.6%	333,614	92.9%	507,671	93.5%
— Smart	—	—	—	—	1,489	0.1%	1,059	0.3%	43	0.0%
— Polestar ⁽¹⁾	—	—	—	—	—	—	—	—	1,075	0.2%
— Chery	—	—	—	—	—	—	—	—	3,710	0.7%
— Others ⁽²⁾	—	—	—	—	7,945	0.6%	1,286	0.3%	3,036	0.5%
— Intelligent front cameras	440	0.9%	144	0.1%	3,115	0.2%	796	0.3%	5,321	1.0%
<i>Subtotal</i>	<i>440</i>	<i>0.9%</i>	<i>86,154</i>	<i>48.3%</i>	<i>1,252,949</i>	<i>94.5%</i>	<i>336,755</i>	<i>93.8%</i>	<i>520,856</i>	<i>95.9%</i>
Autonomous driving-related R&D services	4,826	10.1%	34,503	19.4%	37,956	2.9%	5,460	1.5%	12,083	2.2%
Sales of PCBA products	42,389	89.0%	57,601	32.3%	34,977	2.6%	16,956	4.7%	10,273	1.9%
Total	47,655	100.0%	178,258	100.0%	1,325,882	100.0%	359,171	100.0%	543,212	100.0%

Notes:

- (1) The sales to Polestar were made through an affiliate of Geely Group.
- (2) The amount represents revenue from (i) sales of AD domain controller solutions to be installed on certain vehicle models which have discontinued or suspended sales and (ii) sales of materials and sample products unrelated to a specific vehicle model.

SUMMARY

OUR AUTONOMOUS DRIVING SOLUTIONS AND PRODUCTS

We offer various autonomous driving solutions and products, which included AD domain controllers and iFC products. With respect to AD domain controllers, we generated a significant portion of revenue from SuperVision™ during the Track Record Period, which were based on Mobileye’s technology and the base version of AD domain controllers. In addition, we also supplied our self-developed iDC series to OEM customers. Our AD domain controller solutions typically include (i) an AD domain controller; (ii) associated sensors, which we procure from third-party suppliers and integrate into our solutions; (iii) integrated software, algorithms and functions; and (iv) relevant services such as sensor implementation, vehicle systems integration, and function testing and validation. OEM customers may procure sensors themselves. In such case we do not provide sensor implementation or integration services and instead we only provide a limited number of services focusing on autonomous driving function testing and validation. An AD domain controller functions as the brain in autonomous driving solutions, fusing and processing data from sensors to make driving decisions and trigger actuators in the vehicles.

We also offer iFC products to OEMs based on our core algorithms on a stand-alone basis without providing relevant implementation and installation services. Our iFC product, which incorporates a controller supported by a SoC and a camera, is able to independently realize level 2 autonomous driving functions. The iFC products can also be used as a smart sensor in an autonomous driving solution powered by an AD domain controller, such as the iDC Mid solution, in order to provide more autonomous driving functions.

The following table sets for a breakdown of our revenue generated from autonomous driving solutions and products by product line for the periods indicated.

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2020	2021	2022	2022	2023
	<i>(RMB in thousands)</i>				
	<i>(Unaudited)</i>				
Autonomous driving solutions and products					
— SuperVision™	—	86,010	1,248,795	335,959	510,225
— iDC Mid	—	—	441	—	2,573
— iFC 2.0	440	144	3,115	796	5,321
— Others ⁽¹⁾	—	—	598	—	2,737
Total	440	86,154	1,252,949	336,755	520,856

Note:

- (1) Representing sales of complementary products alongside the main products, and materials unrelated to a specific vehicle model.

SUMMARY

We integrate both hardware and software into our autonomous driving solutions and products. Leveraging our superior software-hardware co-design capabilities, we develop proprietary middleware that can be used as a bridge to connect software with the underlying hardware. We develop algorithms to enable different autonomous driving functions and provide OEMs with comprehensive services such as system diagnosis and over-the-air (OTA) updates.

We believe that our solutions and products have the following advantages:

- *SuperVision™*. SuperVision™ is a fully operational point-to-point assisted driving navigation solution on various road types and includes cloud-based enhancements and supports OTA updates subject to the system's operational domain design (ODD). Equipped with 11 cameras powered by two Mobileye's EyeQ®5H SoCs, SuperVision™ has superior visual perception capabilities and offers one of the most comprehensive autonomous driving functions covering driving scenarios in its defined ODD. SuperVision™ meets the specific needs of premium intelligent vehicle models of our OEM customers, equipping them with a distinctive advantage to compete on the global market. SuperVision™ can achieve level 2+ autonomous driving, including more advanced level 2+ functions such as navigate on autopilot in urban areas (Urban NoA). The series production of SuperVision™ under our project in collaboration with Mobileye for ZEEKR 001 commenced in October 2021. For SuperVision™ supplied to our OEM customers, we act as the system integrator and are not responsible for the assembly or manufacturing.
- *iDC Series*. The iDC series is our self-developed AD domain controller product line. Compared to the typical architecture that includes both SoC and microcontroller (MCU), we creatively developed an advanced software architecture for our iDC series that integrates high-speed driving functions and low-speed parking functions into one SoC only, enabling product cost reduction and system efficiency enhancement. iDC Mid, which started series production in January 2023, is a cost-effective solution targeting the mid- to high- end vehicle market that can achieve level 2+ autonomous driving. Empowered by our flexible system architecture, iDC Mid offers exceptional adaptability, allowing it to be used on a variety of vehicle models of our OEM customers. Our proprietary algorithms enable iDC Mid to integrate navigate on autopilot (NoA), home-zone parking assistance (HPA), automatic parking assistance (APA), surround view 3D display (SV3D), safety assistance, and other driver assistance functions.

We expect the series production of iDC High, an enhanced version of iDC Mid that can achieve level 2+ autonomous driving, to start in 2024. The upcoming iDC High will have a higher computing power and enhanced sensor configuration, compared to iDC Mid. It will be able to support a full-scenario intelligent driving experience. Designed for mid- to high- end vehicles, iDC High will include all autonomous driving functions of iDC Mid. In addition, it will include more advanced autonomous driving functions, such as Urban NoA, and more advanced parking functions to cover more scenarios.

SUMMARY

- *iFC Series.* Our iFC series is a budget solution for level 2 autonomous driving that includes both comfort functions (such as LCC and ACC) and safety assistance functions (such as emergency lane keeping (ELK) and automatic emergency braking (AEB)). iFC 2.0 has started series production in August 2021 and can meet C-NCAP and EURO-NCAP 2023 5-star safety standards as well as GSR regulatory standards. We plan to launch the iFC 3.0 solution in 2024, which is targeted to meet future C-NCAP and EURO-NCAP 5-star safety standards. Due to its enhanced perception capabilities, more compact size, and enhanced function extension capabilities, our iFC 3.0 is expected to meet the upgrading needs of our OEM customers.

Regarding our self-developed iDC and iFC series, our role extends beyond being a system integrator. We take on various responsibilities after entering the series production stage, including the procurement of raw materials and components based on our designs, assembly, installation of our proprietary autonomous driving software, functional testing, packaging and delivery.

As of the Latest Practicable Date, we obtained letters of nomination associated with 16 renowned OEM customers, such as Geely, Great Wall Motor, Chery and Dongfeng, among others, who sourced or are expected to source AD domain controllers and iFC products from us. Obtaining a letter of nomination indicates that we are selected as a designated supplier for autonomous driving solutions and products for a particular vehicle model of an OEM customer, and are qualified to join an OEM's supply chains for such particular vehicle model. However, there is no guarantee that our OEM customers will purchase our solutions and products in large quantities or at all and at a price that will be profitable to us even having entered into a letter of nomination and no certainty of finalization of contract and such letter of nomination may be terminated. During the Track Record Period and up to the Latest Practicable Date, two OEM customers ceased cooperation with us. To our knowledge based on public information and our communication with Mobileye, Mobileye and Polestar may collaborate with another system integrator to incorporate Mobileye's next-generation autonomous driving solutions, including ChauffeurTM, into a particular vehicle model of Polestar that we have agreed to work on. Moreover, the lengthy development cycles of autonomous driving solutions result in our significant investment of resources prior to realizing any revenue from a vehicle model, and we may not be able to recover the significant upfront costs incurred. For details, see "Risk Factors — There is no guarantee that our OEM customers or OEM end customers will purchase our solutions and products in any certain quantity or at any certain price even after we obtain the letter of nomination, and there may be significant delays between the time we obtain the letter of nomination until we realize revenue from the vehicle model."

SUMMARY

OUR RELATIONSHIP WITH GEELY GROUP AND MOBILEYE

The Linkage Between Mobileye and Geely Group

For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, nil, 91.0%, 97.2% and 98.6% of our revenue generated from Geely Group relates to SuperVision™, respectively, which is based on the base version of AD domain controllers supplied by Mobileye. As of the Latest Practicable Date, we, in collaboration with Mobileye, supplied SuperVision™ for five series-produced vehicle models from Geely Group's premium electric vehicle brands, namely ZEEKR 001, ZEEKR 009, ZEEKR 001 (European version), ZEEKR 001 FR and Polestar 4. The AD domain controller solution we provided for ZEEKR contributed to nil, 48.2%, 93.6% and 93.5% of our total revenue for the years ended December 31, 2020, 2021 and 2022 and six months ended June 30, 2023, respectively.

Our initial cooperation with Geely Group dates back to October 2020 when both parties started cooperation in R&D of level 2+ autonomous driving solutions. In July 2020, we engaged in initial discussions with Mobileye regarding the manufacturing and commercialization of SuperVision™. Subsequently, in August 2020, upon becoming aware of the new vehicle model planned for launch by Geely Group, further discussions took place between us and Mobileye concerning potential collaboration and work allocations for the integration of SuperVision™ on ZEEKR 001. In October 2020, we received the letter of nomination for SuperVision™ and since then, we have become one of the key suppliers of autonomous driving solutions and products for Geely Group, especially under its ZEEKR brand. However, we are subject to concentration risk of deriving a substantial portion of revenue from our sales to Geely Group and from SuperVision™. In particular, Mobileye may collaborate directly with Geely Group, Geely Group and/or Mobileye may cooperate with other Tier-1 suppliers, and Geely Group may develop its own autonomous driving systems. To our knowledge based on public information and our communication with Mobileye, Mobileye and Polestar may collaborate with another system integrator to incorporate Mobileye's next-generation autonomous driving solutions, including Chauffeur™, into a particular vehicle model of Polestar that we have agreed to work on. As of the Latest Practicable Date, our participation in the new project remained unconfirmed and discussions pertaining to the project were still in their preliminary stages.

For details, see “Business — The Linkage Between Mobileye and Geely Group.”

Our Relationship with Geely Group

Since June 2021, we have been engaged by Geely Group as a non-exclusive supplier to develop level 2+ autonomous driving solutions deployed on its vehicles. In 2021 and 2022 and for the six months ended June 30, 2023, Geely Group was our largest customer. For the years ended December 31, 2021 and 2022 and the six months ended June 30, 2023, our revenue from Geely Group was RMB94.5 million, RMB1,277.5 million and RMB516.0 million, respectively, which accounted for 53.0%, 96.4% and 95.0% of our total revenue during the same period. As of the Latest Practicable Date, we, in collaboration with Mobileye, supplied SuperVision™ for five series-produced vehicle models from Geely Group's premium electric vehicle brands, namely ZEEKR 001, ZEEKR 009, ZEEKR 001 (European version), ZEEKR 001 FR and Polestar 4.

SUMMARY

During the Track Record Period and up to the Latest Practicable Date, we maintained a stable relationship with Geely Group and there was no material interruption or dispute in respect of our cooperation with Geely Group. However, we cannot guarantee that Geely Group will continue to partner with us or will not reduce its business with us. In recent years, Geely Group has started developing its various in-house autonomous driving capabilities for its vehicle models, and it is also collaborating with other suppliers to develop autonomous driving solutions. Given our substantial revenue concentration on Geely Group, if Geely Group decides to terminate or decrease the level of its cooperation with us in the future, it may result in a material and adverse effect on our business, financial condition and results of operations. For details, see “Risk Factors — Risks Relating to Our Business and Industry — We are subject to concentration risk of deriving a substantial portion of revenue from our sales to Geely Group and from SuperVision™ based on the base version of AD domain controllers supplied by Mobileye and the loss of, or a significant reduction in, revenue from such customers or products could materially and adversely affect our results of operations.” During the Track Record period, a significant portion of our revenue was concentrated on Geely Group, resulting in the majority of our trade receivables as of June 30, 2023 being due from Geely Group. As we cannot assure that we will be able to collect all or any of our trade receivables or collect the amount for any unbilled work on time, or at all, after meeting the agreed program payment milestones, we are exposed to credit risk. See “Risk Factors — We are exposed to credit risk arising from our revenue concentration on certain customers, including Geely Group. Failure to collect our trade receivables in a timely manner or at all could have a material and adverse impact on our business, financial condition, liquidity and prospects.”

Our Directors are of the view that our Group’s business model is sustainable despite our customer concentration. Furthermore, our Directors are also of the view that (i) there is little likelihood that Geely Group will procure SuperVision™ from Mobileye directly; (ii) the likelihood that Geely Group will procure SuperVision™ from another collaboration partner of Mobileye is relatively low; and (iii) the likelihood of the OEMs replacing SuperVision™ with alternative solutions in vehicles already equipped with it is low.

For details, see “Business — Our Customers — Our Relationship with Geely Group.”

Our Relationship with Mobileye

Mobileye is our key supplier for our autonomous driving solutions and products. It was our largest supplier in 2021 and 2022 and for the six months ended June 30, 2023. In 2021, 2022 and the six months ended June 30, 2023, our revenue generated from the sales of SuperVision™ amounted to RMB86.0 million, RMB1,248.8 million and RMB510.2 million, respectively, which accounted for 48.3%, 94.2% and 93.9% of our total revenue during the same periods, respectively. During the Track Record Period, we primarily procured from Mobileye (i) the base version of AD domain controllers for the SuperVision™ solution; and (ii) EyeQ® series SoCs for our iFC products.

SUMMARY

For SuperVision™ solution supplied to our customers, we act as a system integrator. We acquire the base version of AD domain controllers from Mobileye and provide technical expertise in the area of system, mechanical and optical engineering in tailoring and enhancing the system architecture of SuperVision™ for each different vehicle models according to the requirements of OEMs. We are responsible for vehicle integration, testing and validation, and in some projects, we also provide associated sensors procured from third-party suppliers. We provide technical advice for system architecture enhancement, with particular emphasis on optimizing the image chain to reduce latency and seamlessly integrating the parking functions with the entire system. Mobileye outsources the manufacturing of the base version of AD domain controllers to a third-party manufacturer. As of the Latest Practicable Date, we were not responsible for the manufacture or assembly of the hardware of SuperVision™. The intellectual property rights of SuperVision™, including its trademark, belong to Mobileye.

Mobileye is also supplying SuperVision™ to other OEMs in collaboration with other Tier 1 suppliers. If there is any discontinuation, or loss of business with respect to our cooperation with Mobileye, our business, results of operations and financial condition could be materially and adversely affected. See “Risk Factors — We rely on third-party suppliers, including, in particular Mobileye in relation to SuperVision™, and because some of the raw materials and key components in our products come from single or limited source of suppliers, we are susceptible to supply shortages, long lead times for components, and supply changes, any of which could disrupt our supply chain and could delay deliveries of our products to customers.”

Our Directors are of the view that (i) our Group’s business model is sustainable although the total purchase from Mobileye accounted for a majority portion of our purchase during 2021 and 2022 and the six months ended June 30, 2023; and (ii) the risk of Mobileye ceasing to supply to us because of cannibalization between SuperVision™ and iDC series is relatively low.

For details, see “Business — Our Suppliers — Our Relationship with Mobileye.”

OUR CORE TECHNOLOGIES

Our comprehensive R&D capabilities are the bedrock of our success in the development and commercialization of autonomous driving solutions and products, as highlighted by our (i) core algorithms, (ii) flexible middleware, and (iii) data loop and cloud platform. We utilize our core technologies to develop the iDC and iFC products.

- *Core algorithms.* We have developed a set of algorithms for autonomous driving, as highlighted by our perception and vehicle localization algorithms. By employing continuous data feedback loops, these algorithms can effectively handle more complex autonomous driving scenarios, including urban areas. Furthermore, we are working with our business partners to customize the hardware acceleration framework for our own system so as to further improve the efficiency of algorithms.

SUMMARY

We have designed our vehicle localization algorithms to work on both open roads and in closed areas. Using our accurate visual scale recovery algorithms and vehicle localization algorithms, our HPA can support long-distance memory parking up to two kilometers in underground garages. We are also developing simultaneous localization and mapping algorithms for open roads, aiming to resolve the limited and outdated map coverage issue of high-definition maps.

- *Middleware.* Our self-developed middleware does not rely on any open-source framework and removes the communication barrier between embedded MCUs and SoCs, allowing zero-copy data sharing in heterogeneous systems which improves the performance of systems by eliminating intermediate buffers when transferring data. Through our self-developed middleware, we can deploy our software on different computing platforms and operating systems, enabling us to quickly adapt to the hardware of various OEMs, reducing the time and cost of system development and improving the adaptability and iterability of our solutions and products.
- *Data loop and the cloud platform.* During the development process of our solutions and products, we work closely with a top-tier third-party map maker in China who provides data collection, desensitization and anonymization services. The processed data are stored on our cloud platform for development and test purposes.

After the launch of vehicles installed with our iDC Mid, we plan to proactively partner with OEM customers in obtaining real-world data, and have our OEM customers store the data on their selected platforms and for us to have access to only the desensitized and anonymized data for software update purposes. Based on the rich repository of real-world data, we can monitor performance and capture opportunities to enhance the performance and functionality of our autonomous driving solutions and products. In particular, we can continuously update our autonomous driving algorithms and achieve a relatively short iteration cycle.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths contributed to our historical success and will drive our future growth.

- A Tier 1 autonomous driving solution provider in China with competitive edge;
- Advanced autonomous driving technologies;
- Proven ability to commercialize autonomous driving solutions and products in large scale;

SUMMARY

- Comprehensive autonomous driving solution and product portfolio covering a wide price range of vehicles;
- Well-established partnerships with industry leaders; and
- Experienced management team supported by renowned shareholders.

OUR STRATEGIES

We plan to implement the following strategies:

- Continue to pioneer the large-scale commercialization of autonomous driving solutions and products;
- Increase our investment in R&D to solidify our leading position and prepare for commercialization of level 4 autonomous driving;
- Continue to deepen, expand, and diversify our OEM customer base;
- Enhance our value chain integration capabilities; and
- Build an international brand with a global presence.

OUR CUSTOMERS

Our customers primarily consist of OEMs that install our autonomous driving solutions and products on their vehicles. Substantially all of our revenue is generated within the PRC. For the years ended December 31, 2020, 2021 and 2022 and for the six months ended June 30, 2023, our revenue generated from the five largest customers in each period in aggregate accounted for 84.2%, 92.1%, 99.4% and 99.0% of our total revenue, respectively, and revenue generated from our largest customer in the relevant periods accounted for 63.0%, 53.0%, 96.4% and 95.0% of our total revenue, respectively. For details, see “Business — Our Customers.”

OUR SUPPLIERS

Our suppliers primarily consist of raw materials and components suppliers, including suppliers for automotive-grade chips, mechanical parts, optical components, and electrical parts. For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, purchases from our five largest suppliers in each period in aggregate accounted for 53.4%, 78.9%, 96.0% and 95.0% of our total purchases, respectively, and purchases from our largest supplier in the relevant periods accounted for 23.2%, 54.6%, 69.2% and 90.3% of our total purchases, respectively. For details, see “Business — Our Suppliers.”

SUMMARY

SCALABLE MANUFACTURING PROCESS

Our self-developed AD domain controllers and iFC products are assembled in our own manufacturing facility from a variety of raw materials and components, some of which, including mechanical parts, automotive-grade chips, cameras, and electrical parts, are procured from reputable third-party suppliers. Our in-house manufacturing and testing capabilities and strict quality control measures enable us to ensure the high performance and reliability of our products. Our current manufacturing facility, which commenced production in July 2018, is located in Suzhou, Jiangsu Province, neighboring the hub of OEMs and automotive suppliers in China.

For details, see “Business—Scalable Manufacturing Process.”

RESEARCH AND DEVELOPMENT OF OUR SOLUTIONS AND PRODUCTS

Our deep passion for innovation coupled with our strong R&D capabilities have allowed us to compete in the industry. Our team of engineers forms the foundation for our competitiveness. As of June 30, 2023, we had 250 R&D personnel, representing 74.2% of our total employees. We incurred research and development expenses of RMB44.1 million, RMB54.9 million, RMB104.0 million and RMB104.0 million for the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, respectively.

For details, see “Business — Research and Development of Our Solutions and Products — R&D Process.”

SUMMARY OF KEY FINANCIAL INFORMATION

The summary of the key financial information set forth below have been derived from and should be read in conjunction with our consolidated financial statements, including the accompanying notes, set forth in the Accountant’s Report in Appendix I to this prospectus, as well as the information set forth in the section headed “Financial Information.”

SUMMARY

Summary of Consolidated Statements of Comprehensive Income

The following table sets forth a summary of our consolidated statements of comprehensive income in absolute amounts and as percentages of total revenue for the periods indicated. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2020		2021		2022		2022		2023	
	<i>(RMB in thousands, except for percentages)</i>									
	<i>(Unaudited)</i>									
Revenue	47,655	100.0%	178,258	100.0%	1,325,882	100.0%	359,171	100.0%	543,212	100.0%
Cost of sales	(38,059)	(79.9)%	(141,475)	(79.4)%	(1,215,309)	(91.7)%	(336,069)	(93.6)%	(502,173)	(92.4)%
Gross profit	9,596	20.1%	36,783	20.6%	110,573	8.3%	23,102	6.4%	41,039	7.6%
Selling expenses	(3,046)	(6.4)%	(9,403)	(5.3)%	(27,681)	(2.1)%	(16,096)	(4.5)%	(13,565)	(2.5)%
Administrative expenses	(8,591)	(18.0)%	(29,715)	(16.7)%	(41,517)	(3.1)%	(14,203)	(4.0)%	(38,382)	(7.1)%
Research and development expenses	(44,141)	(92.6)%	(54,948)	(30.8)%	(104,047)	(7.8)%	(46,430)	(12.9)%	(103,987)	(19.1)%
(Net impairment)/ reversal of impairment losses on financial assets	(90)	(0.2)%	(1,453)	(0.8)%	(3,717)	(0.3)%	(1,471)	(0.4)%	2,989	0.6%
Other income	3,716	7.8%	3,421	1.9%	4,710	0.4%	473	0.1%	4,224	0.8%
Other gains/(losses) — net	(387)	(0.8)%	4,929	2.8%	(628)	(0.0)%	(567)	(0.2)%	6,133	1.1%
Operating loss	(42,943)	(90.1)%	(50,386)	(28.3)%	(62,307)	(4.7)%	(55,192)	(15.4)%	(101,549)	(18.7)%
Finance income	9	0.0%	94	0.1%	100	0.0%	85	0.0%	2,034	0.4%
Finance costs	(10,893)	(22.9)%	(413,907)	(232.2)%	(280,169)	(21.1)%	(245,325)	(68.3)%	(233)	(0.0)%
Finance (costs)/income — net	(10,884)	(22.9)%	(413,813)	(232.1)%	(280,069)	(21.1)%	(245,240)	(68.3)%	1,801	0.3%
Loss before income tax	(53,827)	(113.0)%	(464,199)	(260.4)%	(342,376)	(25.8)%	(300,432)	(83.6)%	(99,748)	(18.4)%
Income tax expenses	—	—	—	—	—	—	—	—	—	—
Loss for the year/period	(53,827)	(113.0)%	(464,199)	(260.4)%	(342,376)	(25.8)%	(300,432)	(83.6)%	(99,748)	(18.4)%

SUMMARY

Adjusted Loss (Non-IFRS Accounting Standards Measure)

To supplement our consolidated financial statements, which are presented in accordance with IFRS Accounting Standards, we also use the adjusted loss (Non-IFRS Accounting Standards measure) as an additional financial measure, which is not required by, or presented in accordance with, IFRS Accounting Standards. We believe that the presentation of non-IFRS Accounting Standards measures facilitates comparisons of operating performance from period to period and provides useful information to investors and others to understand and evaluate our consolidated results of operations in the same manner as our management.

We also believe that the non-IFRS Accounting Standards measures are appropriate for evaluating our operating performance. The use of this non-IFRS Accounting Standards measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial conditions as reported under IFRS Accounting Standards. In addition, this non-IFRS Accounting Standards measure may not be comparable to similar measures presented by other companies.

We define the adjusted loss (Non-IFRS Accounting Standards measure) as the loss for the year/period, excluding (i) share-based payment, (ii) financial cost on financial instruments with preferred rights at amortized cost, and (iii) listing expenses. Our management considered the share-based payment and financial cost on financial instruments with preferred rights at amortized cost as non-cash items. During the Track Record Period, we recorded financial instruments with preferred rights in connection with the issuance by our Company to Pre-IPO Investors of ordinary shares with preferred rights in Pre-IPO financings that conferred certain preferred rights, including redemption rights, upon such Pre-IPO Investors. We have ceased to record any such financial cost on financial instruments with preferred rights at amortized cost with respect to the preferred rights previously conferred upon the Pre-IPO Investors, because we and the related Pre-IPO Investors have mutually agreed to terminate such preferred rights.

The following table sets forth the reconciliations of our non-IFRS Accounting Standards measures for the period indicated with the nearest measured prepared in accordance with IFRS Accounting Standards:

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2020	2021	2022	2022	2023
	<i>(RMB in thousands)</i>				
	<i>(Unaudited)</i>				
Non-IFRS Accounting Standards measures					
Loss for the year/period	(53,827)	(464,199)	(342,376)	(300,432)	(99,748)
Add:					
Share-based payment	8,554	17,708	44,026	22,127	43,220
Financial cost on financial instruments with preferred rights at amortized cost	9,604	412,362	279,420	244,680	—
Listing expenses	—	—	2,056	—	10,367
	(35,669)	(34,129)	(16,874)	(33,625)	(46,161)
Adjusted loss (Non-IFRS Accounting Standards measure)	(35,669)	(34,129)	(16,874)	(33,625)	(46,161)

SUMMARY

Our loss for the year increased significantly from RMB53.8 million in 2020 to RMB464.2 million in 2021, primarily due to an increase in financial cost on financial instruments with preferred rights at amortized cost, which was in relation to financial instruments with preferred rights in connection with the issuance by our Company to Pre-IPO Investors of ordinary shares in Pre-IPO financings that conferred certain preferred rights, representing the redemption rights, granted to certain Pre-IPO Investors. Our loss for the year decreased from RMB464.2 million in 2021 to RMB342.4 million in 2022, primarily due to (i) a decrease in financial cost on financial instruments with preferred rights at amortized cost as a result of the termination of relevant preferred rights in 2022, and (ii) an increase in gross profit as a result of our business growth following the series production of our first SuperVision™ project in collaboration with Mobileye in October 2021. For the six months ended June 30, 2022 and 2023, our loss for the period was RMB300.4 million and RMB99.7 million, respectively. The fluctuation was primarily due to a decrease in financial cost on financial instruments with preferred rights at amortized cost as a result of the termination of relevant preferred rights in 2022. Additionally, due to higher research and development expenses, our operating loss increased from RMB55.2 million for the six months ended June 30, 2022 to RMB101.5 million for the six months ended June 30, 2023. Consequently, our adjusted loss (non-IFRS Accounting Standards measure) also increased from RMB33.6 million to RMB46.2 million during the same periods.

Summary of Consolidated Statements of Financial Position

The following table sets forth a summary of our consolidated statement of financial position as of the dates indicated.

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	<i>(RMB in thousands)</i>			
Current Assets	73,580	446,235	1,155,498	746,862
Current Liabilities	56,095	156,618	572,448	220,243
Non-current Assets	33,639	70,269	95,903	101,224
Non-current Liabilities	167,481	918,220	12,486	16,328
Net Current Assets	17,485	289,617	583,050	526,619
Net Assets/(Liabilities)	(116,357)	(558,334)	666,467	611,515

Our net current assets decreased from RMB583.1 million as of December 31, 2022 to RMB526.6 million as of June 30, 2023, primarily due to the decrease of our current assets outpacing the decrease of our current liabilities. The decrease of our current assets was primarily due to (i) a decrease of RMB219.1 million in cash and cash equivalents, mainly in relation to the payment of employee salaries, the purchase of certain wealth management products and the repayment of bank borrowings, which were in line with our cash management policy; (ii) a decrease of RMB162.5 million in trade and notes receivables, mainly as a result

SUMMARY

of our customers' settlement for sales accrued in the fourth quarter of 2022 and the decrease of sales in the first half of 2023 compared to the second half of 2022; and (iii) a decrease of RMB109.9 million in inventories, mainly attributable to the recognition of cost of sales for the delivered finished goods at the end of 2022. The decrease of our current liabilities was primarily due to (i) a decrease of RMB310.0 million in trade and notes payables primarily because we settled large portion of trade payables as of December 31, 2022 and lowered the procurement amount of raw materials as a result of the decrease of sales in the first half of 2023 compared to the second half of 2022, as well as the reduced procurement from camera and ultrasonic sensor suppliers for SuperVision™, for which we used notes as the main payment method; and (ii) a decrease of RMB49.0 million in borrowings as a result of the full settlement of our outstanding borrowings.

Our net current assets increased from RMB289.6 million as of December 31, 2021 to RMB583.1 million as of December 31, 2022, primarily due to (i) an increase of RMB333.7 million in cash and cash equivalents, as a result of the proceeds we received from the Series C Financing; (ii) an increase of RMB225.0 million in inventories which we accumulated in response to an increase in the demand for our solutions and products; (iii) an increase of RMB178.1 million in trade and notes receivables, primarily attributable to the increase in trade receivables due from third parties, which was in line with our business expansion, partially offset by an increase of RMB348.0 million in trade and notes payables, as we purchased more materials for our production in line with our business expansion in 2022.

Our net current assets increased from RMB17.5 million as of December 31, 2020 to RMB289.6 million as of December 31, 2021, primarily due to (i) an increase of RMB218.4 million in financial assets at FVTPL, as we purchased more wealth management products in 2021; and (ii) an increase of RMB96.0 million in trade and notes receivables, primarily attributable to the increase of due from third parties, which was in line with our business expansion, partially offset by an increase of RMB83.7 million in trade and notes payables, as we purchased more materials for series production in line with our business expansion in 2021.

Our net liabilities increased significantly from RMB116.4 million as of December 31, 2020 to RMB558.3 million as of December 31, 2021, primarily due to loss for the year of RMB464.2 million and recognition of financial instruments with preferred rights at amortized cost of RMB323.2 million, partially offset by capital contribution from equity holders of RMB327.7 million, as a result of the issuance of shares that conferred preferred rights to certain Pre-IPO Investors in 2021. We reverted to a net assets position and had net assets of RMB666.5 million as of December 31, 2022, primarily due to the derecognition of financial instruments with preferred rights at amortized cost, as all shares with preferred rights held by our Pre-IPO Investors were reclassified from financial liabilities to equity after the termination of relevant preferred rights in 2022, partially offset by loss for the year of RMB342.4 million. We had net assets of RMB611.5 million as of June 30, 2023. The decrease of net assets from December 31, 2022 to June 30, 2023 was primarily due to loss for the period of RMB99.7 million, partially offset by relevant share-based payment of RMB43.2 million. For details, see "Consolidated Statements of Changes in Equity" in the Accountants' Report set out in Appendix I to this prospectus.

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Summary of Consolidated Statements of Cash Flow

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,	
	2020	2021	2022	2022	2023
	<i>(RMB in thousands)</i>				
	<i>(Unaudited)</i>				
Operating cash flows before changes in working capital	(27,249)	(25,185)	(3,820)	(27,238)	(57,988)
Changes in working capital	3,405	(37,813)	(61,847)	(921)	(24,928)
Interest received	9	94	100	85	2,034
Net cash used in operating activities	(23,835)	(62,904)	(65,567)	(28,074)	(80,882)
Net cash (used in)/generated from investing activities	(33,138)	(256,339)	41,439	(14,039)	(80,170)
Net cash generated from/(used in) financing activities	70,828	334,601	355,909	77,094	(58,566)
Net increase/(decrease) in cash and cash equivalents	13,855	15,358	331,781	34,981	(219,618)
Cash and cash equivalents at the beginning of the year/period	3,066	16,912	32,042	32,042	365,745
Exchange (losses)/gains on cash and cash equivalents	(9)	(228)	1,922	632	560
Cash and cash equivalents at the end of year/period	16,912	32,042	365,745	67,655	146,687

For the six months ended June 30, 2023, we had net cash used in operating activities of RMB80.9 million, primarily due to our loss before income tax of RMB99.7 million as adjusted by certain non-operating items, primarily including share-based payment expenses of RMB43.2 million, and changes in certain working capital items, including (i) a decrease of RMB165.5 million in trade and notes receivables and (ii) a decrease of RMB109.7 million in inventories, partially offset by a decrease of RMB310.0 million in trade and notes payables.

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In 2022, we had net cash used in operating activities of RMB65.6 million, primarily due to our loss before income tax of RMB342.4 million for the same period, as adjusted by certain non-operating items, mainly including (i) net finance costs of RMB280.1 million and (ii) share-based payment expenses of RMB44.0 million, and changes in certain working capital items, primarily including (i) an increase in inventories of RMB225.0 million, (ii) an increase in trade and notes receivables of RMB181.8 million, and (iii) an increase in trade and notes payables of RMB348.0 million.

In 2021, we had net cash used in operating activities of RMB62.9 million, primarily due to our loss before income tax of RMB464.2 million for the same period, as adjusted by certain non-operating items, including (i) net finance costs of RMB413.8 million and (ii) share-based payment expenses of RMB17.7 million, and changes in certain working capital items, primarily including (i) an increase in trade and notes receivables of RMB97.5 million, (ii) an increase in trade and notes payables of RMB83.7 million, and (iii) an increase in inventories of RMB37.7 million.

In 2020, we had net cash used in operating activities of RMB23.8 million, primarily due to our loss before income tax of RMB53.8 million for the same period, as adjusted by certain non-operating items, mainly including (i) net finance costs of RMB10.9 million and (ii) share-based payment expenses of RMB8.6 million, and changes in certain working capital items, primarily including an increase in contract liabilities of RMB11.0 million.

For a detailed discussion of the historical changes in certain key items in our consolidated statements of cash flows, see “Financial Information — Liquidity and Capital Resources — Cash Flows.”

BUSINESS SUSTAINABILITY

In 2020, 2021 and 2022 and for the six months ended June 30, 2022 and 2023, we recorded an adjusted loss (Non-IFRS Accounting Standards measure) of RMB35.7 million, RMB34.1 million, RMB16.9 million, RMB33.6 million and RMB46.2 million, respectively. In 2020, 2021 and 2022, we also recorded a net operating cash outflow of RMB23.8 million, RMB62.9 million and RMB65.6 million, respectively. Our losses during the Track Record Period were primarily because: (i) we operate in an emerging market. To further reinforce our presence and competitiveness in the emerging autonomous driving market, we have been focusing on R&D, product development and expansion of customer base, rather than seeking short-term return or profitability; (ii) our economies of scale have not yet fully materialized. Although the increase in gross profit margin of AD domain controller solutions from 5.3% in 2021 to 7.4% in 2022 indicated that we gradually achieved stronger economies of scale and had increasing bargaining power against suppliers, the yet-to-be-fully-materialized economies of scale contributed to our losses during the Track Record Period; and (iii) we continually invest in the R&D of new products and autonomous driving technologies.

SUMMARY

Despite that we have been loss-making since 2020 and we expect to incur net loss and net operating cash outflow in 2023, which is primary due to the expected increase in R&D expenses for new autonomous driving solutions, share-based payments and listing expenses in 2023, we have achieved a steady growth in terms of revenue and sales volume and demonstrated a clear trajectory of profitability improvement. The sales volume of our main AD domain controller solution during the Track Record Period, increased from 5,796 units in 2021 to 79,589 units in 2022 and from 21,272 units for the six months ended June 30, 2022 to 42,108 units for the six months ended June 30, 2023. In addition, we have a healthy cash balance to support our operations and future business expansion. As of October 31, 2023, we had cash and cash equivalents of RMB57.6 million, current financial assets at FVTPL of RMB181.0 million and unutilized bank facilities of RMB650.0 million.

Despite that we expect a decline in revenue for 2023, we aim to maintain sustainability and achieve profitability in the future through: (i) continuously growing revenue and expanding sales volume; (ii) improving gross margin; and (iii) enhancing operating leverage. With our improved profitability, we also expect our operating cash flow to improve concurrently.

- **Continuously growing revenue and sales volume.** We have achieved a steady growth in revenue and sales volume during the Track Record Period. We expect that our revenue and sales volume growth will be driven by the following factors:
 - (1) *Favorable Market Trend.* The autonomous driving market and the market for autonomous driving solutions and products in China are expected to maintain significant growth momentum in the future. For details, see “Industry Overview — Overview of the AD Domain Controller Market” and “Industry Overview — Overview of the Intelligent Front Camera Market”;
 - (2) *Improving Solution and Product Offerings.* We expect that the sales volume of iDC Mid to grow robustly, primarily due to the expected rapid growth of sales volume of existing and new vehicle models which adopt our autonomous driving solutions, as well as our efforts to apply iDC products to additional vehicle models of both existing and new OEM customers or OEM end customers. In addition, we expect to launch more autonomous driving solutions in the future. We expect that our continuous investment in enhancing our solution and product offerings will increase our sales and improve our profitability; and
 - (3) *Customer Retention and Expansion.* We expect to deepen our relationships with existing OEM customers and expand our customer base in terms of breadth and depth. We have established stable collaborations with top-tier domestic and international OEMs. Leveraging the expanding NEV market, our increasing marketing efforts, well-rounded capabilities and proven track record, we have been, and will be continuously expanding our customer base in terms of breadth and depth.

SUMMARY

- **Improving Gross Margin.** Our ability to manage and control our costs is critical to the success of our business and our profitability. We believe that we are able to improve our gross profit margin, primarily due to the following factors:
 - (1) *Better product mix with higher margins.* We intend to improve our gross profit margin by launching additional autonomous driving solutions and products with higher margins. As we endeavor to apply iDC Mid, iDC High and iFC 3.0 to additional vehicle models of both our existing and new OEM customers, sales of these solutions and products are expected to contribute to a larger proportion of total sales, resulting in higher overall gross profit margin.
 - (2) *Improving production capabilities and expanding production capacity.* We intend to improve our production capabilities and the level of automation of our production lines with our internally generated funds and net proceeds from the Global Offering. Although such investments may result in an increase in our capital expenditure in short term, we believe the in-house production of our products will allow us to simplify the supply chain and maintain a high-level of cost efficiency, and in turn improve our profitability ultimately.
 - (3) *Stronger bargaining power as achieving increasing economies of scale.* Our gross profit margin of AD domain controller solutions increased from 5.3% in 2021 to 7.4% in 2022, and from 6.3% for the six months ended June 30, 2022 to 7.2% for the six months ended June 30, 2023, indicating that we gradually achieved stronger economies of scale and had increasing bargaining power against suppliers following the series production of our first SuperVision™ project in collaboration with Mobileye in October 2021. In the future, with the expected increasing sales volume of SuperVision™ and the series production of iDC Mid, we expect to benefit from the increasing economies of scale and further improve our profitability.
- **Enhancing Operating Leverage.** During the Track Record Period, we incurred significant operating expenses, including R&D expenses, administrative expenses and selling expenses, to develop, manage and promote new autonomous driving solutions. We endeavor to enhance operating leverage by maintaining R&D expenses, selling expenses, and administrative expenses as a percentage of revenue at a relatively stable level as our business continues to scale up, thus alleviating the pace of cash outflow in relation to the operating expenses.

For detailed strategies and measures we plan to take to achieve long-term profitability, see “Business — Business Sustainability.”

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PRE-IPO INVESTORS

Since the establishment of our Company, we have received several rounds of equity financing from our Pre-IPO Investors such as Zizhi Yihao, Beijing CHJ, SME Fund, Mixed Reform Fund and HL Klemove Suzhou. Pursuant to applicable PRC laws, the Pre-IPO Investors shall not dispose of any of the Shares held by them within 12 months following the Global Offering. For details of our Pre-IPO Investments, see “History and Corporate Structure — Pre-IPO Investments” in this prospectus.

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Mr. SONG Yang, our founder, Chairman, executive Director and chief executive officer, directly and indirectly (through Lanchi Platform, Zichi Platform, Suzhou Hongchi and Suzhou Luchi), was entitled to exercise the voting rights attaching to approximately 39.9% of the issued share capital of our Company.

Immediately following the completion of the Global Offering, Mr. SONG Yang, directly and indirectly (through Lanchi Platform, Zichi Platform, Suzhou Hongchi and Suzhou Luchi), will be entitled to exercise the voting rights attaching to approximately 36.0% of the issued share capital of our Company. Accordingly, upon completion of the Global Offering, Mr. SONG Yang, Lanchi Platform, Zichi Platform, Suzhou Hongchi and Suzhou Luchi will collectively constitute a group of Controlling Shareholders of our Company. Please see “History and Corporate Structure” for more information about our shareholding structure.

DIVIDENDS

We did not declare or pay dividends on our Shares during and after the Track Record Period. We currently expect to retain all future earnings for use in operation and expansion of our business, and do not anticipate paying cash dividends in the foreseeable future. The declaration and payment of any dividends in the future will be determined by our Board of Directors and subject to our Articles of Association and the PRC Company Law, and will depend on a number of factors, including our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant. As confirmed by our PRC Legal Advisors, any future net profit that we make will have to be applied to make up for our historically accumulated losses in accordance with the PRC laws, after which we will be obliged to allocate 10% of our profit to our statutory common reserve fund until such fund has reached more than 50% of our registered capital. We will therefore only be able to declare dividends after (i) all our historically accumulated losses have been made up for; and (ii) we have allocated sufficient profit to our statutory common reserve fund as described above. In light of our accumulated losses as disclosed in this prospectus, it is unlikely that we will be eligible to pay a dividend out of our profits in the foreseeable future.

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USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$585.9 million, after deducting underwriting commissions, fees and estimated expenses payable by us in connection with the Global Offering, at the Offer Price of HK\$29.65 per Share.

We currently intend to apply these net proceeds for the following purposes, subject to changes in light of our evolving business needs and changing market conditions: (i) approximately 45.0% of the net proceeds or approximately HK\$263.7 million, for enhancing research and development of our autonomous driving solutions and products; (ii) approximately 35.0% of the net proceeds or approximately HK\$205.1 million, for capital expenditure in relation to our R&D headquarters, manufacturing premises and new production lines; (iii) approximately 10.0% of the net proceeds or approximately HK\$58.6 million, for expanding our sales and service network; and (iv) approximately 10.0% of the net proceeds or approximately HK\$58.6 million, for working capital and general corporate purposes. For details, see “Future Plans and Use of Proceeds.”

RISK FACTORS

Our business faces risks including those set out in the section headed “Risk Factors.” As different investors may have different interpretations and criteria when determining the significance of a risk, you should read the “Risk Factors” section in its entirety before you decide to invest in the Offer Shares. Some of the major risks that we face include:

- We are subject to concentration risk of deriving a substantial portion of revenue from our sales to Geely Group and from SuperVision™ based on the base version of AD domain controllers supplied by Mobileye and the loss of, or a significant reduction in, revenue from such customers or products could materially and adversely affect our results of operations; In particular, Mobileye may collaborate directly with Geely Group; Geely Group and/or Mobileye may cooperate with other Tier-1 suppliers; and Geely Group may develop its own autonomous driving systems;
- We are an early-stage company with a history of losses; we expect a decline in revenue for 2023; we expect to incur significant expenses and continuing losses in 2023, and we may continue to incur losses in 2024 and beyond; our historical financial and results of operations may not be indicative of our future performance;
- There is no guarantee that our OEM customers or OEM end customers will purchase our solutions and products in any certain quantity or at any certain price even after we obtain the letter of nomination, and there may be significant delays between the time we obtain the letter of nomination until we realize revenue from the vehicle model;
- If we fail to retain existing customers, attract new customers or increase the spending by our customers, our business and results of operations may be materially and adversely affected;

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- If we are unable to develop and introduce new solutions and products and improve existing solutions and products in a cost-effective and timely manner, our competitive position would be negatively impacted and our business, results of operations, and financial condition would be adversely affected;
- We rely on third-party suppliers, including, in particular Mobileye in relation to SuperVision™, and because some of the raw materials and key components in our products come from single or limited source of suppliers, we are susceptible to supply shortages, long lead times for components, supply changes, and changes in business relationship, any of which could disrupt our supply chain and could delay deliveries of our products to customers;
- Our business collaboration with partners is subject to risks, and these relationships may not lead to significant revenue. Any adverse change in our cooperation with them could harm our business;
- 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;
- We are exposed to credit risk arising from our revenue concentration on certain customers, including Geely Group. Failure to collect our trade receivables in a timely manner or at all could have a material and adverse impact on our business, financial condition, liquidity and prospects;
- Our business may suffer from claims relating to, among other things, actual or alleged defects in our solutions and products, or if our solutions and products actually or allegedly fail to perform as expected, and publicity related to these claims could harm our reputation and decrease demand for our solutions and products or increase regulatory scrutiny of our solutions and products;
- Our autonomous driving products used on vehicles are highly complex and may contain defects or otherwise fail to perform in line with expectations, which could reduce the market adoption of our products, damage our reputation with current or prospective customers, expose us to product liability and other claims and adversely affect our results of operations;
- We could be adversely affected as a result of any transactions we make with certain entities or in certain industries that are, or become subject to, sanctions and export controls administered by the United States and other relevant sanctions authorities; and
- Changes in international relationships and trade policies may adversely impact our business, financial condition, and results of operations.

SUMMARY

LISTING EXPENSES

Based on the Offer Price of HK\$29.65 per Offer Share, the total estimated listing expenses in relation to the Global Offering is approximately RMB63.5 million, representing 10.6% of the total gross proceeds from the Global Offering of approximately HK\$655.7 million (RMB596.0 million). We had incurred listing expenses of RMB21.9 million as of June 30, 2023, of which RMB12.5 million has been charged to our consolidated statement of comprehensive income and RMB9.4 million was recognized as deferred listing expenses, which are expected to be recognized directly as a deduction from equity upon the Global Offering. We expect to incur additional listing expenses of approximately RMB41.6 million, of which RMB19.2 million is expected to be charged to our consolidated statement of comprehensive income and RMB22.4 million will be deducted from equity. The amount of the underwriting-related expenses of approximately RMB22.6 million, which mainly includes underwriting commission, is expected to be accounted for as a deduction from equity upon the completion of the Global Offering. The amount of the non-underwriting-related expenses of approximately RMB40.9 million primarily include fees and expenses of legal advisers and accountants of RMB29.9 million and other fees and expenses of RMB10.9 million.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in (i) our H Shares to be issued pursuant to the Global Offering and (ii) the H Shares to be converted from our existing Domestic Shares on the basis that, among other things, we satisfy the market capitalization/revenue test under Rule 8.05(3) of the Listing Rules with reference to: (i) our revenue of RMB1,325.9 million (equivalent to approximately HK\$1,459.0 million) in the financial year ended December 31, 2022 which exceeds HK\$500 million, and (ii) our expected market capitalization at the time of Listing, which, based on the Offer Price of HK\$29.65 per Offer Share, exceeds HK\$4 billion.

GLOBAL OFFERING STATISTICS

The statistics in the following table are based on the assumptions that 226,330,340 Shares will be in issue pursuant to the Global Offering:

	Based on the Offer Price of HK\$29.65 per Offer Share
Market capitalization of our Shares ⁽¹⁾	HK\$6,710.7 million
Market capitalization of our H Shares ⁽²⁾	HK\$3,012.5 million
Unaudited pro forma adjusted consolidated net tangible assets per Share ⁽³⁾	HK\$5.60

SUMMARY

Notes:

- (1) The calculation of market capitalization is based on 226,330,340 Shares expected to be in issue immediately upon completion of the Global Offering.
- (2) The calculation of market capitalization of our H Shares is based on 101,603,685 H Shares expected to be in issue immediately upon completion of the Global Offering.
- (3) The unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the equity holders of our Company per Share is arrived at after the adjustments referred to in “Appendix II — Unaudited Pro Forma Financial Information” and on the basis that 226,330,340 Shares were in issue assuming the Global Offering had taken place on June 30, 2023, without taking into account any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates.

IMPACT OF THE COVID-19 PANDEMIC

Since December 2019, a novel strain of COVID-19, has severely impacted China and many other countries. However, the outbreak of COVID-19 had not had any material adverse impact on our operations and financial performance during the Track Record Period and up to the Latest Practicable Date, primarily taking into consideration (i) the fact that during the Track Record Period and up to the Latest Practicable Date, there was no cancellation or postponement of contracts/projects because of the COVID-19 pandemic; (ii) the fact that we were able to secure sufficient and prompt automotive-grade chip supplies during the supply chain disruption caused by the COVID-19; (iii) the fact that we did not experience any material shortage of labor; and (iv) we experienced significant revenue growth during the Track Record Period. As of the Latest Practicable Date, we were closely monitoring the development of COVID-19. For details, see “Business — Impact of the COVID-19 Pandemic.”

IMPACT OF THE GLOBAL SHORTAGE OF SEMICONDUCTOR CHIPS

Historically, we have experienced difficulty in securing sufficient and prompt automotive-grade power management chip supplies for iDC series and iFC series due to disruptions in supply chains and logistics caused by the COVID-19 outbreak. In addition, due to the global shortage of semiconductor chips, Mobileye had to source substitute components to maintain a stable supply. In this regard, tripartite product waivers have been entered into in 2021 and 2022 among Geely Group, our Company and Mobileye. For details, see “— Our Customers — Our Relationship with Geely Group.” Taking into considerations (i) the limited sales volume of iDC and iFC series during the Track Record Period, (ii) the fact that our business operations were not materially affected by the tripartite product waivers, and (iii) the fact that we implemented various measures and managed to navigate through the challenges posed by the global shortage of semiconductor chips, we had not experienced significant constraints on supply chain during the Track Record Period and up to the Latest Practicable Date. We had not experienced significant increases in our procurement costs as a result of the global shortage of semiconductor chips, nor had we experienced any material increase in prices of semiconductor chips or suffered any production suspension due to a disruption in the supply chain during the Track Record Period and up to the Latest Practicable Date.

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LEGAL PROCEEDINGS AND COMPLIANCE

From time to time, we may be subject to legal proceedings, investigations and claims arising in the ordinary course of our business. During the Track Record Period and up to the Latest Practicable Date, (i) we had not been and were not a party to any material legal, arbitral or administrative proceedings, and we were not aware of any pending or threatened legal, arbitral or administrative proceedings 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; (ii) we had not been and were not involved in any material noncompliance incidents that have led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations; and (iii) we had not been subject to any material product recall and return.

For details on our compliance matters, see “Business — Legal Proceeding and Compliance.”

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Business Development

During the four months ended October 31, 2023, the total sales volume of SuperVision™ was 36,610 units. Furthermore, as of October 31, 2023, we have successfully delivered a total of 2,967 units of iDC Mid since the commencement of its series production. As of the Latest Practicable Date, we had received six letters of nomination from different OEMs with respect to our iDC Mid. Since October 2023, the Palestinian-Israeli conflict has witnessed a continuous escalation. Our business relationships with Mobileye, a company incorporated in Jerusalem, Israel, have not been negatively impacted by this ongoing conflict. As of the Latest Practicable Date, we have not encountered any significant interruptions or delays in the supply from Mobileye, nor have our collaborative project schedules with Mobileye been materially disrupted. Firstly, Mobileye outsources the manufacturing of the base version of AD domain controllers for SuperVision™ to a third-party manufacturer, with its manufacturing facility located in Shanghai, PRC. Secondly, the EyeQ® series SoCs that we acquire for our iFC products are manufactured in various facilities across the globe. As a result, the supply from Mobileye has not experienced any significant disruptions due to the increasing geopolitical tensions in the region. In addition, Jerusalem, where Mobileye is headquartered, has been affected to a limited extent by the escalating conflicts. Consequently, our communication with Mobileye remains uninterrupted, and our collaborative projects continue as planned without any significant disruptions. However, the escalating Palestinian-Israeli conflict may introduce significant uncertainties into the global economy and adversely affect our business and financial condition in the future. See “Risk Factors — Risk Relating to Our Business and Industry — We face risks related to natural disasters, health epidemics and other outbreaks beyond our control, which presents challenges to our business” and “Risk Factors — Risk Relating to Our Business and Industry — A severe or prolonged downturn in the global or regional economy could materially and adversely affect our business and financial condition.”

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We expect to incur net loss and increased net operating cash outflow in 2023. For details of the reasons for our losses, see “Business — Business Sustainability.”

Regulatory Development

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》) (“**Overseas Listing Trial Measures**”) and five relevant guidelines on February 17, 2023, which took effect on March 31, 2023. The Overseas Listing Trial Measures comprehensively reformed the regulatory regime for overseas offering and listing of PRC domestic companies’ securities, either directly or indirectly, into a filing-based system.

According to the Overseas Listing Trial Measures, PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to fulfill the filing procedure with the CSRC and report relevant information. Where an issuer submits an application for initial public offering to competent overseas regulators, filing application with the CSRC shall be submitted within three business days thereafter. As advised by our PRC Legal Advisors, our Global Offering is a direct overseas listing under the Overseas Listing Trial Measures. See “Regulatory Overview — PRC Laws and Regulations — Regulations Relating to Overseas Securities Offering and Listing.” We have completed the filing procedure with, and obtained approval from, the CSRC on May 30, 2023.

On November 17, 2023, the Ministry of Industry and Information Technology, the Ministry of Public Security, the Ministry of Housing and Urban-Rural Development, and the Ministry of Transport (collectively referred to as the “Four Ministries”) jointly issued Circular on the Pilot Program for the Access and Road Testing of Intelligent Connected Vehicles (《關於開展智能網聯汽車准入和上路通行試點工作的通知》) (“**Circular 217**”). According to Circular 217, the Four Ministries will select intelligent connected vehicles that meet the criteria for mass production and are capable of achieving level 3 or level 4 autonomous driving to participate in a pilot program for market access. Once approved for market access, these vehicles can undergo road trials in designated areas. OEMs and end-users can establish a consortium and voluntarily apply for road testing. We anticipate that Circular 217 will be advantageous for our Company, as it will streamline the application process for road tests of our future level 3 or above autonomous driving solutions and accelerate the development cycle of our future ADS products.

No Material Adverse Change

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since June 30, 2023 (being the date on which the latest audited consolidated financial information of our Group was prepared) and there is no event since June 30, 2023 which would materially affect the information shown in our consolidated financial statements included in the Accountant’s Report set out in Appendix I to this prospectus.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain technical terms are explained in “Glossary of Technical Terms.”

“affiliate”	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AFRC”	the Accounting and Financial Reporting Council of Hong Kong
“Articles of Association” or “Articles”	the articles of association of the Company adopted on March 23, 2023 which will become effective upon the Listing Date and as amended from time to time, a summary of which is set out in Appendix V to this prospectus
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Beijing CHJ”	Beijing CHJ Automotive Co., Ltd. (北京車和家信息技術有限公司), a limited liability company established in the PRC on April 10, 2015, which is a consolidated affiliated entity controlled by Li Auto Inc., and one of our Pre-IPO Investors
“BIS”	the U.S. Bureau of Industry and Security
“Board” or “Board of Directors”	the board of Directors of our Company
“Board of Supervisors”	the board of Supervisors of our Company
“Business Day” or “business day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong and any day on which tropical cyclone warning no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong) on which banks in Hong Kong are generally open for normal banking business

DEFINITIONS

“Capital Market Intermediaries”	Citigroup Global Markets Asia Limited (in relation to Hong Kong Public Offering), Citigroup Global Markets Limited (in relation to International Offering), Huatai Financial Holdings (Hong Kong) Limited, CCB International Capital Limited, DBS Asia Capital Limited, CMB International Capital Limited, Goldlink Securities Limited, Livermore Holdings Limited, Soochow Securities International Brokerage Limited and Mouette Securities Company Limited
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Chairman”	chairman of the Board
“Changshu iMotion”	iMotion Automotive Technology (Changshu) Co., Ltd. (知行汽車科技(常熟)有限公司), a limited liability company established in the PRC on December 4, 2017, and a wholly-owned subsidiary of our Company
“Chery”	Chery Automobile Co., Ltd. (奇瑞汽車股份有限公司), an automotive manufacturing company established in the PRC on January 8, 1997, a customer of our Group
“China,” “PRC” or the “People’s Republic of China”	the People’s Republic of China, but for the purpose of this prospectus and for geographical reference only and except where the context requires, references in this prospectus to “China” and the “PRC” do not include Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Company,” “we,” “our,” or “us”	iMotion Automotive Technology (Suzhou) Co., Ltd. (知行汽車科技(蘇州)股份有限公司), a limited liability company established in the PRC on December 27, 2016 and converted into a joint stock company with limited liability on December 29, 2022
“Company Law” or “PRC Company Law”	the Company Law of the PRC (《中華人民共和國公司法》), as amended, supplemented or otherwise modified from time to time
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“connected transaction(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. SONG Yang, Lanchi Platform, Zichi Platform, Suzhou Hongchi and Suzhou Luchi
“Conversion of Domestic Shares into H Shares”	the conversion of 79,487,685 Domestic Shares into H Shares on a one-for-one basis upon the completion of Global Offering. Filing of such conversion of Domestic Shares into H shares has been completed with the CSRC on May 30, 2023 and an application for H Shares to be listed on the Stock Exchange has been made to the Listing Committee
“COVID-19”	a viral respiratory disease caused by the severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2)
“CSDC”	China Securities Depository and Clearing Co., Ltd. (中國證券登記結算有限責任公司)
“CSDC (Hong Kong)”	China Securities Depository and Clearing (Hong Kong) Co., Ltd (中國證券登記結算(香港)有限責任公司)
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets

DEFINITIONS

“Data Protection Laws”	a variety of local, national and international laws, directives, and regulations that apply to the collection, use, retention, protection, security, disclosure, transfer, and other processing of personal data in the different jurisdictions in which we operate
“Denied Persons List”	the list of individuals and entities that have been denied export privileges, and any dealings with a party on this list that would violate the terms of its denial order are prohibited pursuant to Section 764.3(a)(2) of the EAR
“Director(s)”	the director(s) of our Company, including all executive, non-executive and independent non-executive directors
“Domestic Share(s)”	ordinary shares in the share capital of our Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi and are not listed on the Stock Exchange
“Dongfeng”	Dongfeng Motor Group Co., Ltd. (東風汽車集團有限公司), an automotive manufacturing company established in the PRC on May 18, 2001 and listed on the Stock Exchange (stock code: 489), together with its subsidiaries including, Dongfeng Liuzhou MOTOR Co., Ltd. (東風柳州汽車有限公司) (“Dongfeng Liuzhou”), and one of its branches, Dongfeng Passenger Vehicle Company (東風汽車集團股份有限公司乘用車公司), a customer of the Group
“EAR”	Export Administration Regulations administered by the BIS which regulates exports and reexports (including in-country transfers) of commercial and dual-use products, software and technology (collectively, “Items”)
“EIT”	enterprise income tax
“EIT Law”	the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Employee Incentive Scheme”	the employee incentive scheme as adopted on April 25, 2019 and further revised on December 24, 2021, the principal terms of which are summarized in “Appendix VI — Statutory and General Information — D. Employee Incentive Scheme”
“Entity List”	the list of parties set forth in Supplement No. 4 to Part 744 of the EAR, which are prohibited from receiving Items subject to the EAR unless a licence has been obtained (in most cases, a license is required irrespective of end use; in some cases involving certain parties on the Entity List, a license is required only if Items subject to the EAR are used in support of specific types of production or exploration projects in Russia)
“ESG”	environment, social and governance
“EU”	European Union
“Extreme Conditions”	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
“FIL”	Foreign Investment Law of the PRC (《中華人民共和國外商投資法》)
“FINI” or “Fast Interface for New Issuance”	an online platform operated by HKSCC that is mandatory for admission to trading and, where applicable, the collection and processing of specified information on subscription in and settlement for all new listings
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market research and consulting company
“Frost & Sullivan Report”	the report commissioned by the Company and independently prepared by Frost & Sullivan, a summary of which is set forth in the section headed “Industry Overview” in this prospectus
“Geely”	Geely Automobile Holdings Limited (吉利汽車控股有限公司), an automotive manufacturing company incorporated in the Cayman Islands with limited liability on October 9, 1997 and listed on Stock Exchange (stock code: 175)

DEFINITIONS

“Geely Group”	Geely and Zhejiang Geely Holding Group Company Limited (浙江吉利控股集團有限公司), being the ultimate holding company of Geely, together with their subsidiaries and joint ventures under their control, including ZEEKR and Polestar, a customer of our Group
“Germany iMotion”	iMotion Automotive GmbH, a limited liability company incorporated in the German on October 18, 2023, and a wholly-owned subsidiary of our Company
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Great Wall Motor”	Great Wall Motor Company Limited (長城汽車股份有限公司), an automotive manufacturing company established in the PRC on June 12, 2001 and listed on the Stock Exchange (stock code: 2333) and the Shanghai Stock Exchange (stock code: 601633), together with its subsidiaries, joint ventures and associates, a customer of our Group
“Group”, “we” or “us”	our Company and all of our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be)
“H Share(s)”	Shares of the Company which an application has been made for listing and permission to trade on the Stock Exchange with nominal value of RMB1.00 each
“H Share Registrar”	Computershare Hong Kong Investor Services Limited
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited

DEFINITIONS

“HKSCC EIPO”	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your designated HKSCC Participant’s stock account through causing HKSCC Nominees to apply on your behalf, including by instructing your broker or custodian who is a HKSCC Participant to give electronic application instructions via HKSCC’s FINI system to apply for the Hong Kong Offer Shares on your behalf.
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“HKSCC Operation Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operation and functions of CCASS, as from time to time in force
“HKSCC Participant”	a participant admitted to participate in CCASS as a direct clearing participant, a general clearing participant or a custodian participant
“HL Klemove”	HL Klemove Corporation, a South Korean corporation specializing in autonomous driving solutions, and its wholly-owned subsidiary in the PRC, HL Klemove Suzhou
“HL Klemove Suzhou”	HL Klemove Electronics (Suzhou) Co., Ltd. (漢拿科銳動電子(蘇州)有限公司), a limited liability company established in the PRC on July 28, 2011, and one of our Pre-IPO Investors
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars,” “HK dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Offer Shares”	the H Shares offered by us for subscription pursuant to the Hong Kong Public Offering

DEFINITIONS

“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%) on the terms and conditions described in this prospectus as further described in “Structure of the Global Offering — The Hong Kong Public Offering”
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in the section headed “Underwriting — Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated December 11, 2023 relating to the Hong Kong Public Offering entered into by, among other parties, our Company, the Controlling Shareholders, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, and the Hong Kong Underwriters, as further described in the section headed “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Hong Kong Underwriting Agreement” in this prospectus
“IASB”	International Accounting Standards Board
“IFRS Accounting Standards”	the International Financial Reporting Standards as issued by the IASB, which comprise the IFRS Accounting Standards, International Accounting Standards, Interpretations developed by the IFRS Interpretations Committee or its predecessor body, the Standing Interpretations Committee
“iMotion Electronics”	iMotion Electronics Technology (Suzhou) Co., Ltd. (知辛電子科技(蘇州)有限公司), a limited liability company established in the PRC on June 19, 2018, and a wholly-owned subsidiary of our Company
“Independent Third Party(ies)”	an individual or entities which, to the best of our Directors’ knowledge, information and belief, having made all reasonable inquiries, is not a connected person of our Company within the meaning of the Listing Rules

DEFINITIONS

“International Offer Shares”	the H Shares initially offered by our Company for subscription at the Offer Price pursuant to the International Offering (subject to reallocation as described in “Structure of the Global Offering”)
“International Offering”	the offer of the International Offer Shares by the International Underwriters at the Offer Price outside the United States in offshore transactions in accordance with Regulation S and in the United States to QIBs only in reliance on Rule 144A or any other available exemption from registration under the U.S. Securities Act, as further described in the section headed “Structure of the Global Offering” in this prospectus
“International Underwriters”	the group of international underwriters, led by the Overall Coordinators that is expected to enter into the International Underwriting Agreement to underwrite the International Offering
“International Underwriting Agreement”	the underwriting agreement expected to be entered into on or about Monday, December 18, 2023 by, among other parties, our Company, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators and the International Underwriters in respect of the International Offering, as further described in “Underwriting — International Offering — International Underwriting Agreement”
“Joint Global Coordinators”, “Joint Bookrunners” or “Joint Lead Managers”	the joint bookrunners, the joint global coordinators and the joint lead managers as named in “Directors, Supervisors and Parties Involved in the Global Offering” in this prospectus
“Joint Sponsors”	Citigroup Global Markets Asia Limited, Huatai Financial Holdings (Hong Kong) Limited and CCB International Capital Limited
“Lanchi Platform”	Suzhou Lanchi Management Consulting Partnership (L.P.) (蘇州藍馳管理諮詢企業(有限合夥)), a limited liability partnership established in the PRC on December 1, 2017, of which Mr. SONG Yang is the sole general partner, one of our employee incentive platforms and a member of our group of Controlling Shareholders

DEFINITIONS

“Latest Practicable Date”	December 4, 2023, being the latest practicable date for the purpose of ascertaining certain information in this prospectus prior to its publication
“Li Auto”	Li Auto Inc., a NEV automaker company dual listed on the Stock Exchange (stock code: 2015) and NASDAQ (ticker symbol: LI), and Beijing CHJ
“Listing”	the listing of our H Shares on the Stock Exchange
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date expected to be on or about Wednesday, December 20, 2023, on which dealings in our H Shares first commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange, which is independent from and operated in parallel with the GEM of the Stock Exchange
“Mixed Reform Fund”	China State-owned Enterprise Mixed Ownership Reform Fund Co., Ltd. (中國國有企業混合所有制改革基金有限公司), a limited liability company established in the PRC on December 24, 2020, and one of our Pre-IPO Investors
“Mobileye”	Mobileye Vision Technologies Ltd., which was incorporated in Israel in 1999 and Mobileye Global Inc., the publicly traded company, which is listed on the NASDAQ (ticker symbol: MBLY). Mobileye is primarily engaged in the development and deployment of ADAS and autonomous driving technologies and solutions, and is a supplier and customer of our Group
“MOFCOM”	Ministry of Commerce (中華人民共和國商務部)
“NDRC”	the 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)

DEFINITIONS

“New Arrangement”	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》)
“non-mainland China resident individual”	individual holders of H Shares who are not residents of mainland China and whose names appear on the register of members of H Shares
“NPC”	the National People’s Congress of the PRC (中華人民共和國全國人民代表大會)
“Offer Price”	HK\$29.65 per Offer Share in Hong Kong dollars (exclusive of brokerage fee of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%)
“Offer Share(s)”	the Hong Kong Offer Shares and the International Offer Shares
“Overall Coordinators”	Citigroup Global Markets Asia Limited, Huatai Financial Holdings (Hong Kong) Limited, CCB International Capital Limited and DBS Asia Capital Limited
“Overseas Listing Trial Measures”	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》) released by the CSRC on February 17, 2023 and took effect on March 31, 2023
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“Polestar”	Polestar Automotive Holding UK PLC, an automotive manufacturer established in the United Kingdom on September 15, 2021 and listed on the NASDAQ (ticker symbol: PSNY), together with its subsidiaries, an OEM that deploys SuperVision TM as acquired from us through an affiliate of Geely Group

DEFINITIONS

“PRC Cyber Security Law”	Cybersecurity Law of the People’s Republic of China (《中華人民共和國網絡安全法》), as amended, supplemented or otherwise modified from time to time
“PRC GAAP”	People’s Republic of China Generally Accepted Accounting Principles (《中華人民共和國公認會計準則》)
“PRC Legal Advisors”	Jingtian & Gongcheng, PRC legal advisors to our Company
“PRC Securities Law”	the Securities Law of the PRC (《中華人民共和國證券法》), as enacted by the sixth meeting of the ninth Standing Committee of the NPC on December 29, 1998 and became effective on July 1, 1999, as amended, supplemented or otherwise modified from time to time
“Pre-IPO Investment(s)”	the pre-IPO investment(s) in our Company undertaken by the Pre-IPO Investor(s), details of which are set out in “History and Corporate Structure — Pre-IPO Investments”
“Pre-IPO Investor(s)”	the investor(s) of Pre-IPO Investment(s)
“prospectus”	this prospectus being issued in connection with the Hong Kong Public Offering
“QIBs”	a qualified institutional buyer within the meaning of Rule 144A
“Regulation S”	Regulation S under the U.S. Securities Act
“Renesas”	Renesas Electronics (China) Co., Ltd. (瑞薩電子(中國)有限公司), a limited liability company established in the PRC on June 12, 1998 and primarily engaged in research, development, design, manufacture, sale, and servicing of semiconductor products, which supplies certain raw materials to our Group through its distribution network
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Rule 144A”	Rule 144A under the U.S. Securities Act

DEFINITIONS

“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAMR”	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)
“Securities and Futures Ordinance” or “SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“SFC”	the Securities and Futures Commission of Hong Kong
“Shanghai iMotion”	Shanghai Aimoxing Automobile Technology Co., Ltd. (上海艾摩星汽車科技有限公司), a limited liability company established in the PRC on September 15, 2021, and a wholly-owned subsidiary of our Company
“Shanghai Stock Exchange”	the Shanghai Stock Exchange (上海證券交易所), a stock exchange operating independently in mainland China
“Share(s)”	shares in the share capital of our Company, with a nominal value of RMB1.00 each, comprising Domestic Shares and H Shares
“Shareholder(s)”	holders of our Shares
“Shenzhen Stock Exchange”	the Shenzhen Stock Exchange (深圳證券交易所), a stock exchange operating independently in mainland China
“SME Fund”	Shenzhen Guozhong SME Development Private Equity Investment Fund Partnership (L.P.) (深圳國中中小企業發展私募股權投資基金合夥企業(有限合夥) (formerly known as SME Enterprise Development Fund (Shenzhen L.P.) (中小企業發展基金(深圳有限合夥))), a limited partnership established in the PRC on December 15, 2015, and one of our Pre-IPO Investors
“SOE”	state-owned enterprise
“Sponsor-Overall Coordinators”	Citigroup Global Markets Asia Limited, Huatai Financial Holdings (Hong Kong) Limited and CCB International Capital Limited

DEFINITIONS

“STA”	State Taxation Administration (中華人民共和國國家稅務總局)
“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, a wholly-owned subsidiary of Hong Kong Exchange and Clearing Limited
“subsidiary(ies)”	has the meaning ascribed thereto in section 15 of the Companies Ordinance
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Sunny Optical”	Sunny Optical Technology (Group) Company Limited (舜宇光學科技(集團)有限公司), a manufacturer of integrated optical components and products, which was incorporated in the Cayman Islands with limited liability on September 21, 2006 and listed on the Stock Exchange (stock code: 2382), and its wholly-owned subsidiary Zhejiang Sunny SmartLead Technologies Co. Ltd (浙江舜宇智領技術有限公司), a supplier of our Group
“SuperVision™”	a fully operational point-to-point assisted driving navigation solution on various road types, which includes cloud-based enhancements and supports OTA updates subject to the system’s operational domain design (ODD). Equipped with 11 cameras powered by two Mobileye’s EyeQ®5H SoCs, SuperVision™ has superior visual perception capabilities and offers one of the most comprehensive autonomous driving functions covering driving scenarios in its defined ODD. The intellectual property rights of SuperVision™, including its trademark, belong to Mobileye. We acquire the base version of AD domain controllers from Mobileye and then act as the system integrator in the SuperVision™ projects before supplying the end products to our customers, and are responsible for vehicle integration, testing and validation. After the SuperVision™ projects entering into the series production stage, our work is primarily focused on (i) software flashing of the base version of AD domain controllers, (ii) functional testing, (iii) packaging, and (iv) delivery

DEFINITIONS

“Supervisor(s)”	supervisor(s) of our Company
“Suzhou Hongchi”	Suzhou Hongchi Management Consulting Partnership (L.P.) (蘇州紅馳管理諮詢合夥企業(有限合夥)), a limited liability partnership established in the PRC on September 25, 2020, of which Mr. SONG Yang is the sole general partner, and a member of our group of Controlling Shareholders
“Suzhou Luchi”	Suzhou Luchi Management Consulting Partnership (L.P.) (蘇州綠馳管理諮詢合夥企業(有限合夥)), a limited liability partnership established in the PRC on July 20, 2022, of which Mr. SONG Yang is the sole general partner, and a member of our group of Controlling Shareholders
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Texas Instruments”	Texas Instruments China Sales Limited (德州儀器中國銷售有限公司), a limited liability company established in Hong Kong on October 20, 2015 and primarily engaged in the industry of electronic parts and equipment, which supplies certain raw materials and components to our Group through its distribution network
“Tianjin iMotion”	iMotion Automotive Technology (Tianjin) Co., Ltd. (知行汽車科技(天津)有限公司), a limited liability company established in the PRC on April 20, 2022, and a wholly-owned subsidiary of our Company
“Track Record Period”	the period comprising three years ended December 31, 2022 and the six months ended June 30, 2023
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction

DEFINITIONS

“Unverified List”	the list of parties set forth in Supplement No. 6 to Part 744 of the EAR whose bona fides the BIS has been unable to verify. License exceptions may not be used for exports, reexports, or transfers (in-country) to Unverified parties. A statement must be obtained from such parties prior to shipping items not subject to a license requirement. See Section 744.15 of the EAR
“U.S. dollars”, “US\$” or “USD”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	the United States Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
“VAT”	value added tax
“ White Form eIPO ”	the application process for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of White Form eIPO Service Provider at www.eipo.com.hk
“ White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“Zichi Platform”	Suzhou Zichi Management Consulting Partnership (L.P.) (蘇州紫馳管理諮詢合夥企業(有限合夥)), a limited liability partnership established in the PRC on April 30, 2020, of which Mr. SONG Yang is the sole general partner, one of our employee incentive platforms and a member of our group of Controlling Shareholders
“Zizhi Yihao”	Jiaxing Zizhi No. 1 Equity Investment Partnership (L.P.) (嘉興自知一號股權投資合夥企業(有限合夥)), a limited partnership established in the PRC on August 31, 2015, which is ultimately controlled by Mr. HUANG Mingming (黃明明), and one of our Pre-IPO Investors
“%”	per cent

Certain amounts and percentage figures included in this prospectus 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.

DEFINITIONS

For ease of reference, the names of the PRC laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in the prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail. English translations of official Chinese names are for identification purpose only.

For the purpose of this prospectus, references to “provinces” of China include provinces, municipalities under direct administration of the central government and provincial-level, autonomous regions.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains definitions of certain terms used in this prospectus in connection with our Company and our business. These terms and their definitions may not correspond to standard industry definitions, and may not be directly comparable to similarly titled terms adopted by other companies operating in the same industries as our Company.

“3D”	three spatial dimensions of width, height and depth
“ACC”	adaptive cruise control
“AD”	autonomous driving
“AD domain controller(s)”	autonomous driving domain controller(s) which function as the brain in the autonomous driving solutions, fusing and processing data from sensors such as cameras, radar and LiDAR to make driving decisions and trigger actuators in the vehicles
“AD domain controller solution(s)”	AD domain controller(s) with the relevant sensors
“ADAS”	advanced driver assistance systems, or advanced driver assistance system, referring to electronic systems developed to automate, adapt, and enhance vehicle systems for safety and better driving, normally featuring level 1 and level 2 (covering level 2+) driving automation on a vehicle supporting human drivers
“ADS”	automated driving systems, referring to the hardware and software that are collectively capable of performing the entire dynamic driving task on a sustained basis, regardless of whether it is limited to a specific operational design domain, used specifically to describe a level 3 through level 5 driving automation system
“AEB”	automatic emergency braking
“AK1 ultrasonic sensor(s)”	automotive-grade ultrasonic sensors that are economical and are widely used in the industry
“AK2 ultrasonic sensor(s)”	a new generation of automotive-grade ultrasonic sensors, which has wider perception range and smaller blind area compared with AK1 ultrasonic sensors

GLOSSARY OF TECHNICAL TERMS

“APA”	automatic parking assistance
“ASIL”	automotive safety integrity level, a risk classification system for the functional safety of road vehicles
“AUTOSAR”	Automotive Open System Architecture, a development partnership of automotive interested parties founded in July 2003
“BEV”	battery electric vehicles
“Bird-Eye View”	an elevated view of an object or location from a very steep viewing angle, creating a perspective as if the observer were a bird in flight looking downwards
“C-NCAP”	The China New Car Assessment Program
“CNN”	convolutional neural networks
“domain controller(s)”	a computer that controls a set of vehicle functions related to a specific area, or domain. Functional domains that require a domain controller are typically compute-intensive and connect to a large number of input and output devices. Examples of relevant domains include autonomous driving, cockpit, powertrain, chassis and body
“DVR”	digital video recorder
“ECUs”	electronic control units, embedded systems in automotive electronics that controls one or more of the electrical systems or subsystems in a car or other motor vehicle
“ELK”	emergency lane keeping
“entry-level passenger vehicle(s)”	passenger vehicle(s) with selling prices under RMB150,000
“ESS”	emergency steering assistance
“Ethernet”	a family of wired computer networking technologies commonly used in local area networks, metropolitan area networks and wide area networks

GLOSSARY OF TECHNICAL TERMS

“EURO-NCAP”	The European New Car Assessment Programme. Established in 1997, the EURO-NCAP provides consumers with a safety performance assessment for the majority of the most popular cars in Europe. EURO-NCAP has created the five-star safety rating system to help consumers, their families and businesses compare vehicles more easily. The safety rating is determined from a series of vehicle tests, designed and carried out by EURO-NCAP. These tests represent, in a simplified way, important real-life accident scenarios that could result in injured or killed car occupants or other road users. The number of stars reflects how well the car performs in EURO-NCAP tests, but it is also influenced by what safety equipment the vehicle manufacturer is offering in each market. So a high number of stars shows not only that the test result was good, but also that safety equipment on the tested model is readily available to all consumers in Europe. The star rating goes beyond the legal requirements and not all new vehicles need to undergo EURO-NCAP tests. According to the EURO-NCAP, OEMs are responsible to carry out the testing
“FCW”	forward collision warning
“Fish-Eye Camera(s)” or “fisheye camera(s)”	camera(s) with fisheye lens which produces strong visual distortion to create a wide panoramic or hemispherical image
“GB/s”	a data-rate unit of gigabyte per second
“GFHB”	glare-free high beam
“GPS”	the global positioning system
“GPUs”	graphics processing units, designed to manipulate and alter memory to accelerate the creation of images in a frame buffer intended for output to a display device
“GSR”	General Safety Regulation (EU) 2019/2144
“HEV”	hybrid electric vehicle, a type of hybrid vehicle that combines a conventional internal combustion engine system with an electric propulsion system

GLOSSARY OF TECHNICAL TERMS

“Highway NoA ”	navigate on autopilot on highways
“HMI”	human-machine interface
“HPA”	home-zone parking assistance
“IC(s)”	integrated circuit(s)
“ICC”	intelligent cruise control
“ICE”	internal combustion engine
“LCC”	lane centering control
“LDW”	lane departure warning
“LED”	a light-emitting diode, a semiconductor device that emits light when current flows through it
“letter(s) of nomination”	the confirmation sent out by OEMs as a commitment to form formal cooperative relationships. The companies that receive letters of nomination are qualified to join the OEMs’ supply chains because they have been selected as a designated suppliers for a specific component. In most cases, OEMs only pick one supplier and issue the letter of nomination for a certain autonomous driving solution required for a specific vehicle model. Letters of nomination do not constitute legally, binding contracts and can be unilaterally terminated by OEMs
“LiDAR”	light detection and ranging, a method for determining ranges by targeting an object or a surface with a laser and measuring the time for the reflected light to return to the receiver
“Linux”	a family of open-source Unix-like operating systems based on the Linux kernel
“mainstream third-party AD domain controller provider(s)”	third-party AD domain controller provider(s) which generated revenue of more than RMB50 million in each of 2021 and 2022

GLOSSARY OF TECHNICAL TERMS

“MCUs”	microcontroller units, small computers on a single IC containing a processor core, memory and programmable input and output
“middleware”	software framework that acts as a bridge between the upper-layer application and the underlying hardware
“mid- to high- end passenger vehicle(s)”	passenger vehicle(s) with selling prices between RMB150,000 and RMB300,000
“MPV”	multi-purpose vehicle
“NEV(s)”	new energy vehicles, comprising of battery electrics vehicles, plug-in hybrid electric vehicles and fuel cell vehicles
“NoA”	navigate on autopilot
“ODD”	operational domain design, a description of the specific operating conditions in which the autonomous driving solutions and products are designed to properly operate
“OEM(s)”	automotive original equipment manufacturer(s) (automotive manufacturer(s)), company(ies) that design, develop, and manufacture vehicles, and market their vehicles directly to customers
“OS”	operating systems
“OTA”	over-the-air
“PCB”	printed circuit board
“PCBA”	printed circuit boards assembly, which is the PCB after mounting various components, such as resistors, ICs and capacitors, depending on the application and desired characteristics of the board
“PHEV”	plug-in hybrid electric vehicle, a type of hybrid electric vehicle whose battery pack can be recharged by plugging a charging cable into an external electric power source, in addition to internally by its on-board internal combustion engine-powered generator

GLOSSARY OF TECHNICAL TERMS

“premium passenger vehicle(s)”	passenger vehicle(s) with selling prices above RMB300,000
“point-to-point assisted driving navigation”	represents navigation assistance while driving from one location to another, including entering and exiting highways, ring roads, complex urban roads, country roads, and parking areas. As a result, it has autonomous driving functions for both high-speed driving and low-speed parking scenarios
“RPA”	remote parking assistance
“RTOS”	a real-time operating system
“SAE”	the SAE International, formerly named as the Society of Automotive Engineers, is a United States-based, globally active professional association and standards developing organization for engineering professionals in various industries. The principal emphasis is placed on global transport industries such as aerospace, automotive, and commercial vehicles. The SAE standard of level of autonomous driving is widely accepted by the global automotive industry. Market participants classify autonomous driving solutions into more specific categories based on the SAE classification, such as level 2+, as a practice in the industry to give users and customers a more precise idea of the level of automation of their products
“series production”	also known as mass production, is a manufacturing process where products are produced in large quantities using standardized designs, machinery, and assembly line techniques
“SMT”	surface mount technology, a method in which the electrical components are mounted directly onto the surface of a printed circuit board
“SoC(s)”	systems-on-chip(s), programmable IC(s) that integrates CPU, memory interfaces, on-chip input/output devices, input/output interfaces, and secondary storage interfaces, often alongside other components such as radio modems and a graphics processing unit, all on a single substrate or microchip

GLOSSARY OF TECHNICAL TERMS

“SUV”	sport utility vehicle
“SV3D”	surround view 3D display, the surround view system that provides a complete 360° view around the entire vehicle
“the base version of AD domain controllers”	autonomous driving control unit of SuperVision™, as referred in the product sales agreement with Mobileye, the L2+ ECU, serving as an intelligent computing platform for applications to the autonomous driving, responsible for perception, data fusion, localization, planning and vehicle control
“Tier-1 supplier(s)”	automotive system integrator(s), company(ies) that supply(ies) assembled components or systems directly to OEMs. Tier-1 suppliers need to work closely with OEMs during the design and development stages of vehicles, ensuring the integration of their components into the final product
“Tier-2 supplier(s)”	company(ies) that supply(ies) parts or materials directly to Tier-1 suppliers, such as raw materials, smaller sub-components that are then incorporated into the components supplied by Tier-1 suppliers
“Transformer”	a deep learning model that adopts the mechanism of self-attention, differentially weighting the significance of each part of the input data
“TSR”	traffic sign recognition
“Urban NoA”	navigate on autopilot in urban areas
“USS(s)”	ultrasonic sensor(s)

FORWARD-LOOKING STATEMENT

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

This prospectus contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words “aim,” “anticipate,” “believe,” “could,” “expect,” “going forward,” “intend,” “may,” “might,” “ought to,” “plan,” “potential,” “predict,” “project,” “seek,” “should,” “will,” “would” and the negative of these words and other similar expressions, as they relate to us or our management, are intended to identify forward looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our operations and business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our strategies, plans, objectives and goals and our ability to successfully implement these strategies, plans, objectives and goals;
- general economic, political and business conditions in the markets in which we operate;
- our ability to continue to maintain our leadership position in the industry;
- our ability to control or reduce costs;
- our ability to identify and integrate suitable acquisition targets;
- our dividend policy;
- our capital expenditure plans;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;

FORWARD-LOOKING STATEMENT

- our ability to attract and retain senior management and key employees;
- our future debt levels and capital needs;
- the competitive environment of the industry and markets in which we operate;
- the actions and developments of our competitors;
- certain statements in “Business” and “Financial Information” in this prospectus with respect to trends in prices, operations, margins, overall market trends, and risk management;
- change of volatility in interest rates, equity prices, volumes, operations, margins, risk management and overall market trends;
- changes to regulatory and operating conditions in the industry and markets in which we operate; and
- other statements in this prospectus that are not historical facts.

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

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

RISK FACTORS

An investment in our H Shares involves significant risks. You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in our H Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material and adverse effect on our business, financial condition and results of operations. In any such case, the market price of our H Shares could decline, and you may lose all or part of your investment.

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

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We are subject to concentration risk of deriving a substantial portion of revenue from our sales to Geely Group and from SuperVision™ based on the base version of AD domain controllers supplied by Mobileye and the loss of, or a significant reduction in, revenue from such customers or products could materially and adversely affect our results of operations.

During the Track Record Period, we generated a significant portion of our revenue from Geely Group. In 2021 and 2022 and the six months ended June 30, 2023, Geely Group was our largest customer. For the years ended December 31, 2021 and 2022 and for the six months ended June 30, 2023, our revenue from Geely Group was RMB94.5 million, RMB1,277.5 million and RMB516.0 million, respectively, which accounted for 53.0%, 96.4% and 95.0% of our total revenue during the same period. Moreover, we generated a significant portion of revenue from sales of SuperVision™ to Geely Group, which amounted to RMB86.0 million, RMB1,241.9 million and RMB508.8 million in 2021 and 2022 and the six months ended June 30, 2023, respectively, accounting for 91.0%, 97.2% and 98.6% of our revenue from Geely Group for the same periods. As we rely on Mobileye for the supplies of the base version of AD domain controllers and licensed software used in SuperVision™, where we are responsible for vehicle integration, testing and validation as a system integrator, in the event that Mobileye ceases supplies, our revenue generated from SuperVision™, including those from Geely Group (such as ZEEKR and Polestar), would be entirely lost. Moreover, we cannot guarantee that (i) Mobileye will continue supplying the base version of AD domain controllers used in SuperVision™ and other products to us, (ii) Mobileye will continue to refrain from direct collaboration with Geely Group, (iii) Geely Group and Mobileye will not engage with other Tier-1 suppliers, or (iv) Geely Group will not substitute SuperVision™ with its internally developed autonomous driving solutions. Since a substantial portion of our revenue during the Track Record Period stemmed from SuperVision™ sales to Geely Group, the occurrence of any of these events would result in the loss of a crucial revenue stream, which could have a significant and adverse impact on our financial position and results of operations.

RISK FACTORS

Geely Group is a leading multinational automotive conglomerate principally engaged in the R&D, manufacturing and trading of automobiles, automobile parts and related automobile components. For instance, to our knowledge based on discussion with Mobileye, Polestar and Mobileye may collaborate with another system integrator to incorporate Mobileye's next-generation autonomous driving solutions, including Chauffeur™, into a particular vehicle model that we have agreed to work on. As of the Latest Practicable Date, our participation in the new project remained unconfirmed and discussions pertaining to the project were still in their preliminary stages. In October 2020, we received the letter of nomination for SuperVision™ deployed on ZEEKR 001, which marked the beginning of our collaboration. Since then, both parties started cooperation in R&D of level 2+ autonomous driving solutions and we have become one of the key suppliers of autonomous driving solutions and products for Geely Group, especially under its ZEEKR brand. Our failure to provide satisfactory solutions and products to Geely Group may adversely affect our business relationships with it. If such customer decides to terminate or decrease the level of its cooperation with us in the future, it may result in a material and adverse effect on our business, financial condition and results of operations. We cannot guarantee that Geely Group will continue to partner with us or will not reduce its business with us. We cannot guarantee that Geely Group will not have a change of business scope or business model, will continue to maintain its market position and reputation, will not cease to operate or will not experience operational or financial difficulties. The sales of SuperVision™ to Geely Group was also dependent on the commercial success of ZEEKR 001 and ZEEKR 009, which was subject to factors outside our control, including but not limited to the market acceptance of ZEEKR 001 and ZEEKR 009, the competition from other vehicle models and the reputation of the ZEEKR brand in general. The discontinuation, lack of commercial success, or loss of business with respect to such particular vehicle model for which we are a significant supplier could reduce our sales and adversely affect our profitability.

In addition, given the rapidly developing nature of automotive industry in China, the business growth of our customers may not be sustained and is subject to various factors beyond their controls, including the general economic conditions, consumer's spending power, and changes and uncertainties of relevant laws, rules and regulations in the automobile and autonomous driving industries, none of which can be predicted with certainty. Moreover, OEMs may adjust the selling prices of their vehicle models in response to heightened market competition, thereby potentially increasing the pricing pressure on us. For example, Geely Group recently made downward adjustments to the selling prices of the ZEEKR 001 model. According to news reports, customers who place purchase orders for ZEEKR 001 between August 11, 2023, and December 31, 2023 will receive a discount ranging from RMB30,000 to RMB37,000. We may encounter heightened pricing pressure, and we cannot guarantee an increase in the sales volume of our products. Consequently, there are uncertainties with respect to the impact of OEMs' downward adjustments in the pricing strategies on the sales volume as well as the revenue of our solutions. Any fluctuation or downturn in the overall development of China's automotive industry and significant adjustment in the OEM's pricing strategies may reduce demand for our solutions and products and thus materially and adversely affect our business, financial condition and results of operations. Moreover, we cannot assure you that we are able to successfully expand our business or attract new OEM customers. In the event that we are unable to expand our customer base, we may experience slower or no growth at all or decrease in our revenue, and our business, financial condition and results of operations could be materially and adversely affected.

RISK FACTORS

Furthermore, we have been dependent on a limited number of solutions and products to generate a substantial portion of our revenue. The market for autonomous driving products and customers' needs and preferences are rapidly evolving. We, as well as many of our competitors, are constantly upgrading existing solutions and products and rolling out new solutions and products with higher performance and better quality. To the extent any of our major solutions or products loses its appeal to customers and in turn its market share, whether due to competition from our competitors' solutions and products or our own alternative solutions and products or lower overall demand for autonomous driving solutions and products, among other things, our business and results of operations could be materially and adversely affected.

We are an early-stage company with a history of losses; we expect a decline in revenue for 2023; we expect to incur significant expenses and continuing losses in 2023, and we may continue to incur losses in 2024 and beyond; our historical financial and results of operations may not be indicative of our future performance.

We are an autonomous driving solution provider in China with a focus on AD domain controllers. We focus on developing autonomous driving solutions and products for our customers. We recorded net losses of RMB53.8 million, RMB464.2 million, RMB342.4 million, RMB300.4 million and RMB99.7 million in 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, respectively. In addition, we expect a decline in revenue for 2023. 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;
- 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, and manage our supply chain and supplier relationships related to 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;

RISK FACTORS

- develop and protect intellectual property; and
- hire, integrate and retain talented people at all levels of our organization.

We expect to incur significant expenses and continuing losses in 2023, and we may continue to incur losses in 2024 and beyond. 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 operation 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:

- continue to invest in the research and development of our solutions and products;
- expand our production capabilities to produce our solutions and products;
- expand our design, development, validation and servicing capabilities;
- recruit additional engineers and other talents to support our business expansion; and
- increase our sales and marketing activities and build up our sales and marketing team.

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 have limited historical financial data and 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. We have encountered in the past, and will encounter in the future, risks and uncertainties frequently experienced by growing companies with limited operating histories 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.

RISK FACTORS

We rely on third-party suppliers, including, in particular Mobileye in relation to SuperVision™, and because some of the raw materials and key components in our products come from single or limited source of suppliers, we are susceptible to supply shortages, long lead times for components, supply changes, and changes in business relationship, any of which could disrupt our supply chain and could delay deliveries of our products to customers.

We source the raw materials and some of the components of our products from third-party suppliers, including suppliers for automotive-grade chips, mechanical parts, optical components, and electrical parts. Our future success will depend in part on our ability to manage our supply chain to manufacture and deliver our products at scale. We are dependent on certain major suppliers. For the years ended December 31, 2020, 2021 and 2022 and for the six months ended June 30, 2023, purchases from our five largest suppliers in each period in aggregate accounted for 53.4%, 78.9%, 96.0% and 95.0% of our total purchases, respectively, and purchases from our largest supplier in the relevant periods accounted for 23.2%, 54.6%, 69.2% and 90.3% of our total purchases, respectively. In particular, we rely on Mobileye for the supplies of the base version of AD domain controllers and SoCs for our products. Mobileye was our largest supplier in 2021 and 2022 and for the six months ended June 30, 2023. During the Track Record Period, we primarily procured from Mobileye (i) the base version of AD domain controllers for the SuperVision™ solution; and (ii) EyeQ® series SoCs for our iFC products. For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, our purchase from Mobileye was RMB5.7 million, RMB78.4 million, RMB921.7 million and RMB324.2 million, respectively, which accounted for 13.6%, 54.6%, 69.2% and 90.3% of our total purchases during the same periods. Mobileye is also supplying SuperVision™ to other OEMs in collaboration with other Tier 1 suppliers, and we cannot guarantee that Mobileye will continue to partner with us or will not reduce their business with us. Furthermore, we cannot guarantee that Mobileye will maintain its partnership with us for our ongoing projects or future projects, particularly if their next-generation products are to be deployed. For instance, to our knowledge based on discussion with Mobileye Mobileye may collaborate with another system integrator to incorporate their next-generation autonomous driving solutions, including Chauffeur™, into a particular vehicle model of Polestar that we have agreed to work on. As of the Latest Practicable Date, our participation in the new project remained unconfirmed and discussions pertaining to the project were still in their preliminary stages. To our knowledge, Mobileye has set up a Chinese branch with a primary focus on conducting functional testing prior to the software's release. In the future, Mobileye may expand its presence in China and decide to engage in direct collaborations with OEMs for the development of autonomous driving solutions and providing OTA updates, instead of maintaining partnerships with Tier-1 suppliers. If there is any discontinuation, or loss of business with respect to our cooperation with Mobileye, we may not be able to procure alternative raw materials and key components in a cost-efficient and timely manner, and we cannot assure you that our customers may accept the alternative ADAS solutions we provide, even if they are of the same quality with similar cost. As a result, our business, results of operations and financial condition could be materially and adversely affected.

RISK FACTORS

In light of our limited source of suppliers, we are therefore subject to the risk of shortages and long lead times in the supply of components that come from limited source of suppliers and the risk that our suppliers discontinue or modify components used in its products. We have a global supply chain, and the COVID-19 pandemic and other health epidemics and outbreaks may adversely affect our ability to source components in a timely or cost-effective manner from our third-party suppliers due to, among other things, work stoppages or interruptions. For example, we remain dependent on third-party chips for our products. Historically, we have experienced difficulty in securing sufficient and prompt automotive-grade power management chip supplies due to disruptions in supply chains and logistics caused by the COVID-19 outbreak. Any future shortage in chip supplies in turn may lead to increases in the prices of chips and may cause chip suppliers to allocate available chips more selectively among their customers across these industries. We may not be able to obtain adequate supplies of chips on commercially acceptable terms or at all, and as a result we may fail to fulfill our customers' orders. Any failure to fulfill our customers' orders could cause us to record lower sales and lose customers. Our procurement of chips may also be subject to sanctions and export controls administered by the United States. See “— We could be adversely affected as a result of any transactions we make with certain entities or in certain industries that are, or become subject to, sanctions and export controls administered by the United States and other relevant sanctions authorities.”

In addition, the lead times associated with certain components are lengthy and preclude rapid changes in quantities and delivery schedules. Some of our chip suppliers may apply a non-cancellable non-refundable policy to their products or require us to provide binding forecasts of our procurement. We have in the past experienced and may in the future experience component shortages and price fluctuations of certain key components and materials, and the predictability of the availability and pricing of these components may be limited. Component shortages or pricing fluctuations could be material in the future. In the event of a component shortage, supply interruption or material pricing change from suppliers of these components, we may not be able to develop alternate sources in a timely manner or at all in the case of sole or limited sources. Developing alternate sources of supply for these components may be time-consuming, difficult, and costly and we may not be able to source these components on terms that are acceptable to us, or at all, which may undermine our ability to meet our requirements or to fill customer orders in a timely manner. Any interruption or delay in the supply of any of these parts or components, or the inability to obtain these parts or components from alternate sources at acceptable prices and within a reasonable amount of time, would adversely affect our ability to meet our scheduled product deliveries to our customers. This could adversely affect our relationships with our customers and could cause delays in shipment of our products and adversely affect our results of operations. If we are unable to buy these components in quantities sufficient to meet our requirements on a timely basis, we will not be able to deliver products to our customers, which may result in such customers using competitive products instead of ours.

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There is no guarantee that our OEM customers or OEM end customers will purchase our solutions and products in any certain quantity or at any certain price even after we obtain the letter of nomination, and there may be significant delays between the time we obtain the letter of nomination until we realize revenue from the vehicle model.

We cannot guarantee that our customers will purchase our solutions and products in large quantities or at all and at a price that will be profitable to us even having entered into a letter of nomination. We generally do not have contracts with OEM customers that require them to purchase our solutions and products in any certain quantity or at any certain price, and our sales could be less than we forecast if a vehicle model for which we obtain the letter of nomination is unsuccessful, including for reasons unrelated to our solutions and products, if an OEM (or in respect of certain vehicle models, an affiliate of the relevant OEM) decides to discontinue or reduce production of a vehicle model or the use of our solutions and products in a vehicle model, or if we face downward pricing pressure. However, the letters of nomination provide no certainty of finalization of contract and may be terminated by customers. As a result, obtaining a letter of nomination is not a guarantee of revenue. During the Track Record Period and up to the Latest Practicable Date, we had ceased cooperation with two of our OEM customers who issued a total of three letters of nomination to us. Moreover, pricing estimates are made at the time of a request for quotation by an OEM, so that worsening market or other conditions between the time of a request for quotation and an order for our solutions and products may require us to sell our solutions and products for a lower price than we initially expected. We may also face pricing pressures from our customers as a result of their restructuring, consolidation, and cost-cutting initiatives or as a result of increased competition. We adjust our selling prices dynamically based on the customer profile and the sales forecast for their vehicles. If we are unable to generate sufficient production cost savings or introduce solutions and products with additional features and functionality at higher price points to offset price reductions, then our business, results of operations, and financial condition would be adversely affected. In addition, it is possible that OEMs may opt to independently procure specific components for their autonomous driving solutions. This could have an impact on the selling prices of our solutions, as well as our revenue and profitability. For instance, in response to customer demands, we discontinued the provision of cameras and ultrasonic sensors in the SuperVision™ solution supplied to certain OEMs, in the first half of 2023. These OEMs chose to procure these components on their own. The exclusion of cameras and ultrasonic sensors had a considerable impact on our financial performance. On one hand, it led to an improvement in our gross profit margin for SuperVision™. However, on the other hand, it resulted in a decrease in the average selling price of SuperVision™. Additionally, we experienced a decline in sales revenue for SuperVision™ during the second quarter of 2023, and we anticipate a decline in sales revenue for SuperVision™ in 2023 compared to the previous year.

Furthermore, our solutions and products are technologically complex, incorporated with many technological innovations, and are typically subject to significant safety testing, and OEMs are generally required to make significant commitments of resources to test and validate our solutions and products before including them in any particular vehicle model. The average industry duration of the development cycles of autonomous driving solutions and products is

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12 to 18 months after receiving the OEM's letter of nomination depending on the OEMs and the complexity of the solution and products. These development cycles result in our investment of resources prior to realizing any revenue from a vehicle model. We incurred contract fulfillment costs of RMB40.4 million, RMB28.7 million and RMB3.5 million, respectively, for the development of ongoing projects, successful projects and terminated projects during the Track Record Period. We typically charged our customers for such expenses. However, there is no guarantee that we will be able to recover the significant upfront costs incurred. An OEM may choose to cancel or postpone production of the vehicle model. Although during the Track Record Period, we were able to fully recover the contract fulfillment costs incurred for terminated projects, there is no guarantee that we will be able to fully recover the contract fulfillment costs in the future in case of any terminated projects. Our autonomous driving solutions and products control various vehicle functions including engine, steering and braking and those functions have interactions with safety and navigation. Accordingly, those functions must be integrated effectively with the other systems of the vehicle developed by the OEMs and other suppliers, and we may be unable to achieve the requisite level of interoperability in a vehicle model for our solutions and products to be implemented even after we obtain the letter of nomination.

In connection with the letter of nomination, we typically receive preliminary estimates from OEMs of their anticipated production volumes for the models relating to those letters of nomination. Those estimates may be revised significantly by the OEMs, potentially multiple times, and may not be representative of future production volumes associated with those letters of nomination, which could be significantly higher or lower than estimated. Therefore, any predictions or internal budgets on our future revenue and expenses based on such estimates may not be accurate and our results of operations could differ materially from our expectations. Any downward adjustment in our estimates could materially affect our actual revenues. Furthermore, long development cycles or vehicle model cancellations or postponements would adversely affect our prediction or expectations of our future revenue and operations, and our business, results of operations, and financial condition.

If we fail to retain existing customers, attract new customers or increase the spending by our customers, our business and results of operations may be materially and adversely affected.

We have been expanding our customer base to cover a range of industry leaders. Our abilities to retain existing customers, attract new customers, as well as increase the spending by our customers depend on a number of factors, including our ability to offer more autonomous driving solutions and products that address the needs of our OEM customers at competitive prices, the strength of our technologies and the effectiveness of our sales and marketing efforts. We cannot guarantee that our existing customers will continue to procure autonomous driving solutions from us for their new vehicle models or will maintain their partnerships with us for our ongoing projects or future projects, particularly if the next-generation products (including from Mobileye) are to be deployed. For example, Geely Group is collaborating with other Tier-1 autonomous driving suppliers for other vehicle models of ZEEKR brand, and to our knowledge based on discussion with Mobileye, Mobileye and

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Polestar may collaborate with another system integrator to incorporate next-generation autonomous driving solutions from Mobileye, including Chauffeur™, into a vehicle model that we have agreed to work on. If we fail to retain existing OEM customers or attract new OEM 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 OEM customers with solutions and products that meet the specific demand of such OEM 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.

If we are unable to develop and introduce new solutions and products and improve existing solutions and products in a cost-effective and timely manner, our competitive position would be negatively impacted and our business, results of operations, and financial condition would be adversely affected.

Our business, results of operations, and financial condition depend on our ability to continually develop our existing autonomous driving solutions and products and to develop and introduce new and enhanced solutions and products that incorporate and integrate the latest technological advancements in sensing and perception technologies, software and hardware, and camera, radar, LiDAR, mapping, and AI technologies to satisfy evolving customer, regulatory, and safety rating requirements. For example, we will need to complete the development and achieve cost efficient series production of the next generations of the iDC series and iFC series. We are currently developing iDC high and iFC 3.0 and expect to achieve the series production of iDC High and iFC 3.0 in 2024. We cannot guarantee that the new solutions and products we are currently working on, in particular iDC high and iFC 3.0, will be released in a timely manner, or at all, or achieve market acceptance. This prospectus contains descriptions of our current expectations regarding the years by which we expect to commence production or release our anticipated future solutions and products. These time periods are subject to significant uncertainty. We may encounter significant unexpected technical and production challenges, or delays in completing the development of these and other solutions and products and ramping production in a cost-efficient manner. The development of these and other new and enhanced solutions and products requires us to invest resources in research and development and also requires that we:

- design innovative, accurate, and safety- and comfort-enhancing functions that differentiate our solutions and products from those of our competitors;
- continuously improve the reliability of our autonomous driving technology;
- cooperate effectively on new designs and development with our customers, suppliers and partners;

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- respond effectively to technological changes and product announcements by our competitors; and
- adjust to changing customer requirements, market conditions, and regulatory and rating standards quickly and cost-effectively.

If there are delays in, or if we fail to complete when expected or at all, our existing and new development programs, we may not be able to satisfy our customers' requirements, obtain additional letters of nomination with existing or new customers, obtain new purchase orders, or achieve broader market acceptance of our solutions and products, and our business, results of operations, and financial condition would be adversely affected.

Our business collaboration with partners is subject to risks, and these relationships may not lead to significant revenue. Any adverse change in our cooperation with them could harm our business.

Strategic business relationships are and will continue to be an important factor in the growth and success of our business. We have alliances and partnerships with other companies in the autonomous driving and automotive industries to help us in our efforts to continue to enhance our technology, commercialize our solutions and products, and drive market acceptance. We have established partnerships with leading automated driving technologies and solutions providers, such as Mobileye, to validate and deliver critical components required for our solutions and products. We may not be able to successfully negotiate new definitive agreements with such business partners or such agreements may be on terms that are disadvantageous to us. We may also need to identify and negotiate additional relationships with other third parties. We may not be able to successfully identify and negotiate definitive agreements with these third parties to provide the services we would require on terms that are attractive or at all, which would cause us to incur increased costs to develop and provide these capabilities.

Collaboration with these third parties is subject to risks, some of which are outside our control. For example, certain of our agreements with our partners grant our partner or us the right to terminate such agreements for cause or without cause. If any of our partnerships are terminated, it may delay or prevent our research and development schedules. We are also subject to restrictions regarding the collaboration content. In addition, such agreements may in the future contain certain exclusivity provisions which, if triggered, could preclude us from working with other businesses with superior technology or with whom we may prefer to partner with for other reasons. We could experience delays to the extent our partners do not meet agreed upon timelines or experience capacity constraints. We could also experience disagreement in budget or funding for the joint development project. There is also a risk of other potential disputes with partners in the future, including with respect to intellectual property rights. We could experience difficulties and risks in protecting such intellectual property rights if there is any adverse change to our relationships with such business partners.

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If our existing partner agreements were to be terminated, we may be unable to enter into new agreements on terms and conditions acceptable to us. The expense and time required to complete any transition may be greater than anticipated. Any of the foregoing could adversely affect our business, results of operations, and financial condition.

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.

The autonomous driving industry is highly competitive, and we expect 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 technology 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 for vehicle, passenger and pedestrian safety in compliance with existing and future regulations, the ability to gather or access large validation datasets in order to train the required software and to continuously harvest new data in real-time, the ability to cost-effectively deploy hardware, the ability to integrate technologies and hardware with overall vehicle design and production, adoption by OEMs, and the ability to develop and maintain strategic relationships with other participants in the automotive industry.

A significant and growing number of established and new technology companies and automotive manufacturers have entered, or are reported to have plans to enter, the market for autonomous driving 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. Automakers who seek to develop their own in-house solutions and products may also become indirect competitors. Some OEMs that currently incorporate our solutions and products may decide to design in-house solutions and products 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, as well as companies that are able to develop products that may not require the massive datasets upon which our technologies currently rely while still achieving the same effectiveness of algorithms.

Additionally, increased competition may result in pricing pressure and reduced margins and may impede our ability to predict our future revenue and operations, 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.

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Our business may suffer from claims relating to, among other things, actual or alleged defects in our solutions and products, or if our solutions and products actually or allegedly fail to perform as expected, and publicity related to these claims could harm our reputation and decrease demand for our solutions and products or increase regulatory scrutiny of our solutions and products.

Most of our solutions and products are to be installed on automobiles. The applications of our autonomous driving solutions and products to automobiles present the potential risk of significant injury, including fatalities. The automotive industry in general is subject to significant litigation claims due to the potentially severe consequences of traffic collisions or other accidents. As a provider of solutions and products related to, among other things, preventing traffic collisions and other accidents, we could be subject to litigation for traffic collisions or other accidents, even if our solutions and products or their features or the failure thereof did not cause any particular traffic collision or accident. Our technology may be involved, in accidents resulting in death or personal injury, and such accidents where our solutions and products or their features are involved may be the subject of significant public attention. There also remains significant uncertainty in the legal implications to providers of emerging autonomous driving technologies of traffic collisions or other accidents involving such technologies, particularly given variations in legal and regulatory regimes that are emerging in different jurisdictions, and we may become liable for losses that exceed the current industry norms as the regulatory and legal landscape develops.

In addition, if the relevant authorities were to determine that the use of our solutions and products or certain autonomous driving applications in general, increased the risk of injury to all or a subset of our customers, end-users and passengers, they may pass laws or adopt regulations that limit the use of our solutions and products or increase our liability associated with the use of our solutions and products or that regulate the use of or delay the deployment of autonomous driving technology. Any of these events could adversely affect our brand, relationships with customers, results of operations or financial condition.

We typically offer a standard product warranty to customers of our products. The basic warranty period for our products is typically three to five years or 150,000 kilometers. The occurrence of any material defects in our solutions and products could make us liable for damages and warranty claims. In addition, we are legally obligated to assume the product liability in the event of any quality defects in our products that result in personal or property damage. If such claims arise from product defects in components we procure from our suppliers, we may have the right to request them to assume the corresponding product liability. However, we may also have a greater product liability exposure to OEM customers because (i) the warranty period we provide to OEM customers may be longer compared to the warranty period provided by our suppliers, and (ii) there may be limitations on the liability provided by our suppliers. Furthermore, during the warranty period, if the costs and expenses related to the repair or replacement of components in our products surpass the limitations of liability assumed by our suppliers, we may be obligated to bear those additional costs and expenses. We could incur significant costs to correct any defects, warranty claims or other problems, including costs related to product recalls. Any negative publicity related to the perceived quality of our solutions and products could affect our brand image, partner and customer demand, and adversely affect our results of operations and financial condition.

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Furthermore, we could face material legal claims for breach of contract, product liability, fraud, tort or breach of warranty as a result of these problems. Defending a lawsuit, regardless of its merit, could be costly and may divert management's attention and adversely affect the market's perception of us and our solutions and products. In addition, our insurance coverage could prove inadequate with respect to a claim and future coverage may be unavailable on acceptable terms or at all. These product-related issues could result in claims against us and our business could be adversely affected.

Our autonomous driving products used on vehicles are highly complex and may contain defects or otherwise fail to perform in line with expectations, which could reduce the market adoption of our products, damage our reputation with current or prospective customers, expose us to product liability and other claims and adversely affect our results of operations.

The majority of our autonomous driving solutions and products are sold to OEMs to be installed on their vehicles. Those solutions and products are highly technical and very complex and require high standards to manufacture and will likely in the future experience defects, errors or reliability issues at various stages of development. We may be unable to timely release new solutions and products, manufacture existing solutions and products, correct problems that have arisen or correct such problems to our customers' satisfaction. Additionally, undetected errors, defects or security vulnerabilities, especially as new products are introduced or as new versions are released, could result in serious injury or even death to the end-users and/or passengers of vehicles equipped with our solutions and products or those in the surrounding area, litigation against us, negative publicity and other consequences. These risks are particularly prevalent in the autonomous driving industry. Some errors or defects in our products may only be discovered after they have been tested, commercialized and deployed by customers, in which case we may incur significant additional development costs and product recall, repair or replacement costs. These problems may also result in claims, including class actions, against us by our customers or others. Our reputation or brand may be damaged as a result of these problems and customers may be reluctant to buy our solutions and products, which could adversely affect our ability to retain existing customers and attract new customers and could adversely affect our financial results.

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

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We could be adversely affected as a result of any transactions we make with certain entities or in certain industries that are, or become subject to, sanctions and export controls administered by the United States and other relevant sanctions authorities.

On October 7, 2022, the U.S. Department of Commerce, the U.S. Bureau of Industry and Security (“**BIS**”) published rules that introduce new restrictions related to semiconductors, semiconductor manufacturing, supercomputers, and advanced computing items and end uses in Mainland China, Hong Kong SAR or Macau SAR (the “U.S. Chip Export Restrictions”). BIS’ rules on advanced computing and semiconductor manufacturing were implemented in two key areas. First, these rules impose restrictive export controls on certain advanced computing semiconductor chips and software, transactions for supercomputer end-uses, and transactions involving certain entities on the Entity List. Second, these rules impose new controls on certain semiconductor manufacturing items and on transactions for certain integrated circuit (IC) end uses.

As advised by our legal advisors as to U.S. export control law, during the Track Record Period and up to the Latest Practicable Date, (i) our customers are not designated on BIS’ Entity List, Denied Persons List or Unverified List or headquartered in or ordinarily resident in, or owned or controlled by a government of, any countries or regions subject to comprehensive trade embargos under U.S. export controls (which currently include the Crimea region, Cuba, Iran, North Korea, Syria, Luhansk People’s Republic (“**LPR**”) and Donetsk People’s Republic (“**DPR**”), (collectively, the “**Sanctioned Targets**”)); and (ii) our activities do not involve operations or transactions that have violated or would violate (a) the restrictions on Sanctioned Targets; and (b) the U.S. Chip Export Restrictions set forth in the EAR.

Our business activities are not currently affected by U.S. export control laws in any material respect. However, as the Entity List and other U.S. export control laws and regulations continue to expand and evolve, future U.S. export controls may materially affect or target some of our significant suppliers or customers, raw material and key components necessary for our operations, in which event our business may be affected if we fail to promptly secure alternative sources of supply or demand on terms acceptable to us. Certain components (including chips and software) deployed in SuperVisionTM are subject to the EAR. These sanctions and export controls could adversely affect us and/or our supply chain, business partners, or customers, and our business, financial condition, and results of operations may be significantly affected by the continued international trade and political tensions. We cannot provide any assurance that our future business will be free of sanctions and export controls risk or our business will conform to the expectations and requirements of the authorities of U.S. or any other jurisdictions. If any of the foregoing happens, we may need to source new product or collaborate with Mobileye or other suppliers as an alternative, which may not be successful. If we have to identify comparable alternatives for the chips and/or software that are used in SuperVisionTM in view of the export control restrictions, any resulting new product may not be accepted by our existing or potential OEM Customers. We therefore cannot assure that we can successfully promote such new product, and our business, results of operations, and financial condition would be adversely affected. For details on our business operations in the Regions subject to International Sanctions, please refer to the section headed “Business — Compliance — Compliance with Regulations on the U.S. Chip Export Restrictions” in this prospectus.

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If our solutions and products are not selected by automotive OEMs or we are not selected by OEMs as the autonomous driving-related R&D service provider, our business will be materially and adversely affected.

Our customer are mainly automotive OEMs that install our autonomous driving products on their vehicles. Automotive OEMs typically undertake extensive testing or qualification processes prior to placing orders for large quantities of products such as our autonomous driving solutions and products, because such solutions or products will function as part of a larger system or platform and must meet certain other specifications.

We invest significant effort and money from the time of our initial contact with an OEM to the time when the OEM chooses our autonomous driving solutions or products to be incorporated into one or more specific vehicle models to be produced by the OEM. We may expend significant resources pursuing, but fail to be selected by the OEM. After the selection process, it is typically difficult for a solution or product that did not receive the letters of nominations to displace the winner until the OEM issues a new request for quotation because an OEM will generally not change complex technology already integrated in its systems until a vehicle model is revamped. In addition, the firm with the winning design may have an advantage with the OEM going forward because of the established relationship between the winning firm and the OEM, which would make it more difficult for that firm's competitors to win the designs for other production models. If we fail to win a significant number of OEM design competitions in the future, then our business, results of operations, and financial condition would be adversely affected.

Furthermore, we offer autonomous driving-related R&D services to OEMs as it provides us with the opportunity to showcase our R&D capabilities and engineering capabilities. However, we cannot guarantee that we will be able to provide high-quality R&D services to OEMs that satisfy their various requirements in a timely manner, or at all. In that case, we may not be engaged by such OEMs for their future R&D projects, or as a supplier for autonomous driving solutions and products, which would adversely affect our ability to attract new customers, and our business, results of operations, and financial condition would be adversely affected.

Defects or errors with our PCBA products may expose us to negative publicity and harm our reputation, which may affect our business, results of operations and financial conditions.

We were engaged in manufacturing and sales of PCBA products to third parties during the Track Record Period. We do not consider sales of PCBA products our core business. For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, sales revenue from PCBA products amounted to RMB42.4 million, RMB57.6 million, RMB35.0 million, RMB17.0 million and RMB10.3 million, respectively. Our sales revenue of PCBA products, as a percentage of total revenue, decreased from 89.0% in 2020 to 32.3% in 2021 and further to 2.6% in 2022, and from 4.7% for the six months ended June 30, 2022 to 1.9% for the six months ended June 30, 2023. Going forward, we expect to focus on providing

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autonomous driving solutions and products to OEM customers and plan to gradually wind down our sales of PCBA products to third parties over the next five years. However, any errors, defects, disruptions or other performance issues with our PCBA products may still expose us to negative publicity and harm our brand reputation, which may affect our business, results of operations and financial conditions.

We continue to implement strategic initiatives designed to grow our business, including developing new technologies, solutions and products. We cannot assure you that our choices of technologies, solutions, and products to focus on will prove correct, or that our initiatives will succeed and bring sufficient growth in revenue to offset the costs and expenses.

We continue to make investments and implement initiatives designed to grow our business. In particular, we have formulated plans to focus our research and development efforts on certain new technologies and products which we believe will be essential to our future growth. For example, we are in the process of developing iDC High, the enhanced version of iDC Mid designed for mid- to high- end vehicles. See “Business — Our Autonomous Driving Solutions and Products — Our Autonomous Driving Solution and Product Offerings — AD Domain Controllers — iDC High” for more details. However, as the autonomous driving 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. Some of the market opportunities we are pursuing are at an early stage of development, and it is difficult to predict the size and growth rate of our target markets, customer demand for our products, commercialization timelines, developments in technology, the entry of competitive products, or the success of existing competitive products and services. If our revenue does not grow over the long term, our ability to achieve and maintain profitability may be adversely affected.

The markets in which we compete are characterized by rapid technological change, which requires us to continue to develop new solutions and products, and could adversely affect market adoption of our solutions and products.

While we intend to invest substantial resources to remain on the forefront of technological development, continuing technological changes in the autonomous driving industry, could adversely affect adoption of our solutions and products, either generally or for particular applications. Our future success will depend upon our ability to develop and introduce a variety of new capabilities and innovations to our existing offerings, as well as introduce a variety of new offerings, to address the changing needs of the markets in which we offer our solutions and products. For example, we cannot guarantee that the new solutions and

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products we are currently working on will be released in a timely manner, or at all, or achieve market acceptance. Delays in delivering new solutions and products that meet customer requirements could damage our relationships with customers and lead them to seek alternative sources of supply. As autonomous technology reaches the stage of large-scale commercialization, we will be required to develop and deliver solutions and products at price points that enable wider and ultimately mass-market adoption. Delays in introducing solutions and products, the failure to choose correctly among technical alternatives or the failure to offer innovative products or configurations at competitive prices may cause existing and potential customers to purchase our competitors' offerings. If we are unable to devote adequate resources to develop products or cannot otherwise successfully develop products or system configurations that meet customer requirements on a timely basis or that remain competitive with technological alternatives, we could lose market share and our business and prospects will be adversely affected.

We invest significantly in research and development, and to the extent our research and development efforts are unsuccessful, our competitive position would be negatively impacted and our business, results of operations, and financial condition would be adversely affected.

To compete successfully, we must maintain successful research and development efforts, develop new solutions and products, and improve our existing solutions and products, all ahead of competitors. We are focusing our research and development efforts across several key technologies, including core algorithms, cloud services and flexible middleware. These are ambitious initiatives, and we cannot guarantee that all of these efforts will deliver the benefits we anticipate or be homologated as expected. We must make research and development investments based on our views of the most promising approaches to address future customer needs in rapidly evolving markets, and we cannot be certain that we will target out research and development investments appropriately, or correctly anticipate the manner in which these markets will evolve. To the extent our research and development efforts do not produce timely improvements in utility, accuracy, safety, cost and operational efficiency, our competitive position will be harmed. We do not expect all of our research and development investments to be successful. Some of our efforts to develop and market new solutions and products may fail, and the solutions and products we invest in and develop may be challenged by regulators or may not be well received by customers, who may adopt competing technologies.

We make significant investments in research and development, and our investments at times may not contribute to our future results of operations for several years, if at all. We plan to incur substantial, and potentially increasing, R&D costs as part of our efforts to design, develop, manufacture and commercialize new solutions and products and enhance existing solutions and products. Our R&D expenses were RMB44.1 million, RMB54.9 million, RMB104.0 million, RMB46.4 million and RMB104.0 million for the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, respectively. We expect to further increase R&D investments as we roll out new solutions and products and

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improve existing solutions and products. Such contributions 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.

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

Significant changes in the markets in which we purchase materials, components, and supplies for the production of our solutions and products may adversely affect our profitability. As a result of the global semiconductor shortage and inflationary pressures, we have experienced and may continue to experience increases in the cost of our raw materials. We are seeking to adjust the prices charged to our customers to offset these cost increases, but anticipate that, despite such price increases, our gross profit margin may decrease, at least in the short term, as a result of these cost increases. Competitive and market pressures limit our ability to recover increases in costs through increases in prices we charge to our customers, and, even where we are able to achieve price increases that would offset such increased costs, in some cases there may be a delay before we are able to do so. The inability to pass on price increases to our customers when raw material or component prices increase rapidly or are significantly higher than historic levels would adversely affect our business, results of operations, and financial condition.

We currently have and target many customers that are large corporations with substantial negotiating power, exacting product standards and potentially competitive internal solutions and products. If we are unable to sell our products to these customers, our prospects and results of operations will be adversely affected.

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

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Commercialization of our new products and solutions may give rise to potential cannibalization in the future and adversely affect our business.

Our iDC Mid started series production in January 2023. In addition, we are currently developing our new products and solutions including iDC High and iFC 3.0. However, in practice, OEMs would make choices between different autonomous driving solutions and products by weighing their respective pros and cons in various aspects, including but not limited to the availability of advanced features, risks, adaptability and costs, among others, and the needs and requirements vary significantly for different vehicle models and driving scenarios. Therefore, our new products and solutions may compete against each other in a broad sense. There is also a risk of Mobileye ceasing to supply to us because of cannibalization between SuperVision™ and iDC series. See “Business — Our Suppliers — Our Relationship with Mobileye.” Moreover, the functions and driving scenarios of our products might be further expanded in the future due to growing awareness of their benefits as well as technological advancements. While we try to minimize the risk of cannibalization among our different products and solutions by developing different functions and designing different prices to target distinct needs, there may be some overlap and there can be no assurance that our promotion of new products and solutions will not adversely affect our sales of existing products. To the extent sales of certain of our products and solutions result in decreased sales of other of our products and solutions, our overall growth may be constrained and our business, financial condition and results of operations may be adversely affected.

If consumer acceptance of autonomous driving technology does not maintain or increase, our business, results of operations, and financial condition would be adversely affected.

Market acceptance of autonomous driving solutions and products depends upon many factors, including regulatory requirements, evolving safety standards, costs, and driver preferences. Market acceptance of autonomous driving solutions and products may also be adversely affected by safety incidents involving autonomous driving solutions and products, even if the incidents do not involve our solutions and products. We cannot be sure that autonomous driving solutions and products will achieve market acceptance on a timeline that is consistent with our expectations or development and production plans. Market acceptance of our solutions and products also depends on the ability of market participants, including us, to resolve technical challenges for increasingly complex autonomous driving solutions and products in a timely and cost-effective manner. End-users will also need to be made aware of the advantages of our solutions and products, such as the advantages of our offerings compared to competing technologies. In addition, our future results of operations will depend on the ability of OEMs to maintain and increase consumer acceptance of autonomous driving solutions and products. There is no assurance that OEMs can achieve these objectives. If customer acceptance of autonomous driving solutions and products does not increase, our business, results of operations, and financial condition would be adversely affected.

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Adverse conditions in the autonomous driving industry, the automotive industry or the global economy more generally could have adverse effects on our results of operations.

While we make our strategic planning decisions based on the assumption that the markets we are targeting will grow, our business is dependent, in large part on, and directly affected by, business cycles and other factors affecting the global autonomous driving industry, the automotive industry and global economy generally. Automotive production and sales are highly cyclical and depend on general economic conditions and other factors, including consumer spending and preferences, changes in interest rates and credit availability, consumer confidence, environmental impact, governmental incentives and regulatory requirements, and political volatility, especially in energy-producing countries and growth markets. In addition, automotive production and sales can be affected by our OEM customers' ability to continue operating in response to challenging economic conditions and in response to labor relations issues, regulatory requirements, trade agreements and other factors. The volume of automotive production in various countries and regions has fluctuated, sometimes significantly, from year to year, and we expect such fluctuations to give rise to fluctuations in the demand for our products. Any significant adverse change in any of these factors may result in a reduction in automotive sales and production by our OEM customers and could have a material and adverse effect on our business, results of operations and financial condition.

We may experience difficulties in managing our growth and expanding our operations.

We have expanded our operations, and as we ramp up our development, production and sales, significant expansion will be required. Our future results of operations depend to a large extent on our ability to manage this expansion and growth successfully. Risks that we face in undertaking this expansion include, among others:

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

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

Developments in PRC government policies relevant to us or our customers could materially and adversely affect our business, financial condition, results of operations, and prospects.

The growth of our business benefits from PRC government policies at national and local levels. Such policies include not only those relevant to us, such as the preferential tax policy for “high and new technology enterprises,” but also those that support the development of new energy vehicles, or NEVs, and domestically manufactured vehicles, which apply to many of our domestic automotive customers. Continuous developments in relevant PRC government policies may materially affect our business, financial condition, results of operations, and prospects.

Under the PRC Enterprise Income Tax Law and its implementation rules, the statutory enterprise income tax rate is 25%, but certain “high and new technology enterprises” are qualified for a preferential enterprise income tax rates subject to certain qualification criteria. A “high and new technology enterprise,” which is reassessed every three years, is entitled to favorable income tax rate of 15%. We obtained the high and new technology enterprise accreditation in 2019 and 2022, and currently enjoys the preferential tax treatments. However, we may fail to renew our status as a high and new technology enterprise when it expires in 2025. In addition, the relevant government authorities may decide to cancel or modify such preferential treatment for high and new technology enterprises. Therefore, we cannot assure you of the continued availability of such tax preference which we currently enjoy. In the event that we fail to maintain our qualified status, experience any increase in the enterprise income tax rate, or face any discontinuation, retroactive or future reduction or refund of any of the preferential tax treatments currently enjoyed, our business, financial condition and results of operations could be materially and adversely affected.

Many of our customers in China focus on the development and production of NEVs and have been entitled to certain government incentives or subsidies. For example, producers of extended-range electric vehicles enjoy certain favorable government incentives and subsidies, including exemption from vehicle purchase tax, one-time government subsidies, exemption from license plate restrictions in certain cities, exemption from driving restrictions in certain cities, and preferential utility rates for charging facilities. However, China’s central and local governments have begun to phase out such incentives and subsidies. In April 2020, the PRC Ministry of Finance and other national regulatory authorities issued a circular to extend the original end date of subsidies for NEV purchasers to the end of 2022 and reduce the amount of subsidies in 10% increments each year commencing from 2020. However, only certain NEVs are eligible for such subsidies starting from July 2020. Any reduction, elimination or discriminatory application of government subsidies and economic incentives because of policy development, the reduced need for such subsidies and incentives due to the perceived success

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of NEVs, fiscal tightening or other factors may affect government incentives or subsidies and result in the diminished competitiveness of the NEV industry generally. The business of our Chinese NEV customers may suffer as a result, which in turn may have a material and negative impact on us as a supplier.

Certain intellectual property rights in relation to the solutions and products we provide to our customers are registered under the name of our business partner and we may be subject to intellectual property infringement claims, which may be time-consuming and would cause us to incur substantial costs.

Entities or individuals, including our competitors, may hold or obtain patents, copyrights, trademarks, or other proprietary rights that would prevent, limit, or interfere with our ability to make, use, develop, sell or market our solutions or products, which could make it more difficult for us to operate our business. In addition, certain intellectual property rights in relation to the solutions and products we provide to our customers are registered under the name of our business partner. For example, the intellectual property rights of SuperVision™, including its trademark, belong to Mobileye. From time to time, we may receive communications from intellectual property right holders regarding their proprietary rights. Companies holding patents or other intellectual property rights may bring suits alleging infringement of such rights or otherwise assert their rights and urge us to take licenses, whether such allegations are true or not. Our applications and uses of trademarks relating to our design, software, or artificial intelligence technology could be found to infringe upon existing trademark ownership and rights. In addition, if we are determined to have infringed upon a third party's intellectual property rights, we may be required to do one or more of the following:

- cease selling, incorporating certain components into, or using products or offering services that incorporate or use the challenged intellectual property;
- pay substantial damages;
- seek a license from the holder of the infringed intellectual property right, which may not be available on reasonable terms or at all;
- redesign our solutions or products; or
- establish and maintain alternative branding for our solutions and products.

In the event of a successful claim of infringement against us and our failure or inability to obtain a license to the infringed technology or other intellectual property right, our business, financial condition, results of operations, and prospects could be materially and adversely affected. In addition, any litigation or claims, whether or not valid, could result in substantial costs, negative publicity, and diversion of resources and management attention.

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

The success of our solutions and products and business depends in part on our ability to obtain patents and other intellectual property rights and to maintain adequate legal protection for our solutions and products in some jurisdictions. If we are not able to adequately protect or enforce the proprietary aspects of our technology, competitors could be able to access our proprietary technology and our business, results of operations, and financial condition could be adversely affected. We currently attempt to protect our technology through a combination of patent, copyright, trademark and trade secret laws, employee and third-party nondisclosure agreements and similar means, all of which currently provide limited protection. We have filed for patent and trademark registrations in China. However, there is a potential for challenges from other competitors.

Our issued patents and trademarks and any pending or future patent and trademark applications that may result in issuances or registrations may not provide sufficiently broad protection or may not prove to be enforceable in actions against alleged infringers. Across major jurisdictions worldwide, the patent prosecution process is expensive, time-consuming, and complex, and we may not be able to file, prosecute, maintain, enforce, or license all necessary or desirable patent applications at a reasonable cost or in a timely manner. Patents may be invalidated and patent applications may not be granted for a number of reasons, including known or unknown prior deficiencies in the patent application or the lack of novelty of the underlying invention or technology. It is also possible that we will fail to identify patentable aspects of our research and development output in time to obtain patent protection. Failure to timely seek patent protection on products or technologies generally precludes us from seeking future patent protection on these products or technologies. Even if we do timely seek patent protection, the coverage claimed in a patent application can be significantly reduced before a patent is issued, and its scope can be reinterpreted after issuance. As a result, we may not be able to protect our proprietary rights adequately. Failure to adequately protect our intellectual property rights could result in our competitors offering similar products or services, potentially resulting in the loss of some of our competitive advantage and a decrease in our revenue, which would adversely affect our business, results of operations, and financial condition.

Furthermore, the PRC has adopted the “first-to-file” system under which whoever first files a patent application will be awarded the patent if all other patentability requirements are met. Under the “first-to-file” system, even after reasonable investigation we may be unable to determine with certainty whether any of our products, processes, technologies, inventions, improvement and other related matters have infringed upon the intellectual property rights of others, because such third party may have filed a patent application without our knowledge while we are still developing that product or solution, and the term of patent protection starts from the date the patent was filed, instead of the date it was issued. Therefore, the validity of issued patents, patentability of pending patent applications and applicability of any of them to

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our programs may be lower in priority than third-party patents issued on a later date if the application for such patents was filed prior to ours and the technologies underlying such patents are the same or substantially similar to ours.

Despite our efforts, unauthorized parties may attempt to copy, reverse engineer, disclose, obtain, or use our technologies or systems. Our competitors may also be able to independently develop similar products or services that are competitive to ours or design around our issued patents. If third parties obtain patent protection with respect to such technologies, they may assert that our technology infringes their patents and seek to charge us a licensing fee or otherwise preclude or make costlier the use of our technology. Litigation may be necessary in the future to enforce or defend our intellectual property rights, to prevent unauthorized parties from copying or reverse engineering our solutions and products, to determine the validity and scope of the proprietary rights of others or to block the importation of infringing products into other countries. We may be a party to claims and litigation as a result of alleged infringement by third parties of our intellectual property. Even when we sue other parties for such infringement, that suit may have adverse consequences for our business. Across regions worldwide, any such suit is likely to be time-uncertain and expensive to resolve and may divert our management's time and attention from our business, which could adversely affect our business, results of operations, and financial condition, and legal fees related to such litigation will increase our expenses and may reduce our net income. Any claims we assert against perceived infringers could provoke these parties to assert counterclaims against us, alleging that we infringe their intellectual property or alleging that our intellectual property is invalid or unenforceable. Furthermore, any litigation initiated by us could result in a court or governmental agency invalidating or rendering unenforceable our patents or other intellectual property rights upon which the suit is based, which could adversely affect our business, results of operations, and financial condition.

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

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 autonomous driving solutions, we have accumulated a variety of trade secrets and know-hows in connection with skills and methods achieving autonomous driving functions. Such trade secrets and know-hows 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 — B. Further Information about Our Business — 2. Intellectual Property Rights." However, such trade secrets and know-hows 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-hows

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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-hows without authorization.

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 agreements, or consulting, services or employment agreements that contain non-disclosure and non-use 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 are subject to a variety of laws and regulations that affect our operations and that could adversely affect our business, results of operations, and financial condition.

There are a variety of international, foreign, national and regional regulations that apply to vehicle safety 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 negatively affect our long-term expectations for our investments in these areas.

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Government safety regulations are subject to continuous development based on a number of factors that are not within our control, including new scientific or technological data, adverse publicity regarding the industry, recalls, concerns regarding safety risks of autonomous driving, accidents involving our solutions 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, especially those relating to autonomous driving, could adversely affect our business, results of operations, and financial condition.

Regulations governing the automotive industry impose stringent compliance and reporting requirements in response to product recalls and safety issues in the automotive industry, including a duty to report, subject to strict timing requirements, safety defects with, or reports of injuries relating to, our solutions and products and requirements that a manufacturer recall and repair vehicles that contain safety defects or fail to comply with applicable safety standards. If we do not rapidly address any safety concerns or defects involving our solutions and products, our business, results of operations, and financial condition would be adversely affected.

In addition, we are also subject to laws and regulations worldwide that affect our operations and that differ among jurisdictions, including intellectual property ownership and infringement laws, tax laws, import and export regulations, anti-corruption laws, foreign exchange controls and cash repatriation restrictions, data privacy laws, competition laws, advertising regulations, employment 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.

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 and damage to our reputation. The automotive and technology industries are subject to intense media, political, and regulatory scrutiny, which can increase our exposure to government investigations, legal actions, and penalties.

We operate in regulated industries, and any failure by us to comply with applicable laws and regulations, or obtain 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 governing the business services which we operate in. At the same time, we are also required to maintain various licenses, permits and approvals for our operations, including, but not limited to, the Custom Registration Certificate for Declaration

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Units of the PRC. For details, please refer to the section headed “Business — Licenses, Approvals and Permits” in this prospectus. Any failure to comply with any applicable laws, rules or regulations, and/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 the autonomous driving and automotive industries, and the licensing and permit requirements pertaining to companies operating in these industries, are constantly evolving and 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 maintain our existing licenses or obtain new ones required for conducting our business in all jurisdictions where we operate or have business presence. 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.

Our business is subject to seasonal fluctuations which could have a material impact on our revenue, cash flow and operating results.

Our revenue, cash flow, operating results and other key operating and performance metrics may vary from quarter to quarter due to the seasonal nature of the automotive industry. For example, due to the exhibitions and promotion activities held during September and October which stimulate higher demand in the following months until Chinese New Year, the sales volume of vehicles is generally higher during the second half of the calendar year, compared to the first half of the year. As a result, we expect to record higher revenue generated from sales of autonomous driving solutions for the second half of the year, than the first half. Our quarterly results may not be comparable to the corresponding periods of prior years, and you may not be able to predict our annual results of operations based on a quarter-to-quarter comparison of our results of operations. Due to our limited operating history, the seasonal trends that we have experienced in the past may not fully apply to, or be fully indicative of, our future operating results. If our growth rate declines or seasonal spending becomes more pronounced, seasonality could have a material impact on our revenue, cash flow and operating results from period to period.

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If we fail to comply with environmental, fire protection, drainage or health and safety laws and regulations, we could become subject to fines or penalties or incur costs that could have a material adverse effect on the success of our business.

We are subject to numerous environmental, fire protection, drainage or health and safety laws and regulations, including but not limited to those governing pollutant discharge, the handling, use, storage, treatment and disposal of hazardous materials, drainage and wastes discharge of stationary pollution sources. Our production processes involve machineries and equipment that may be prone to industrial accidents, potentially causing physical injuries or even fatalities of our employees. There can be no assurance that industrial accidents, whether caused by malfunction or misuse of equipment or machineries, will not occur in the future. In such event, we may be liable to claims brought against us by injured employees or their families in cases of fatalities. We may also be subject to fines or penalties for violations of applicable health and safety laws and regulations by government authorities as well as suspension of our operations for investigation after such incidents. In addition, we may also be required by local government authorities to amend and implement new health and safety requirements to prevent the recurrence of such incidents in the future.

We have been in compliance with such laws and regulations in all material aspects during the Track Record Period and up to the Latest Practicable Date. However, compliance with such laws and regulations incurs certain costs. Any potential failure to comply with environmental, fire protection, drainage or health and safety laws and regulations and/or failure to adequately protect the health of our employees could have a material and adverse impact on our business operations and financial performance.

Legal defects regarding some of our leased properties may adversely affect our business, financial condition and results of operations.

Under PRC law, all lease agreements are required to be registered with the local land and real estate administration bureau. As of the Latest Practicable Date, we had not completed lease registration for eight leased properties in China. Although failure to register does not in itself invalidate the leases, we may be subject to fines if we fail to rectify such non-compliance within the prescribed time frame after receiving notice from the relevant PRC government authorities. The penalty ranges from RMB1,000 to RMB10,000 for each unregistered lease, at the discretion of the relevant authority. In the event that any fine is imposed on us for our failure to register our lease agreements, we may not be able to recover such losses from the lessors.

Furthermore, we cannot assure you that we are able to renew our lease on commercially acceptable terms upon expiry, or at all. If the title of any of our leased properties is controversial or the validity of the relevant lease is challenged by any third party, or if we fail to renew our lease upon expiry, we may be compelled to relocate from the affected premises. Such relocation may result in additional expenses or business interruption, which could, in turn, have an adverse effect on our business, financial condition and results of operations.

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Our expansion into international markets outside of China expose us to operational, financial and regulatory risks.

We are committed to expanding into international markets and growing our international sales. While we have committed resources, and are working closely with OEMs and other collaborators outside China to expand our international operations and sales channels, these efforts may not be successful. International operations are subject to a number of other risks, including:

- exchange rate fluctuations;
- political and economic instability and international terrorism;
- global or regional health crises, such as the COVID-19 pandemic or other health epidemics and outbreaks;
- potential for violations of anti-corruption laws and regulations, such as those related to bribery and fraud;
- preference for locally branded products, and laws and business practices favoring local competition;
- increased difficulty in managing inventory;
- delayed revenue recognition;
- less effective protection of intellectual property;
- stringent regulation of the autonomous or other systems or products using our products and stringent consumer protection and product compliance regulations;
- difficulties and costs of staffing and managing foreign operations;
- import and export laws and the impact of tariffs; and
- revisions in local tax and customs duty laws or revisions in the enforcement, application or interpretation of such laws.

The occurrence of any of these risks could negatively affect our international business and consequently our business, results of operations and financial condition.

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We are subject to risks associated with strategic alliances or 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. Moreover, the costs of identifying and consummating acquisitions may be significant. Furthermore, past and future 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. Acquired assets or businesses may not generate the financial results we expect. Acquisitions could result in the use of substantial amounts of cash, potentially dilutive issuances of equity securities, the occurrence of significant goodwill impairment charges, amortization expenses for other intangible assets, and exposure to potential unknown liabilities of the acquired business. Any acquired business may be involved in legal proceedings originating from historical periods prior to the acquisition, and we may not be fully indemnified, or at all, for any damage to us resulting from such legal proceedings, which could materially and adversely affect our financial position and results of operations.

If we do not maintain sufficient inventory or if we do not adequately manage our inventory, we could lose sales or incur higher inventory-related expenses, which could negatively affect our results of operations.

To ensure adequate inventory supply, we must forecast inventory needs and expenses, place orders sufficiently in advance with our suppliers and manufacturing partners and manufacture products based on our estimates of future demand for particular products. Fluctuations in the adoption of our products may affect our ability to forecast our future results of operations, including revenue, gross profit margins, cash flows and profitability. Our ability to accurately forecast demand for our products could be affected by many factors, including the rapidly changing nature of the autonomous driving markets in which we operate, the uncertainty surrounding the market acceptance and commercialization of autonomous driving technology, the emergence of new markets, an increase or decrease in customer demand for our products or for products and services of our competitors, product introductions by competitors,

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the COVID-19 pandemic, other health epidemics and outbreaks, and any associated work stoppages or interruptions, unanticipated changes in general market conditions and the weakening of economic conditions or consumer confidence in future economic conditions. As our products become or continue to be commercialized, we may face challenges acquiring adequate supplies to manufacture our products and/or we and our manufacturing partners may not be able to manufacture our products at a rate necessary to satisfy the levels of demand, which would negatively affect our revenue. This risk may be exacerbated by the fact that we may not carry or be able to obtain for our manufacturers a significant amount of inventory to satisfy short-term demand increases. If we fail to accurately forecast customer demand, we may experience excess inventory levels or a shortage of products available for sale.

Inventory levels in excess of customer demand may result in inventory write-downs or write-offs and the sale of excess inventory at discounted prices, which would adversely affect our financial results, including our gross profit margin, and have a negative effect on our brand. Conversely, if we underestimate customer demand for our products, we, or our manufacturing partners, may not be able to deliver products to meet our requirements, and this could result in damage to our brand and customer relationships and adversely affect our revenue and results of operations.

The expansion of our manufacturing facility may be subject to delays, disruptions, cost overruns, or may not produce expected benefits.

Although our existing manufacturing capacity is sufficient for our current and near-term demand, we plan to construct a new manufacturing facility to prepare for further production ramp-up of our existing and future products. The expansion could experience delays or other difficulties, and will require significant capital. Any failure to complete the expansion on schedule and within budget could adversely affect our financial condition, production capacity, and results of operations.

Under PRC laws, construction projects are subject to government supervision and approval procedures, including but not limited to project approvals and filings, construction land and project planning approvals, construction permits, fire protection approvals, and the completion of inspection and acceptance by relevant authorities. To the extent approvals or permits are needed for our construction work and we fail to secure such approvals or permits, our expansion plan may be disrupted or discontinued. In addition, any potential violation of laws and regulations related to construction may subject us to fines, suspension of construction, and other administrative penalties. Any of the foregoing could materially and adversely affect our business operations.

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We may need additional capital in the future to meet our financial obligations and to pursue our business objectives. Additional capital may not be available on acceptable terms, or at all, which could compromise our ability to meet our financial obligations and grow our business.

Although we believe that our anticipated cash flows from operating activities, together with cash on hand and net proceeds from the Global Offering, will be sufficient to meet our anticipated working capital requirements and capital expenditures in the ordinary course of business for the next twelve months, we cannot assure you this will be the case. We may require additional cash resources due to future R&D activities and the growth and development of our business, including any investments or acquisitions 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 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 and/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. Our ability to access international capital and lending markets may be restricted at a time when we would like, or need, to do so, especially during times of increased volatility and reduced liquidity in global financial markets and stock markets, including policy developments and regulatory requirements, which could limit our ability to raise funds. There can be no assurance that financing will be available in a timely manner or in amounts or on terms acceptable to us, or at all. Any failure to raise needed funds on terms favorable to us, or at all, could severely restrict our liquidity as well as have a material and adverse effect on our business, financial condition and results of operations. Moreover, any issuance of equity or equity-linked securities could result in significant dilution to our existing shareholders.

We depend on key management as well as experienced and capable personnel generally, and any failure to attract, motivate and retain our staff could severely hinder our ability to maintain and grow our business.

Our future success is significantly dependent upon the continued service of our key executives and other key employees, in particular, we rely on the expertise and experience of core members of our senior management team, particularly Mr. SONG Yang, the chairman, executive director and chief executive officer of our Company, who have formulated our strategies and are instrumental to our success. If we lose the services of any member of management or key personnel for any reason, we may not be able to locate, or may incur great costs to recruit and train suitable or qualified replacements in a timely manner, or at all, which could result in disruption of our business and inefficiency in execution of development strategies.

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In addition, we have a number of employees, including many members of management, whose economic interests in our Company could give them a substantial amount of personal wealth following our Global Offering. This wealth could affect their decisions about whether or not they continue to remain with us. As a result, we cannot assure you that we will be able to continue to retain and motivate these employees and our business may be severely disrupted and our prospects could suffer.

Furthermore, given that we are also expanding our business and operations, we are required to attract, hire and retain a wide range of capable and experienced personnel who can adapt to a dynamic, competitive and challenging business environment. However, our various incentive initiatives may not be sufficient to retain our management and employees. Competition for talents in our industry in China and elsewhere is intense, which could cause us to offer higher compensation and other benefits to attract and retain them. Even if we were to offer higher compensation and other benefits, there can be no assurance that these individuals will choose to join or continue to work for us. If we fail to attract or retain key management and personnel with suitable expertise, or to maintain an adequate labor force on a continuous and sustained basis, our financial position and results of operations could be materially and adversely affected.

Failures or perceived failures to comply with privacy, data protection, and information security requirements, or theft, loss, or misuse of personal information about our employees, customers, end users, or other third parties, or other information, could increase our expenses, damage our reputation, or result in legal or regulatory proceedings.

The theft, loss, or misuse of the operational data 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 our network security and systems 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 and countries in which we provide services. We are subject to a variety of local, national and international laws, directives, and regulations that apply to the collection, use, 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.

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Global privacy legislation, enforcement, and policy activity in this area are rapidly expanding and creating a complex regulatory compliance environment. Because many Data Protection Laws are new or subject to recent revisions or updates, there is often little clarity as to their interpretation or best practices for compliance, as well as a lack of precedent for the scope of enforcement. Costs to comply with Data Protection Laws and implement related privacy and data protection measures are significant, and may require us to change our business practices and compliance manners. 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.

Security breaches and other disruptions of our in-vehicle systems and related data could impact the safety of our end users and reduce confidence in us and our solutions and products.

Our autonomous driving solutions and products contain complex information technology. These systems may affect the control of various vehicle functions including engine, steering and braking. We have designed, implemented, and tested security measures intended to prevent unauthorized access to these systems. However, hackers may attempt in the future to gain unauthorized access to modify, alter, and use such systems to gain control of, or to change, the functionality, user interface and performance characteristics of vehicles incorporating our solutions and products, or to gain access to data stored in or generated by the vehicle. In addition, as we also offer solutions and products that involve cloud-based enhancements and supports over-the-air updates, our solutions and products may increasingly be subject to cyber threats. We also transmit and store certain data on the third-party cloud, and we depend on the third-party cloud for securing data stored with it. Hackers may attempt to infiltrate, steal, corrupt, or manipulate such data on the cloud, which could also result in our in-vehicle systems malfunctioning. Malicious cybersecurity attacks against our in-vehicle systems that relate to automotive safety and related data, such as the data described in the preceding sentence, could potentially lead to bodily injury or death of end users, passengers, and others. Any unauthorized access to or control of vehicles incorporating our solutions and products or their systems could adversely impact the safety of those vehicles, or result in legal or regulatory claims or proceedings, liability, or regulatory penalties.

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We are subject to cybersecurity risks to operational systems, security systems, infrastructure, integrated software in our products and customer data processed by us or third-party vendors or suppliers and any material failure, weakness, interruption, cyber event, incident or breach of security could prevent us from effectively operating our business.

We are at risk for interruptions, outages and breaches of: operational systems, including business, financial, accounting, product development, data processing or production processes, owned by us or our third-party vendors or suppliers; facility security systems, owned by us or our third-party vendors or suppliers; in-product technology owned by us or our third-party vendors or suppliers; the integrated software in our products; or operational data that we process or our third-party vendors or suppliers process on our behalf. Such cyber incidents could materially disrupt 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 technology and the integrated software in our products. A cyber incident could be caused by disasters, insiders (through inadvertence or with malicious intent) or malicious third parties (including nation-states or nation-state supported actors) using sophisticated, targeted methods to circumvent firewalls, encryption and other security defenses, including hacking, fraud, trickery or other forms of deception. The techniques used by cyber attackers change frequently and may be difficult to detect for long periods of time. Our information technology measures designed to protect us against intellectual property theft, data breaches and other cyber incidents will require updates and improvements, and we cannot guarantee that such measures will be adequate to detect, prevent or mitigate cyber incidents. The implementation, maintenance, segregation and improvement of these systems requires significant management time, support and cost. 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 and inventory, procure parts 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. We cannot be sure that the systems upon which we rely, including those of our third-party vendors or suppliers, will be effectively implemented, maintained or expanded as planned. If we do not successfully implement, maintain or expand these systems as planned, our operations may be disrupted, our ability to accurately and timely report our financial results could be impaired, and deficiencies may arise in our internal control over financial reporting, which may impact our ability to certify our financial results. Moreover, our proprietary information or intellectual property could be compromised or misappropriated and our reputation may be adversely affected. If these systems do not operate as we expect them to, we may be required to expend significant resources to make corrections or find alternative sources for performing these functions.

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A significant cyber incident could impact production capability, harm our reputation, cause us to breach our contracts with other parties or subject us to regulatory actions or litigation, any of which could materially affect our business, prospects, financial condition and results of operations. In addition, our insurance coverage for cyber-attacks may not be sufficient to cover all the losses we may experience as a result of a cyber incident.

Interruption or failure of our information technology and communications systems could impact our availability and effectiveness of our software systems.

Our product hardware works with our software systems to fully function. The availability and effectiveness of such systems depend on the continued operation of information technology and communications systems. Our systems will be vulnerable to damage or interruption from, among others, physical theft, fire, terrorist attacks, natural disasters, power loss, war, telecommunications failures, viruses, denial or degradation of service attacks, ransomware, social engineering schemes, insider theft or misuse or other attempts to harm our systems. We utilize a reputable third-party service provider for our data, and such provider could also be vulnerable to harms similar to those that could damage our systems, including sabotage and intentional acts of vandalism causing potential disruptions. Our disaster recovery planning cannot account for all eventualities. Any problems with our third-party cloud hosting providers could result in lengthy interruptions in our business. In addition, our software systems are highly technical and complex technology which may contain errors or vulnerabilities that could result in interruptions in our business or the failure of our systems.

If we fail to maintain and enhance our brand image and generate positive publicity, or if our shareholders, directors, officers, employees and business partners are involved in negative publicity and allegations, our business, financial condition and results of operations could be materially and adversely affected.

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, suppliers and end-users. 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, 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. 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.

In addition, our shareholders, directors, officers, employees, associates and business partners may be subject to negative media coverage and publicity. We may also from time to time receive negative publicity, including negative Internet and blog postings about us, our business, our management or other stakeholders, which could threaten the perception of our brand and therefore our solutions and products. Negative publicity may come from malicious

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harassment or unfair competition acts by third parties. Such negative coverage in the media and publicity could change market perception that we are a trustworthy autonomous driving solution provider. We may even be subject to government or regulatory investigation as a result of such negative publicity and may be required to spend significant time and incur substantial costs to defend ourselves. We cannot assure you that we will be able to defuse such negative press coverage to the satisfaction of our investors, marketers, online media platforms and strategic partners. Harm to our brand and reputation can also arise for many other reasons, including misconduct of our employees or any third parties we conduct business with. See also “— Risks Relating to Our Business and Industry — Failure to deal effectively with fraudulent or illegal activities by our employees would harm our business.” As a result, our brand and reputation may suffer, our operational and financial performance may be negatively impacted, and the price of our Shares may decline.

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

Non-compliance with law of 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.

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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 comply with anti-corruption laws and regulations, or effectively manage our employees, affiliates and business partners such as suppliers, 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 or business partners that constitute violations of the anti-corruption laws and regulations. While we adopt strict internal procedures to ensure compliance of our business with relevant laws and regulations, our efforts may not be sufficient to ensure that we comply with relevant laws and regulations at all times. If we, our employees, affiliates, suppliers, or other business partners violate these laws, rules or regulations, we could be subject to fines and/or other penalties. Actions by relevant regulatory authorities or the courts to provide an interpretation of laws and regulations that differs from our understanding 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 or suppliers, which may in turn have a material adverse effect on our business, financial condition, results of operations and prospects.

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

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. However, we may not be able to acquire insurance for all types of risks we face, and our coverage may not be adequate to compensate for all losses or claims that may occur anytime. We do not maintain any business interruption insurance, which is not mandatory under the relevant laws of the mainland China and we believe it is in line with general market practice. We do not maintain key-man life insurance or insurance policies covering damages to our IT infrastructure or information technology systems and we have not engaged in any product liability insurance contract during the Track Record Period. Any business disruption, material product quality issues, litigation, regulatory action, outbreak of epidemic disease, adverse weather conditions or natural disasters could expose us to substantial costs and diversion of resources, and we have no insurance to cover such losses or we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected.

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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.

We face risks related to natural disasters, health epidemics and other outbreaks beyond our control, which presents challenges to our business.

Natural disasters, health epidemics, acts of war or terrorism or other factors beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the regions where we conduct our business. Our operations may be under the threat of natural disasters, such as floods, earthquakes, sandstorms, snowstorms, fire or drought, the outbreak of a widespread health epidemic, such as swine flu, avian influenza, severe acute respiratory syndrome (SARS), Ebola, Zika and COVID-19, and other factors beyond our control, such as power, water or fuel shortages, failures, malfunction and breakdown of information management systems, and potential wars or terrorist attacks.

The COVID-19 pandemic has resulted in significant disruptions in the global economy. COVID-19 has resulted in travel restrictions and the temporary closure of offices and facilities, among other responsive measures, in many countries and regions. New COVID-19 variants have also emerged, potentially extending the period during which COVID-19 will negatively impact the global economy. The rapid spread of COVID-19 in a relatively short period of time may have the effect of disrupting the operations of us and our business partners through the effects of business and facilities closures, reduction in operating hours, social, economic,

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political or labor instability in affected areas, transportation delays, travel restrictions and changes in operating procedures. If any of our employees are affected by the spread of COVID-19 and are unable to duly execute their duties in providing any of our products and services, our operations and financial condition may be adversely impacted. Further, in the event that our suppliers or business partners are impacted by the COVID-19 pandemic and are unable to provide services or products to us, we may experience material disruption to our project schedules which may affect our ability to meet the demands of our customers and may have material and adverse impacts on our business operations and financial performance.

Although the overall impact of COVID-19 on our business and operations had not been material up to the Latest Practicable Date, the future development of the pandemic is uncertain. The extent to which it may affect our results of operations, financial condition and cash flows will depend on the length and future development of the pandemic, including the severity of the multiple variants. To the extent the COVID-19 pandemic adversely affects our business and results of operations, it may also have the effect of heightening many of the other risks described in this prospectus.

We are also vulnerable to natural disasters and other calamities. Our operation could also be severely disrupted if our suppliers, users or business partners were affected by such natural disasters, health epidemics, acts of war or terrorism. Any of the foregoing events may give rise to server interruptions, breakdowns, system failures, technology system failures or internet failures, which could cause the loss or corruption of data or malfunctions of software or hardware as well as adversely affect our ability to provide services through our system. The ongoing conflicts in the Middle East have the potential to impact the business operations of Mobileye, headquartered in Jerusalem, Israel. There is a possibility that this situation may have an impact on our communication with Mobileye, leading to potential delay in the schedules of our ongoing projects.

A severe or prolonged downturn in the global or regional economy could materially and adversely affect our business and financial condition.

COVID-19 has had a severe and negative impact on the global and regional economy since 2020. Whether this will lead to a prolonged downturn in the economy is still unknown. Even before the outbreak of COVID-19, the global macroeconomic environment was facing numerous challenges. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies which had been adopted by the central banks and financial authorities of some of the world's leading economies even before 2020. The escalated Palestinian-Israeli conflict, the war in Ukraine and the imposition of broad economic sanctions on Russia could raise energy prices and disrupt global markets. Unrest, terrorist threats and the potential for war in the Middle East and elsewhere may increase market volatility across the globe. Since October 2023, the Palestinian-Israeli conflict has witnessed a continuous escalation. The escalating conflict may introduce significant uncertainties into the global economy and adversely affect our business and financial condition in the future. There have also been concerns about the relationship between China and other countries, including the surrounding Asian countries, which may potentially have economic effects. The relationship

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between China and other countries with respect to trade policies, treaties, government regulations and tariffs, among other matters, may affect the macroeconomic environment, both domestically and internationally, and potentially leave an impact on the market we operate in. Any severe or prolonged slowdown in the global or regional economy may materially and adversely affect our business, results of operations and financial condition.

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

Although we are primarily a China-based company, some of our suppliers are located in the U.S. and other countries outside of China. In addition, certain of our technologies, such as technologies relating to autonomous driving solutions and applications, could be subject to restrictions by the U.S. government in the future. Therefore, 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 services, impact the competitive position of our products, or prevent us from being able to sell products in certain countries. 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. Heightened tensions in international relations, such as the conflict in Ukraine and sanctions on Russia and any escalation of such tensions, may have a material negative impact on our ability to secure the supply of raw materials and key components necessary for our operations and our ability to sell to potential global customers and further grow our customer base.

For example, the U.S. government has imposed, and has proposed to impose additional, new, or higher tariffs on certain products imported from China, among other trade policies and restrictions. China has responded by imposing, and proposing to impose additional, new, or higher tariffs on certain products imported from the United States. On January 15, 2020, China and the United States entered into the Economic and Trade Agreement between the Government of the People's Republic of China and the Government of the United States of America and (《中華人民共和國政府和美利堅合眾國政府經濟貿易協議》) as a phase one trade deal, effective on February 14, 2020. The U.S. government has also broadened the restrictions on the sale of goods manufactured outside the United States that are produced using certain controlled U.S.-origin technology or software to companies on a special list, or the Entity List, and the restrictions on the use of U.S.-origin semiconductor manufacturing equipment that produces semiconductor devices for companies on the Entity List. In addition, political tensions between the United States and China have escalated. Against this backdrop, China has implemented, and may further implement, measures in response to the changing trade policies, treaties, tariffs and sanctions and restrictions against Chinese companies initiated by the U.S. government.

On September 19, 2020, the Ministry of Commerce of the People's Republic of China (MOFCOM) promulgated the Regulations on the List of Unreliable Entities (《不可靠實體清單規定》), or MOFCOM Order No. 4 of 2020. A working mechanism composed of relevant

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government agencies will be established to administer the regime of the List of Unreliable Entities (不可靠實體清單). A foreign entity that is designated onto the List of Unreliable Entities may be subject to several measures, including but not limited to: (i) being restricted or prohibited from engaging in import or export activities related to China; and (ii) being restricted or prohibited from investing in China. When an enterprise, organization, or individual of China must conduct business with a designated foreign entity in special circumstances, the enterprise, organization, or individual shall submit an application to the working mechanism for approval, and only when approval is granted may such enterprise, organization, or individual conduct the corresponding transaction. However, when responding to the questions from the reporters in relation to the List of Unreliable Entities, (a) the Spokesperson of the MOFCOM elaborated that the scope of application of the Regulations on the List of Unreliable Entities is strictly limited, and it shall only target very few foreign entities which violated the laws without expanding its scope at will; and (b) the officer-in-charge of the Department of Treaty and Law of the MOFCOM further explained that the Regulations on the List of Unreliable Entities neither target specific countries nor specific entities.

On January 9, 2021, the MOFCOM promulgated the Rules on Counteracting Unjustified Extra-Territorial Application of Foreign Legislation and Other Measures (《阻斷外國法律與措施不當域外適用辦法》), or MOFCOM Order No. 1 of 2021. Pursuant to MOFCOM Order No. 1 of 2021, where a citizen, legal person or other organization of China is prohibited or restricted by foreign legislation and other measures from engaging in normal economic, trade and related activities with a third nation (or region) or its citizens, legal persons or other organizations, they shall truthfully report such matters to the competent department of commerce of the State Council within 30 days. The working mechanism, with the participation of relevant departments of central government authorities, will take the following factors into account when assessing whether there exists unjustified extra-territorial application of foreign legislation and other measures: (i) whether international law or the basic principles of international relations are violated; (ii) potential impact on China's national sovereignty, security and development interests; (iii) potential impact on the legitimate rights and interests of the citizens, legal persons or other organizations of China; and (iv) other factors that shall be taken into account. If it is determined that there exists unjustified extra-territorial application of foreign legislation and other measures, MOFCOM may issue an injunction that the relevant foreign legislation and other measures shall not be accepted, executed, or observed. A citizen, legal person or other organization in China may apply for exemption from compliance with an injunction.

On June 10, 2021, the Standing Committee of National People's Congress, or the SCNPC passed the Countering Foreign Sanctions Law (《中華人民共和國反外國制裁法》), which became effective on the same day. The Countering Foreign Sanctions Law provides a legal basis not only for the Chinese government to take action in response to foreign sanctions, but also for Chinese citizens and organizations to bring civil actions for injunctive relief or damages. Under the Countering Foreign Sanctions Law, the competent department of the State Council may place any individuals and organizations that are directly or indirectly involved in making, determining, or implementing the discriminatory restrictive measures as provided

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therein on the Countermeasure List. A foreign individual or organization on the Countermeasure List (反制清單) may be subject to one or several countermeasures, including but not limited to prohibitions or restrictions on commercial transactions, cooperation or such other activities with organizations and individuals within the territory of China. Furthermore, pursuant to the Countering Foreign Sanctions Law, any organization and individual within the territory of China shall comply with the countermeasures. Any organization or individual who fails to comply or cooperate in implementing the countermeasures may be held liable in accordance with law.

Although the MOFCOM Order No. 4 of 2020, the MOFCOM Order No. 1 of 2021 and the Countering Foreign Sanctions Law are already enacted, additional clarity is still needed from relevant regulatory authorities with respect to how they will be interpreted and implemented.

Relationships between countries and regions could affect levels of trade, investment, technological exchange, and other economic activities across borders, which would have a material adverse effect on global economic conditions and the stability of global financial markets. Any of these factors could have a material adverse effect on our and our customers' business, prospects, financial condition, and results of operations. For example, under an executive order of the U.S. government, certain new investments from the U.S. in China and Chinese companies involving sensitive technologies such as certain microelectronics and artificial intelligence are prohibited, and government notification is mandated for certain other technology sectors. In addition, U.S. government may further tighten the export control rule to slow the flow of chips to China, and our business may be adversely affected as a result.

RISKS RELATING TO OUR FINANCIAL PERFORMANCE

We are exposed to credit risk arising from our revenue concentration on certain customers, including Geely Group. Failure to collect our trade receivables in a timely manner or at all could have a material and adverse impact on our business, financial condition, liquidity and prospects.

Our cash flows and profitability are subject to the timely settlement of payments by our customers. We usually grant a credit period of 30 to 90 days to our customers and trade receivables are generally settled in accordance with the terms of the respective contracts. As of December 31, 2020, 2021 and 2022 and June 30, 2023, our trade receivables were RMB15.2 million, RMB112.0 million, RMB294.0 million and RMB121.4 million, respectively. Our trade receivables turnover days were 116 days, 229 days, 81 days and 40 days for the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023. During the Track Record period, a significant portion of our revenue was concentrated on Geely Group, resulting in the majority of our trade receivables being due from Geely Group.

We cannot assure you that we will be able to collect all or any of our trade receivables or collect the amount for any unbilled work on time, or at all, after meeting the agreed program payment milestones. Our customers may face unexpected circumstances, including, but not limited to, financial difficulties caused by decreased sales of their vehicles. Our customers may

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delay or even default in their payment obligation. As a result, we may not be able to receive such customers' payment of uncollected debts in full, or at all, and we may need to make provisions for trade and notes receivables. The occurrence of such events would materially and adversely affect our financial condition and results of operations. As of December 31, 2020, 2021, 2022 and June 30, 2023, we recorded impairment losses on trade receivables of RMB0.2 million, RMB1.7 million, RMB5.4 million and RMB2.3 million for the same periods, respectively.

We had incurred net liabilities in the past, which we may continue to experience in the future.

We had net liabilities of RMB116.4 million and RMB558.3 million as of December 31, 2020 and 2021, respectively. We recorded net liabilities of RMB116.4 million as of December 31, 2020, primarily attributable to our redemption liability on ordinary shares with preferred rights previously conferred upon the Pre-IPO Investors and borrowings used to finance our increased working capital requirements driven by our business expansion. We recorded net liabilities of RMB558.3 million as of December 31, 2021, primarily due to loss for the year of RMB464.2 million and recognition of financial instruments with preferred rights at amortized cost of RMB323.2 million, partially offset by capital contribution from equity holders of RMB327.7 million, as a result of the issuance of shares that conferred preferred rights to certain Pre-IPO Investors in 2021. We and the related Pre-IPO Investors have mutually agreed to terminate such preferred rights. As a result, we recorded the balance of financial liabilities of such redeemable Shares as capital reserves. Therefore, we do not expect to recognize any further loss or gain from change of the present value of redemption amount. We reverted to a net assets position and had net assets of RMB666.5 million and RMB611.5 million as of December 31, 2022 and June 30, 2023, respectively. However, we cannot assure you that we would not incur a net liabilities position in the future which can expose us to the risk of shortfalls in liquidity. This in turn would require us to undertake additional equity financing, which could result in dilution of your equity interests. Any difficulty or failure to meet our liquidity needs as and when needed can have a material adverse effect on our prospects.

We recorded net operating cash outflows during the Track Record Period and may continue to record net operating cash outflows in the future.

During the Track Record Period, we had experienced net operating cash outflows. In 2020, 2021, 2022 and the six months ended June 30, 2023, we had net operating cash outflows of RMB23.8 million, RMB62.9 million, RMB65.6 million and RMB80.9 million, respectively. The pressure on us to generate positive cash flow from operating activities may be further exacerbated if we fail to collect our trade receivables in time. We cannot assure you that we may generate positive cash flow from operating activities in the future for a number of reasons, including lack of demand for our products and solutions, development in the government policies toward the autonomous driving industry, increasing market competition, failure of collecting our trade receivables in time or at all, as well as other risks discussed herein.

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In addition, we may need additional capital resources in the future to further improve our R&D capability, expand our production capacity, and pursue opportunities for investments, capital expenditures or similar actions, or if we experience change in business condition or other unanticipated developments. In 2020 and 2021 and for the six months ended June 30, 2022 and 2023, we incurred significant amount of cash outflows for investing activities. Since we have not recorded net profit or continuous positive cash flows from operating activities during the Track Record Period, we may continue to rely on equity or debt financing to meet our working capital and capital expenditure requirements. If we were unable to acquire sufficient additional capital in a timely manner or on terms that are acceptable, or at all, we may fail to implement our business plans or experience disruptions in our operating activities, and our business, financial condition and results of operations would be materially and adversely affected.

Our financial assets at fair value through profit or loss are subject to uncertainties in accounting estimates. Fluctuations in the changes in fair value of these financial assets would affect our financial results.

We have invested in, and intend to continue to selectively invest in, businesses, assets and technologies that complement our existing business and may make other financial investments. We recorded financial assets at fair value through profit or loss of RMB24.4 million, RMB245.8 million, RMB185.4 million and RMB254.1 million as of December 31, 2020, 2021 and 2022 and June 30, 2023, respectively. These financial assets at fair value through profit or loss included our investments in wealth management products issued by banks and certain unlisted preference shares. The fair value changes in our financial assets measured at fair value through profit or loss may negatively affect our financial performance. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. The valuations of our investments require the use of unobservable inputs, judgments and estimates, such as risk-free rate, expected volatility, discount rate for lack of marketability and market multiples. Any change in the estimates and assumptions may lead to a change in the fair value of the financial assets, which in turn could negatively affect our financial conditions and results.

If we fail to manage our inventory effectively as a result, our business, financial condition, results of operations and liquidity may be materially and adversely affected.

Substantially all of our sales to date have been made on a purchase order basis, which orders may be canceled, changed, or rescheduled before production. We generally have no long-term or minimum purchase commitments from our customers. As a result, we depend on our demand forecasts based on information provided by our customers to make manufacturing decisions and to manage our inventory. Demand for products and solutions, however, can change between the time inventory is ordered and the date by which we target to deliver such products. Demand may be affected by new vehicle model launch schedules and other factors beyond our control, and our customers may not order products and solutions in the quantities that we estimated. Cancellations of, reductions in, or rescheduling of customer orders could also

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result in the loss of anticipated sales without allowing us sufficient time to reduce our inventory. If we fail to manage our inventory effectively, we may be subject to a heightened risk of inventory obsolescence, a decline in inventory values, and significant inventory write-downs or write-offs.

As of December 31, 2020, 2021 and 2022 and June 30, 2023, we had inventories of RMB9.5 million, RMB47.0 million, RMB272.0 million and RMB162.1 million, respectively. As we plan to continue expanding our offerings, we may increase our inventory level, which will make it more challenging for us to manage our inventory effectively and will put more pressure on our warehousing system. To weather the impact of rising manufacturing costs and tightening supplies, we may strategically raise our inventory level from time to time, which can cause potential liquidity constraint to our operating cash flow and expose us to greater risk of negative price fluctuations. If we fail to manage our inventory effectively, we may be subject to a heightened risk of inventory obsolescence, a decline in inventory values, and significant inventory write-downs or write-offs. High inventory levels may also require us to commit substantial capital resources, preventing us from using that capital for other important purposes. On the other hand, if we underestimate the demand for our solutions and products, or if our suppliers fail to supply raw materials in a timely manner, we may experience inventory shortages, which might result in delayed delivery, missed sales, diminished brand loyalty and lost revenue. Any of the above may materially and adversely affect our business, financial condition and results of operations.

Our failure to fulfill our obligations in respect of contract liabilities may materially and adversely affect our liquidity and financial position.

Our contract liabilities primarily include advance payments from our customers for our R&D services and products. We recorded contract liabilities of RMB11.7 million, RMB16.6 million, RMB33.3 million and RMB39.6 million as of December 31, 2020, 2021 and 2022 and June 30, 2023, respectively. For further details, see “Financial Information — Discussion of Certain Key Items of Consolidated Statements of Financial Position — Contract liabilities” in this prospectus. There is no assurance that we will be able to fulfill our obligations in respect of contract liabilities as the completion of our R&D work and delivery of products are subject to various factors, including the supply of materials and components, and the normal operation of our business. If we are not able to fulfill our obligations with respect to our contract liabilities, the amount of contract liabilities will not be recognized as revenue. As a result, our liquidity and financial position may be adversely affected.

Any termination of, or changes to, the preferential tax treatment or government grants that we enjoy could adversely affect our profitability.

We enjoyed certain preferential tax rates and government grants in relation to our operations during the Track Record Period. Our Company obtained the High and New Technology Enterprises (“HNTTE”) status in 2019 and hence is entitled to a preferential tax rate of 15% for a three-year period commencing 2019, which has been renewed for another three years starting from 2022. Our subsidiaries are qualified as small low-profit enterprises and

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enjoy the preferential income tax policies. Our subsidiaries' effective corporate income tax rate was 20% during the Track Record Period. Since 2022, certain of our subsidiaries was no longer qualified as small low-profit enterprises. We also recorded government grants as other income of RMB3.7 million, RMB3.4 million, RMB4.7 million, RMB0.5 million and RMB4.2 million in 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, respectively, for our research and development expenditures as well as construction for advanced industry base. However, there is no assurance that we will continue to enjoy preferential tax rates or be entitled to government grants in the future.

The discontinuation of any preferential tax treatment or government grants currently available to us could have an adverse effect on our results of operations.

We may be subject to impairment of contract fulfillment costs.

Contract fulfillment costs represents costs that relate directly to a contract for autonomous driving related R&D services provided by us, primarily including direct labor, direct materials and allocations of costs incurred in providing the promised services directly to the customers. The contract fulfillment costs are amortized to cost of sales on a project basis according to the terms specified in the underlying contracts, which is consistent with the transfer of relevant goods or service. We recognized an impairment loss in profit or loss to the extent that the carrying amount of contract fulfillment costs recognized exceeds the remaining amount of consideration that we expected to receive in exchange for such services. For the years ended December 31, 2021, 2022 and for the six months ended June 30, 2023, we recorded provision for impairment of contract fulfillment costs of RMB341,000, RMB4,421,000 and RMB305,000, respectively. The carrying amount of contract fulfillment costs as of December 31, 2020, 2021 and 2022 and June 30, 2023 was RMB3.5 million, RMB10.7 million, RMB34.6 million and RMB38.1 million for the same periods, respectively. We may continue to recognize such impairment loss of contract fulfillment costs in the future, which may affect our results of operations and financial condition.

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

The Employee Incentive Scheme was established for the benefit of our Directors, Supervisors, senior management and core employees as remuneration for their services provided to us and to incentivize and reward the eligible persons who have contributed to the success of our Company. For the principal terms of the Employee Incentive Scheme, see "Appendix VI – Statutory and General Information – D. Employee Incentive Scheme". In 2020, 2021 and 2022 and the six months ended June 30, 2023, we recorded an aggregate of RMB8.6 million, RMB17.7 million, RMB44.0 million and RMB44.8 million, respectively in share-based payments. As of the Latest Practicable Date, all partnership interests as incentive awards under the Employee Incentive Scheme were granted.

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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 value of our H Shares.

RISKS RELATING TO GOVERNMENT REGULATIONS

Developments in the political and economic policies, as well as the evolving laws, rules and regulations, may affect our business, financial condition, results of operations and prospects.

Due to our extensive operations in the PRC, our business, financial condition, results of operations and prospects are affected by economic, political, and legal developments in the PRC. The overall economic growth is influenced by the governmental regulations and policies in relation to resource allocation, monetary policies, regulations of financial services and institutions, preferential treatment to particular industries or companies and others. Any of the foregoing may affect our business, financial condition, results of operations and prospects.

Laws, rules and regulations in relation to economic matters are promulgated from time to time, including those related to such as foreign investment, corporate organization and governance, commerce, taxation, finance, foreign exchange and trade, so as to develop a comprehensive system of commercial law. In addition, the interpretation and implementation of the laws and regulations relating to the autonomous driving industry also evolve from time to time.

We have not made adequate contributions to the social insurance and housing provident fund, which could subject us to penalties.

In accordance with the relevant laws and regulations on social security, employers in the PRC are required to make contributions to various social insurance (including medical, pension, unemployment, work-related injury and maternity insurance) and housing provident fund for their employees. During the Track Record Period, we failed to make adequate social insurance and housing provident fund contributions for our employees. Our PRC Legal Advisors have advised us that, pursuant to relevant PRC laws and regulations, we may be required to pay all outstanding social insurance contributions within a prescribed period, with late fees at a daily rate of 0.05% of the outstanding amount, accruing from the date when the social insurance contributions are due. If this payment is not made within the stipulated period, the competent authority may further impose a fine of one to three times of the overdue amount on us. In addition, pursuant to relevant PRC laws and regulations, in case of a failure to pay housing provident fund in full, the relevant housing provident fund management center may require us to pay the outstanding amount within a prescribed period. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement. If these enforcement actions were taken by relevant authorities, our financial

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position and results of operation could be materially and adversely affected. As of the Latest Practicable Date, we had not received any notice from the local authorities or any claim or request from the relevant employees. During the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, we made provisions of RMB0.2 million, RMB0.2 million, RMB0.2 million and a reversal of RMB0.1 million for the social insurance and housing provident fund contribution shortfall, respectively. However, we cannot assure you that in the future the relevant government authorities will not require us to rectify such non-compliance, nor can we assure you that there are no, or will not be any, employee complaints regarding payment of the social insurance contributions and housing provident fund under the relevant laws and regulations implemented at the national, provincial or local level, which may materially and adversely affect our business, financial condition and results of operations.

You may be subject to taxation in mainland China.

Individual holders of H Shares who are not residents of mainland China and whose names appear on the register of members of H Shares (“**non-mainland China resident individual holders**”) are subject to PRC individual income tax on dividends received from us. 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 STA, dividends paid to non-mainland China resident individual holder of H Shares are generally subject to individual income tax of the PRC at the withholding tax rate of 10%, dependent 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 20.0% withholding tax on dividends received from us. For additional information, see “Appendix III — Taxation and Foreign Exchange — 1. Taxation of Security Holders — A. The PRC Taxation.” In addition, under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) and its implementation regulations, non-mainland China resident individual holders of H Shares are subject to individual income tax at a rate of 20.0% on gains realized upon the sale or other disposition of H Shares. 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 and the STA on March 30, 1998, gains of individuals derived from the transfer of listed shares in enterprises may be exempt from individual income tax. As of the Latest Practicable Date, no aforesaid provisions have expressly provided that whether individual income tax shall be levied from non-mainland China resident individual holders on the transfer of shares in mainland China resident enterprises listed on overseas stock exchanges, and to our knowledge, in practice the mainland China tax authorities had not collected individual income tax on such gains. If such tax is collected in the future, the value of such individual holders’ investments in H Shares may be materially and adversely affected.

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Under the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (“EIT Law”) and its implementation regulations, a non-mainland China resident enterprise is generally subject to enterprise income tax at a rate of 10.0% with respect to its mainland China-sourced income, including dividends received from a mainland China company and gains derived from the disposal of equity interests in a mainland China company, subject to reductions under any special arrangement or applicable treaty between mainland China and the jurisdiction in which the non-mainland China resident enterprise resides. See “Appendix III — Taxation and Foreign Exchange — 1. Taxation of Security Holders — A. The PRC Taxation.” If such tax is collected in the future, the value of such non-mainland China resident enterprise holders’ investments in H Shares may be materially and adversely affected.

Payment of dividends is subject to laws and regulations in regions where we operate.

Under the PRC laws, dividends may be paid only out of distributable profits. Our distributable profits represent our distributable net profits less appropriations to statutory surplus reserve, general reserve, and discretionary surplus reserve (as approved by our Shareholders’ meeting), each such appropriation based on the unconsolidated net profit determined under PRC GAAP. Our distributable net profit referred to above represents the lowest of (i) our net profit attributable to our equity holders for a period plus distributable profits or net of accumulated losses, if any, at the beginning of such period, as determined under PRC GAAP, and (ii) our net profit attributable to our equity holders for the period plus distributable profits or net of accumulated losses, if any, at the beginning of such period, as determined under IFRS Accounting Standards. As a result, we may not have sufficient distributable profits, if any, to make dividend distributions to our Shareholders in the future, including in respect of periods where we register an accounting profit. Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years.

Fluctuations in exchange rates could result in foreign currency exchange losses or a decrease in our gross profit margin.

The value of RMB against other currencies may fluctuate, subject to changes resulting from relevant government’s policies and depends to a large extent on domestic and international economic and political developments as well as supply and demand in the local market. It is difficult to predict how market forces or government policies may impact the exchange rates between the RMB and the Hong Kong dollar, the U.S. dollar or other currencies in the future.

In 2020, 2021 and 2022, we had net foreign exchange losses of RMB0.9 million, RMB0.2 million and RMB6.3 million, respectively. For the six months ended June 30, 2023, we had net foreign exchange gains of RMB0.9 million. Our net foreign exchange losses primarily represent losses resulting from the fluctuation of foreign exchange rate between the invoice date and the settlement date. During the Track Record Period, the fluctuation of our net foreign exchange losses or gains were primarily due to our exposure to changes in the foreign exchange rates of Renminbi to U.S. dollars in relation to our transactions with Mobileye and Geely

RISK FACTORS

Group. Our purchases from and the payables to Mobileye are denominated in U.S. dollars, while the sales to and receivables from Geely Group are denominated in Renminbi. For details of our foreign exchange exposure, see “Financial Information — Impact of Foreign Exchange Fluctuation.”

The proceeds from the Global Offering will be received in Hong Kong dollars and our purchases from Mobileye will be settled in U.S. dollars. As a result, any appreciation of the RMB against the Hong Kong dollar and the U.S. dollar may result in the decrease in the value of our proceeds from the Global Offering. Conversely, any depreciation of the RMB may adversely affect the value of, and any dividends payable on, the Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. All of these factors could materially and adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, the Shares in foreign currency terms.

You may experience difficulties in effecting service of process or enforcing foreign judgments against us, our executive Directors or senior management.

Substantially all of our assets are located in China and all of our executive Directors and senior management reside in China. Therefore, it may be difficult for investors to directly effect service of process within Hong Kong or elsewhere outside of China upon us or our Directors or senior management.

On July 14, 2006, China and 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 Pursuant to Choice of Court Agreements between Parties Concerned (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (“Arrangement”), which came into effect on August 1, 2008. Under this Arrangement, where any designated people’s court of the PRC or any designated 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 in writing by the parties, any party concerned may apply to the relevant people’s court of the PRC or Hong Kong court for recognition and enforcement of the judgment. On January 18, 2019, the PRC Supreme Court and the Hong Kong government 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》), or the New Arrangement, which seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgments in wider range of civil and commercial matters between Hong Kong and the PRC. The New Arrangement discontinued the requirement for a choice of court agreement for bilateral recognition and enforcement. The New Arrangement will only take effect after the promulgation of a judicial interpretation by the Supreme Court and the completion of the relevant legislative procedures in the Hong Kong. The New Arrangement will, upon its effectiveness, supersede the Arrangement. Therefore, before the New Arrangement comes into effect it may be difficult to enforce a judgment rendered by a Hong Kong court in China if the parties in the dispute do not agree to enter into a choice of court agreement.

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RISKS RELATING TO THE GLOBAL OFFERING

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

Prior to the Global Offering, there has been no public market for our H Shares. The Offer Price for our H Shares was the result of negotiations among us and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Offer Price may differ significantly from the market price for our H Shares following the Global Offering. We have applied for listing of and permission to deal in our H Shares on the Stock Exchange. There is no assurance that the Global Offering will result in the development of an active, liquid public trading market for our H Shares. Factors such as variations in our revenue, earnings and cash flows or any other developments of us may affect the volume and price at which our H Shares will be traded.

Furthermore, the price and trading volume of our H Shares may be volatile. The following factors, among others, may cause the market price of our H Shares after the Global Offering to vary significantly from the Offer Price:

- Our financial results;
- unexpected business interruption resulting from natural disasters or power shortages;
- major changes in our key personnel or senior management;
- development in laws and regulations in regions where we operate;
- our inability to compete effectively in the autonomous driving industry;
- our inability to obtain or maintain regulatory approval for our operations;
- fluctuations in stock market prices and volume;
- changes in analysts' estimates of our financial performance;
- political, economic, financial and social developments in regions where we operate and in the global economy; and
- involvement in material litigation.

As a result, it is possible that our H Shares may be subject to changes in price not directly related to our performance and as a result, investors in our H Shares may suffer substantial losses.

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Since there will be a gap of several days between pricing and trading of our H Shares, holders of our H Shares are subject to the risk that the price of our H Shares could fall during the period before trading of our H Shares begins.

Our H Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several business days after determination of the Offer Price. As a result, investors may not be able to sell or deal in our H Shares during that period. Accordingly, holders of our H Shares are subject to the risk that the price of our H Shares could be lower than Offer Price before trading begins as a result of adverse market conditions or other adverse developments, that could occur between the time of sale and the time trading begins.

We have significant discretion as to how we will use the net proceeds of the Global Offering, and you may not necessarily agree with how we use them.

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

We have been, and will continue to be, substantially influenced by our Controlling Shareholders, whose interests may differ from those of other Shareholders.

Our Controlling Shareholders have substantial influence over our business, including matters relating to our management, policies and decisions regarding acquisitions, mergers, expansion plans, consolidations and sales of all or substantially all of our assets, election of Directors and other significant corporate actions. As of the Latest Practicable Date, Mr. SONG Yang, our founder, Chairman, executive Director and chief executive officer, directly and indirectly (through Lanchi Platform, Zichi Platform, Suzhou Hongchi and Suzhou Luchi), was entitled to exercise the voting rights attaching to approximately 39.9% of the issued share capital of our Company. Immediately following the completion of the Global Offering, Mr. SONG Yang, directly and indirectly (through Lanchi Platform, Zichi Platform, Suzhou Hongchi and Suzhou Luchi), will be entitled to exercise the voting rights attaching to approximately 36.0% of the issued share capital of our Company. Accordingly, upon completion of the Global Offering, Mr. SONG Yang, Lanchi Platform, Zichi Platform, Suzhou Hongchi and Suzhou Luchi will collectively constitute a group of Controlling Shareholders of our Company. See “Relationship with Our Controlling Shareholders.” This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive other Shareholders of an opportunity to receive a premium for their H Shares as part of a sale of our Company and might reduce the price of our H Shares. These events may occur even if they are opposed by our other Shareholders. In addition, our Controlling Shareholders of our Company may exercise their substantial influence over us and cause us to enter into transactions or take, or fail to take, actions or make decisions that conflict with the best interests of our other Shareholders.

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Any possible conversion of Domestic Shares into H Shares could increase the supply of H Shares in the market, which may negatively impact the market price of H Shares.

According to the stipulations by the State Council's securities regulatory authority and the Articles of Association, our Domestic Shares may be converted into H Shares and such converted H Shares may be listed or traded on an overseas stock exchange, provided that prior to the conversion and trading of such converted shares, the requisite internal approval processes (but without the necessity of Shareholders' approval) have been duly completed and the filing with the CSRC has been completed. In addition, such conversion, trading and listing must comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange. We can apply for the listing of all or any portion of our Domestic Shares on the Hong Kong Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Hong Kong Stock Exchange and delivery of shares for entry on the H Share register. This could increase the supply of H Shares in the market, and future sales, or perceived sales, of the converted H Shares may adversely affect the trading price of H Shares.

A future significant increase or perceived significant increase in the supply of our H Shares in public markets could cause the market price of our H Shares to decrease significantly, and/or dilute shareholdings of holders of H Shares.

The market price of our H Shares could decline 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, or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. Future sales, or anticipated sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital at a specific time and on terms favorable to us. In addition, our Shareholders may experience dilution in their holdings if we issue more securities in the future. 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.

Our future financing may cause dilution of your shareholding or place restrictions on our operations.

In order to raise capital and expand our business, we may consider offering and issuing additional Shares or other securities convertible into or exchangeable for our Shares in the future other than on a pro rata basis to our then existing Shareholders. As a result, the shareholdings of those Shareholders may experience dilution in net asset value per Share. If additional funds are to be raised through debt financing, certain restrictions may be imposed on our operations, which may:

- further limit our ability or discretion to pay dividends;
- increase our risks in adverse economic conditions;

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- adversely affect our cash flows; or
- limit our flexibility in business development and strategic plans.

Because the Offer Price per Share is higher than the net tangible book value per Share, purchasers of our H Shares in the Global Offering will experience immediate dilution.

The Offer Price of our H Shares is higher than the net tangible book value per Share immediately prior to the Global Offering. Therefore, purchasers of our H Shares in the Global Offering will experience an immediate dilution. Existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible assets value per share of their shares.

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 will 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, according to which the dividends may be paid only out of the distributable profits as determined under PRC GAAP or IFRS Accounting Standards, whichever is lower, although there is no significant difference between PRC GAAP and IFRS Accounting Standards in this respect. In addition, 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. See “Financial Information — Dividends” for more details of our dividend policy.

Certain facts, forecasts and statistics contained in this prospectus are derived from a third-party report and publicly available official sources and they may not be reliable.

Certain facts, forecasts and other statistics contained in this prospectus relating to China, the PRC economy and the industry in which we operate have been derived from various official government publications or other third-party reports. We have taken reasonable care in the reproduction or extraction of the official government publications or other third-party reports for the purpose of disclosure in this prospectus, however, we cannot guarantee the quality or reliability of such source materials. They have not been prepared or independently verified by us, the Underwriters or any of their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such

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statistics in this prospectus may be inaccurate or may not be comparable to statistics produced with respect to other economies. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts.

Investors should read the entire prospectus carefully and should not consider any particular statements in this prospectus or in published media reports or other publicly available information without carefully considering the risks and other information contained in this prospectus.

There may have been, prior to the publication of this prospectus, and there may be, subsequent to the date of this prospectus but prior to the completion of the Global Offering, press and media coverage regarding us and the Global Offering. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media or otherwise publicly available, nor the fairness or appropriateness of any estimates/forecasts, views or opinions expressed by the press or other media or otherwise publicly available regarding our H Shares or the Global Offering or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. Accordingly, prospective investors should not rely on any such information, reports or publications in making their decision whether to invest in our H Shares or in the Global Offering. You should rely solely upon the information contained in this prospectus, and any formal announcements made by us in making your investment decision regarding our H Shares.

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

This prospectus contains forward-looking statements and information relating to us and our operations and prospects that are based on our current beliefs and assumptions as well as information currently available to us. When used in this prospectus, the words “anticipate,” “believe,” “estimate,” “expect,” “plans,” “prospects,” “going forward,” “intend” and similar expressions, as they relate to us or our business, are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events and are subject to risks, uncertainties and various assumptions, including the risk factors described in this prospectus. Should one or more of these risks or uncertainties materialize, or if any of the underlying assumptions prove incorrect, actual results may diverge significantly from the forward-looking statements in this prospectus. Whether actual results will conform with our expectations and predictions is subject to a number of risks and uncertainties, many of which are beyond our control, and reflect future business decisions that are subject to change. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations that our plans or objectives will be achieved, and investors should not place undue reliance on such forward-looking statements. All forward looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Listing, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

MANAGEMENT PRESENCE IN HONG KONG

According to Rules 8.12 and 19A.15 of the Listing Rules, our Company must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong.

Since all our business operations are not principally located, managed or conducted in Hong Kong, our Company does not, and, for the foreseeable future, will not, have two executive Directors who are ordinarily resident in Hong Kong for the purpose of satisfying the requirements under Rules 8.12 and 19A.15 of the Listing Rules.

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

- (i) both of our authorized representatives, Mr. SONG Yang, the Chairman and our executive Director, and Mr. CHUNG Ming Fai, a joint company secretary of our Company, will act as our Company's principal channels of communication with the Stock Exchange. Accordingly, our authorized representatives will be able to meet with the relevant members of the Stock Exchange on reasonable notice and will be readily contactable by telephone and email;
- (ii) each of the authorized representatives of our Company has means of contacting all Directors (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange proposes to contact a Director with respect to any matter;
- (iii) each of our Directors has provided their respective mobile phone number, office phone number, fax number (if any) and email address to the authorized representatives of our Company and the Stock Exchange, and in the event that any Director expects to travel or otherwise be out of the office, they will provide the phone number of the place of their accommodation to the authorized representatives;
- (iv) each of our Directors not ordinarily residing in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and will be able to meet with the relevant members of the Stock Exchange within a reasonable period of time;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (v) we have appointed Quam Capital Limited as our Compliance Advisor, in compliance with Rule 3A.19 of the Listing Rules, who will also act as an additional channel of communication with the Stock Exchange from the Listing Date 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 Listing Date. Pursuant to Rule 3A.23 of the Listing Rules, we shall ensure that the Compliance Advisor will have access at all times to our authorized representatives, our Directors and other officers. We shall also ensure that our authorized representatives, Directors and other officers will promptly provide such information and assistance as the Compliance Advisor may need or may reasonably require in connection with the performance of its duties as set forth in Chapter 3A and Rule 3A.24 of the Listing Rules. We shall ensure that there are adequate and efficient means of communication among our Company, our authorized representatives, our Directors, and other officers and the Compliance Advisor, and we will keep the Compliance Advisor fully informed of all communications and dealings between the Stock Exchange and us;
- (vi) any meeting between the Stock Exchange and our Directors will be arranged through the authorized representatives or the Compliance Advisor or directly with our Directors within a reasonable time frame. We will inform the Stock Exchange promptly in respect of any changes in our authorized representatives or our Compliance Advisor; and
- (vii) we will also retain legal advisors to advise on ongoing compliance requirements as well as other issues arising under the Listing Rules and other applicable laws and regulations of Hong Kong after the Listing.

JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules and Guidance Letter HKEX-GL108-20, the company secretary must be an individual who, by virtue of their academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary.

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

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

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

- (i) length of employment with the issuer and other issuers and the roles they played;
- (ii) familiarity with the Listing Rules and other relevant laws and regulations, including the Securities and Futures Ordinance, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;
- (iii) relevant training taken and/or to be taken in addition to the minimum requirement of taking not less than 15 hours of relevant professional training in each financial year under Rule 3.29 of the Listing Rules; and
- (iv) professional qualifications in other jurisdictions.

Our Company considers that while it is important for the company secretaries to be familiar with the relevant securities regulation in Hong Kong, they also need to have experience relevant to our Company’s operations, nexus to the Board and close working relationship with the management of our Company in order to perform the function of a company secretary and to take the necessary actions in the most effective and efficient manner. It is for the benefit of our Company to appoint a person who has been a member of the senior management for a period of time and is familiar with our Company’s business and affairs as company secretary.

We have appointed Ms. LIU Fang as our joint company secretary. Ms. LIU Fang is currently our chief financial officer. She has extensive experience in corporate governance matters, as well as a thorough understanding of the daily operations, internal administration and financial management of our Group. However, Ms. LIU Fang does not possess a qualification stipulated in Rule 3.28 of the Listing Rules, and she is not able to solely fulfill the requirements of the Listing Rules. Therefore, we have appointed Mr. CHUNG Ming Fai, a fellow member of the Hong Kong Institute of Certified Public Accountants, 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, providing assistance to Ms. LIU Fang. Mr. CHUNG Ming Fai’s initial service period will last three years commencing from the Listing Date. During his mandate, he would enable Ms. LIU Fang to acquire the “relevant experience” to duly discharge his duties so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

Accordingly, 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 in relation to the appointment of Ms. LIU Fang as our joint company secretary on the conditions that:

- (i) Ms. LIU Fang will endeavor to attend relevant training courses, including briefings on the latest changes to the relevant applicable Hong Kong laws and regulations and the Listing Rules from which will be organized by our Company's Hong Kong legal advisors on an invitation basis and seminars organized by the Stock Exchange for listed issuers time to time;
- (ii) both Ms. LIU Fang and Mr. CHUNG Ming Fai have confirmed that each of them will be attending a total of no less than 15 hours of training courses on the Listing Rules, corporate governance, information disclosure, investors relation as well as the functions and duties of the company secretary of a Hong Kong listed company during each financial year as required under Rule 3.29 of the Listing Rules;
- (iii) Mr. CHUNG Ming Fai will assist Ms. LIU Fang to enable her to acquire the relevant experience (as required under Rule 3.28 of the Listing Rules) to discharge the duties and responsibilities as our company secretary;
- (iv) Mr. CHUNG Ming Fai will communicate regularly with Ms. LIU Fang on matters relating to corporate governance, the Listing Rules and any other laws and regulations which are relevant to our Company and its affairs. Mr. CHUNG Ming Fai will work closely with, and provide assistance for Ms. LIU Fang in the discharge of her duties as a company secretary, including organizing our Board meetings and Shareholders' general meetings;
- (v) before the expiry of Ms. LIU Fang's initial term of appointment as the company secretary of our Company, our Company will evaluate her experience in order to determine if she has acquired the qualifications required under Rule 3.28 of the Listing Rules;
- (vi) we have appointed Quam Capital Limited as our Compliance Advisor pursuant to Rule 3A.19 of the Listing Rules, which will act as the additional communication channel with the Stock Exchange (for a period commencing on the Listing Date and ending on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year after the Listing Date) and provide professional guidance and advice to our Company and Ms. LIU Fang as to the compliance with the Listing Rules and all other applicable laws and regulations; and
- (vii) the waiver can be revoked if there are material breaches of the Listing Rules by the Company.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

We understand that, pursuant to the Guidance Letter HKEX-GL108-20, such waiver will be revoked immediately if Mr. CHUNG Ming Fai ceases to provide assistance to Ms. LIU Fang as a joint company secretary for the three-year period after the Listing or where there are material breaches of the Listing Rules by our Company. Before the end of the three-year period, we shall liaise with the Stock Exchange to revisit the situation in the expectation that we should then be able to demonstrate to the Stock Exchange's satisfaction that Ms. LIU Fang, having had the benefit of Mr. CHUNG Ming Fai's assistance for the preceding three years, would then have acquired the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules so that a further waiver would not be necessary. For details on Ms. LIU Fang and Mr. CHUNG Ming Fai's qualifications and experience, see "Directors, Supervisors and Senior Management."

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors (including any proposed Director who is named as such in this prospectus) collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) for the purpose of giving information to the public with regard to the Group. Our Directors, having made all reasonable inquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

CSRC FILING

We have obtained a filing notice dated May 30, 2023 from the CSRC for the Global Offering, the Conversion of Domestic Shares into H Shares, and the Listing of the H Shares on the Stock Exchange. In granting such filing notice, the CSRC accepts no responsibility for the financial soundness of us or for the accuracy of any of the statements made or opinions expressed in this prospectus. No other approvals under the PRC laws and regulations are required to be obtained for the listing of the H Shares on the Stock Exchange.

INFORMATION ON THE GLOBAL OFFERING, STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING AND PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

This prospectus is published solely in connection with the Hong Kong Public Offering. For applications under the Hong Kong Public Offering, this prospectus contain the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by the Company, the Overall Coordinators, the Capital Market Intermediaries, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of our or their affiliates or any of their respective directors, officers, employees, advisors, agents or representatives, or any other persons or parties involved in the Global Offering.

Neither the delivery of this prospectus nor any offering, sale, delivery, subscription or acquisition made in connection with the Offer Shares shall, under any circumstances, constitute a representation or create any implication that there has been no change in our affairs since the date of this prospectus or that the information in this prospectus is correct as of any date subsequent to the date of this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Details of the structure of the Global Offering, are set out in “Structure of the Global Offering”, and the procedures for applying for the Hong Kong Offer Shares is set forth in “How to Apply for Hong Kong Offer Shares” in this prospectus.

INFORMATION ON THE CONVERSION OF DOMESTIC SHARES INTO H SHARES

We have applied for the Conversion of Domestic Shares into H Shares, which involves a total of 79,487,685 Domestic Shares held by the existing Shareholders. See “History and Corporate Structure” and “Share Capital” for details of our existing Shareholders and their respective interests in our Company and relevant procedures for the Conversion of Domestic Shares into H Shares. Such H Shares to be converted from Domestic Shares are restricted from trading for a period of one year after the Listing.

We have obtained a filing notice dated May 30, 2023 from the CSRC for the Conversion of Domestic Shares into H Shares and the listing and trading of the H shares converted on the Stock Exchange is still subject to the approval by the Stock Exchange.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedure for applying for the Hong Kong Offer Shares is set forth in “How to Apply for Hong Kong Offer Shares”.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by their acquisition of Hong Kong Offer Shares to, confirm that they are aware of the restrictions on the offer and sale of the Hong Kong Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the H Shares in any jurisdiction other than Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, and without limitation to the following this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation for subscription.

The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered and sold, directly or indirectly, in the PRC.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

UNDERWRITING

The Listing is sponsored by the Joint Sponsors and the Global Offering is managed by the Overall Coordinators and the Joint Global Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters subject to the terms and conditions of the Hong Kong Underwriting Agreement. The International Underwriting Agreement in relation to the International Offering is expected to be entered into on or around Monday, December 18, 2023. For further details on the Underwriters and the underwriting arrangements, see “Underwriting.”

APPLICATION FOR LISTING OF THE H SHARES ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the granting of listing of, and permission to deal in, our H Shares to be issued pursuant to the Global Offering and the H Shares to be converted from Domestic Shares. Dealings in the H Shares on the Stock Exchange are expected to commence at 9:00 a.m. on the Listing Date. The H Shares will be traded in the board lots of 100 H Shares each. The stock code of our H Shares will be 1274. Except as otherwise disclosed in this prospectus, no part of our H Shares is listed on or dealt in on any other stock exchange, and no such listing or permission to list is being or proposed to be sought in the near future.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the H Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to the Company by or on behalf of the Stock Exchange.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the H Shares on the Stock Exchange and our compliance with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisors for the details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made for the H Shares to be admitted in to CCASS.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

REGISTER OF MEMBERS AND STAMP DUTY

All of the H Shares issued pursuant to applications made in the Global Offering and converted from Domestic Shares will be registered on our H Share register to be maintained in Hong Kong by our H Share Registrar, Computershare Hong Kong Investor Services Limited. Our principal register of members will be maintained by us at our headquarters in the PRC. Dealings in the H Shares registered in our H Share register will be subject to Hong Kong stamp duty. The stamp duty is charged to each of the seller and purchaser at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, the H Shares transferred. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of the H Shares. In addition, a fixed duty of HK\$5 is charged on each instrument of transfer (if required).

DIVIDENDS PAYABLE TO HOLDERS OF H SHARES

Unless determined otherwise by the Company, dividends payable in Hong Kong dollars in respect of our H Shares will be paid to the Shareholders as recorded on the H Share register of the Company in Hong Kong and sent by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder. According to the Guide to the Program for "Full Circulation" of H shares promulgated by China Securities Depository and Clearing Corporation Limited ("CSDC") on February 7, 2020, cash dividends to domestic investors of H-share "full circulation" shall be distributed through CSDC. An H-share listed company shall transfer RMB cash dividends to the designated bank account of the Shenzhen subsidiary of CSDC, who shall complete the clearing of cash dividends by distributing the cash dividends to investors through domestic securities companies.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

We have instructed Computershare Hong Kong Investor Services Limited, our H Share Registrar, and it has agreed not to register the subscription, purchase or transfer of any H Share in the name of any particular holder unless and until the holder delivers a signed form to our H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

- (i) agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the PRC Company Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Overseas Listing Trial Measures and our Articles of Association;
- (ii) agrees with us, each of our Shareholders, Directors, Supervisors, members of senior management and officers, and we acting for ourselves and for each of our Directors, Supervisors, members of senior management and officers agree with each of our Shareholders, to refer all differences, disputes and claims concerning our affairs and arising from any rights or obligations conferred or imposed by our Articles of Association, the PRC Company Law or other relevant laws, rules and regulations to

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive;

- (iii) agrees with us and each of our Shareholders that the H Shares are freely transferable by the holders thereof; and
- (iv) authorizes us to enter into a contract on his/her behalf with each of our Directors, Supervisors, senior officers whereby such Directors, Supervisors, members of senior management undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association. Persons applying for or purchasing H Shares under the Global Offering are deemed, by their making an application or purchase, to have represented that they are not close associates (as defined in the Listing Rules) of any of the Directors, Supervisors or an existing Shareholder of the Company or a nominee of any of the foregoing.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisors if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposal of, dealing in or the exercise of any rights in relation to our H Shares. None of our Company, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, any of our or their affiliates or any of their respective directors, officers, employees, advisors, agents or representatives, or any other persons or parties involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposal of, dealing in, or the exercise of any rights in relation to, our H Shares.

LANGUAGE

If there is any inconsistency between this prospectus and its Chinese translation, the English version of this prospectus shall prevail. For ease of reference, the names of the Chinese laws and regulations, government authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in this prospectus in both the Chinese and English languages, in the event of any inconsistency, the Chinese version shall prevail.

ROUNDING

Certain amounts and percentage figures, such as share ownership and operating data, included in this prospectus may 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.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

CURRENCY TRANSLATIONS

Solely for your convenience, this prospectus contains translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars.

Unless otherwise specified, this prospectus contains certain translations for the convenience purposes at the following rates: Renminbi into Hong Kong dollars at the rate of RMB0.9088 to HK\$1.00, Renminbi into U.S. dollars at the rate of RMB7.1011 to US\$1.00 and Hong Kong dollars into U.S. dollars at the rate of HK\$7.8133 to US\$1.00. The RMB to HK\$ and RMB to US\$ exchange rates are quoted by the PBOC for foreign exchange transactions prevailing on December 4, 2023.

No representation is made that any amounts in RMB, Hong Kong dollars or U.S. dollars can be or could have been at the relevant dates converted at the above rate or any other rates or at all.

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
Executive Directors		
Mr. SONG Yang (宋陽)	Room 903, Building 3 Shuanghuwan Garden Suzhou Industrial Park Suzhou, Jiangsu Province PRC	Chinese
Mr. LU Yukun (盧玉坤)	13-3 Batilan Bay 88 Qingjian Road Suzhou Industrial Park Suzhou, Jiangsu Province PRC	Chinese
Mr. LI Shuangjiang (李雙江)	Room 105, Building 26 Shuimo Garden Suzhou Industrial Park Suzhou, Jiangsu Province PRC	Chinese
Non-executive Directors		
Mr. LI Chengsheng (李程晟)	7B25C, Jinhong Kaixuan City Xin'an West Road Bao'an District Shenzhen, Guangdong Province PRC	Chinese
Mr. TAO Zhixin (陶志新)	Room 201, 141 Lane 631 Gumei West Road Minhang District Shanghai PRC	Chinese
Mr. YANG Yuankui (楊元奎)	Room 1202, Unit 3, Building 1 Guo'an Fu 66 Qianqingchang Alley Xicheng District Beijing PRC	Chinese

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Name	Address	Nationality
Independent Non-executive Directors		
Dr. ZHANG Weigong (張為公)	Room 504, Building 30 Hyde Park, 1 Hanlin Road Suzhou Industrial Park Suzhou, Jiangsu Province PRC	Chinese
Mr. LIU Yong (劉勇)	Room 204, Building 46 City Garden Suzhou Industrial Park Suzhou, Jiangsu Province PRC	Chinese
Ms. XUE, Rui Shirley (薛睿)	Flat B, 7/F, Blk T3 The Harbourside 1 Austin Road W Tsim Sha Tsui Kowloon Hong Kong	Chinese (Hong Kong)

SUPERVISORS

Mr. LUO Hong (羅紅)	Room 204, Building 17 Hyde Park, 1 Hanlin Road Suzhou Industrial Park Suzhou, Jiangsu Province PRC	Chinese
Mr. ZHU Qinghua (朱慶華)	Room 705, Unit 2, Building 11 Jinlian Garden (Zhongyayuan) Pinglong Road Gusu District Suzhou, Jiangsu Province PRC	Chinese
Mr. WANG Bingjie (汪冰潔)	Room 304, Building 47 Century Garden Yushan Road High-tech Zone Suzhou, Jiangsu Province PRC	Chinese

For further information regarding our Directors and Supervisors, please see “Directors, Supervisors and Senior Management.”

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING**Joint Sponsors and Sponsor-Overall
Coordinators**

Citigroup Global Markets Asia Limited
50/F, Champion Tower
Three Garden Road
Central
Hong Kong

**Huatai Financial Holdings (Hong Kong)
Limited**
62/F, The Center
99 Queen's Road
Central
Hong Kong

CCB International Capital Limited
12/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

**Overall Coordinators and
Joint Global Coordinators**

Citigroup Global Markets Asia Limited
50/F, Champion Tower
Three Garden Road
Central
Hong Kong

**Huatai Financial Holdings (Hong Kong)
Limited**
62/F, The Center
99 Queen's Road
Central
Hong Kong

CCB International Capital Limited
12/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

DBS Asia Capital Limited
73/F, The Center
99 Queen's Road Central
Central
Hong Kong

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Bookrunners

Citigroup Global Markets Asia Limited
(in relation to Hong Kong Public Offering)
50/F, Champion Tower
Three Garden Road
Central
Hong Kong

Citigroup Global Markets Limited
(in relation to International Offering)
33 Canada Square, Canary Wharf
London E14 5LB
United Kingdom

Huatai Financial Holdings (Hong Kong) Limited
62/F, The Center
99 Queen's Road
Central
Hong Kong

CCB International Capital Limited
12/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

DBS Asia Capital Limited
73/F, The Center
99 Queen's Road Central
Central
Hong Kong

CMB International Capital Limited
45/F, Champion Tower
3 Garden Road
Central
Hong Kong

Goldlink Securities Limited
28/F
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai, Hong Kong

Livermore Holdings Limited

Unit 1214A
12/F Tower II Cheung Sha Wan Plaza
833 Cheung Sha Wan Road
Kowloon, Hong Kong

**Soochow Securities International
Brokerage Limited**

Level 17
Three Pacific Place
1 Queen's Road East, Hong Kong

Mouette Securities Company Limited

Room 4024-4033, 40/F.
Sun Hung Kai Centre
30 Harbour Road
Wanchai, Hong Kong

Joint Lead Managers

Citigroup Global Markets Asia Limited

(in relation to Hong Kong Public Offering)
50/F, Champion Tower
Three Garden Road
Central
Hong Kong

Citigroup Global Markets Limited

(in relation to International Offering)
33 Canada Square, Canary Wharf
London E14 5LB
United Kingdom

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

62/F, The Center
99 Queen's Road
Central
Hong Kong

CCB International Capital Limited

12/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

DBS Asia Capital Limited

73/F, The Center
99 Queen's Road Central
Central
Hong Kong

CMB International Capital Limited

45/F, Champion Tower
3 Garden Road
Central
Hong Kong

Goldlink Securities Limited

28/F
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai, Hong Kong

Livermore Holdings Limited

Unit 1214A
12/F Tower II Cheung Sha Wan Plaza
833 Cheung Sha Wan Road
Kowloon, Hong Kong

**Soochow Securities International
Brokerage Limited**

Level 17
Three Pacific Place
1 Queen's Road East, Hong Kong

Mouette Securities Company Limited

Room 4024-4033, 40/F.
Sun Hung Kai Centre
30 Harbour Road
Wanchai, Hong Kong

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Capital Market Intermediaries

Citigroup Global Markets Asia Limited
(in relation to Hong Kong Public Offering)
50/F, Champion Tower
Three Garden Road
Central
Hong Kong

Citigroup Global Markets Limited
(in relation to International Offering)
33 Canada Square, Canary Wharf
London E14 5LB
United Kingdom

Huatai Financial Holdings (Hong Kong) Limited
62/F, The Center
99 Queen's Road
Central
Hong Kong

CCB International Capital Limited
12/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

DBS Asia Capital Limited
73/F, The Center
99 Queen's Road Central
Central
Hong Kong

CMB International Capital Limited
45/F, Champion Tower
3 Garden Road
Central
Hong Kong

Goldlink Securities Limited
28/F
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai, Hong Kong

Livermore Holdings Limited
Unit 1214A
12/F Tower II Cheung Sha Wan Plaza
833 Cheung Sha Wan Road
Kowloon, Hong Kong

**Soochow Securities International
Brokerage Limited**

Level 17
Three Pacific Place
1 Queen's Road East, Hong Kong

Mouette Securities Company Limited

4024-4033, 40/F.
Sun Hung Kai Centre
30 Harbour Road
Wanchai, Hong Kong

Legal Advisors to our Company

as to Hong Kong and U.S. laws:

Kirkland & Ellis

26/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

as to PRC law:

Jingtian & Gongcheng

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

as to U.S. export control law:

Hogan Lovells

11th Floor, One Pacific Place
88 Queensway
Hong Kong

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Legal Advisors to the Joint Sponsors

as to Hong Kong and U.S. laws:

Shearman & Sterling

21/F, Gloucester Tower
The Landmark 15 Queen's Road
Central
Hong Kong

as to PRC law:

Beijing DeHeng Law Offices

12/F, Tower B
Focus Place
19 Finance Street
Beijing
PRC

**Reporting Accountant and
Independent Auditor****PricewaterhouseCoopers**

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

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

Room 2504
Wheelock Square
1717 Nanjing West Road
Shanghai
PRC

Compliance Advisor**Quam Capital Limited**

5/F and 24/F (Rooms 2401 and 2412)
Wing On Centre
111 Connaught Road Central
Hong Kong

Receiving Bank**DBS Bank (Hong Kong) Limited**

16/F The Center
99 Queen's Road Central
Hong Kong

CORPORATE INFORMATION

Head Office, Registered Office and Principal Place of Business in the PRC	19/F and 20/F Building G2 88 Jinji Lake Avenue Suzhou Industrial Park Suzhou, Jiangsu Province PRC
Principal Place of Business in Hong Kong	40/F Dah Sing Financial Centre 248 Queen's Road East Wanchai Hong Kong
Company's Website	<u>www.imotion.ai</u> <i>(Information contained in this website does not form part of this prospectus)</i>
Joint Company Secretaries	Ms. LIU Fang (劉芳) Room 2001 Building G2 88 Jinji Lake Avenue Suzhou Industrial Park Suzhou, Jiangsu Province PRC Mr. CHUNG Ming Fai (鍾明輝) <i>Fellow member of Hong Kong Institute of Certified Public Accountants</i> 40/F Dah Sing Financial Centre 248 Queen's Road East Wanchai Hong Kong
Authorized Representatives	Mr. SONG Yang (宋陽) Room 903, Building 3 Shuanghuwan Garden Suzhou Industrial Park Suzhou, Jiangsu Province PRC

CORPORATE INFORMATION

	<p>Mr. CHUNG Ming Fai (鍾明輝) 40/F Dah Sing Financial Centre 248 Queen's Road East Wanchai Hong Kong</p>
Audit Committee	<p>Mr. LIU Yong (劉勇) (<i>Chairman</i>) Dr. ZHANG Weigong (張為公) Ms. XUE, Rui Shirley (薛睿)</p>
Remuneration and Appraisal Committee	<p>Ms. XUE, Rui Shirley (薛睿) (<i>Chairlady</i>) Mr. LIU Yong (劉勇) Mr. LU Yukun (盧玉坤)</p>
Nomination Committee	<p>Dr. ZHANG Weigong (張為公) (<i>Chairman</i>) Ms. XUE, Rui Shirley (薛睿) Mr. SONG Yang (宋陽)</p>
Strategy Committee	<p>Mr. SONG Yang (宋陽) (<i>Chairman</i>) Mr. YANG Yuankui (楊元奎) Mr. LU Yukun (盧玉坤)</p>
H Share Registrar	<p>Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong</p>
Principal Bank	<p>China Construction Bank Co., Ltd. Jiangsu Pilot Free Trade Zone Suzhou Branch 1st Floor, Zijin Oriental Business Plaza No. 228 Qiyue Road Dushu Lake Science and Education Innovation Zone Suzhou Industrial Park Suzhou, Jiangsu Province PRC</p>

INDUSTRY OVERVIEW

The information and statistics set out in this section and other sections of this prospectus were extracted from different official government publications, available sources from public, market research and other sources from independent suppliers, and from the independent industry report prepared by Frost & Sullivan. The information from official government sources has not been independently verified by us, the Joint Sponsors, Overall Coordinators, Joint Global Coordinators, Joint Bookrunners, Joint Lead Manager, any of the Underwriters, any of their respective directors and advisers, or any other person or parties involved in the Global Offering, and no representation is given as to its accuracy.

OVERVIEW OF CHINA’S PASSENGER VEHICLE MARKET

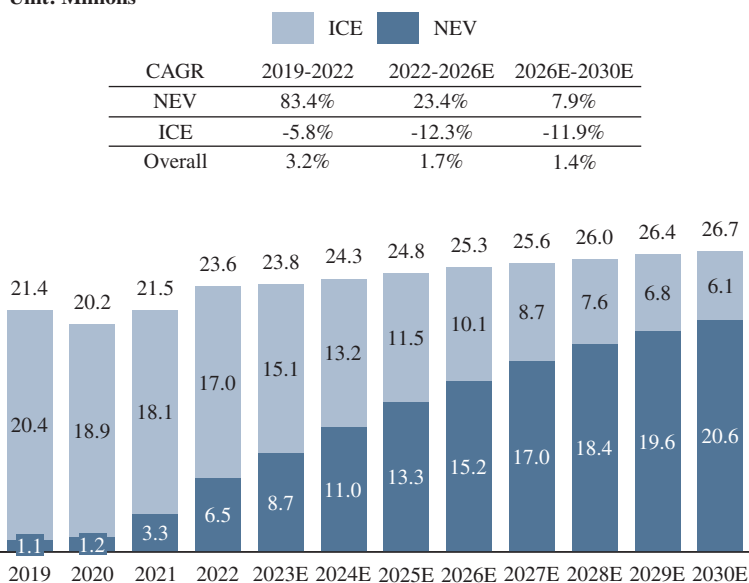
China is the world’s largest passenger vehicle market in terms of sales volume in 2022, according to Frost & Sullivan. In 2022, approximately 68.7 million units of passenger vehicle were sold globally, of which approximately 23.6 million units, or 34.4%, were sold in China.

Passenger vehicles are classified into two types based on their power type: internal combustion engine (ICE) vehicles powered by fuel, and new energy vehicles (NEVs). In recent years, vehicle electrification, intelligence and connectivity have emerged as the most notable trends in the global automobile industry, contributing to the growth of the global NEV market. China, in particular, has become the world’s largest NEV market, with NEV sales volume reaching 6.5 million units in 2022, accounting for 64.9% of global NEV sales in the same year. Due to changing customer preferences, favorable government policies, and increasing competitiveness of domestic NEV brands, China is also the fastest growing NEV market in terms of the growth rate of NEVs sold from 2019 to 2022. The penetration rate of NEV in China increased significantly from 4.9% in 2019 to 27.8% in 2022, and is expected to reach 60.1% and 77.3% in 2026 and 2030, respectively.

The chart below sets forth the sales volume of passenger vehicles in China, by power type, for the periods indicated.

China Passenger Vehicle Sales Volume, by Power Type

Unit: Millions



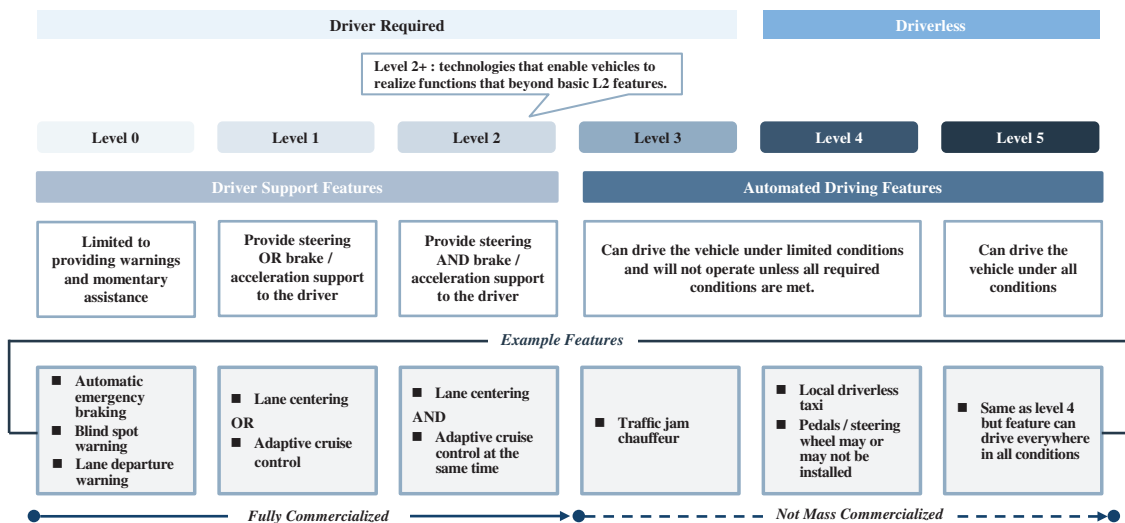
Source: Industry Association, Frost & Sullivan

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OVERVIEW OF THE AUTONOMOUS DRIVING PASSENGER VEHICLE MARKET

Autonomous driving refers to the technology that allows a vehicle to operate automatically without the intervention of a human driver through perception, decision-making, and execution. An autonomous driving solution encompasses various components such as sensors (cameras, radar, and LiDARs), domain controllers, front camera modules, automotive-grade chips, algorithms, simulation tools, and any other hardware or software that supports the achievement of autonomous driving. A complete autonomous driving solution is an integration of multiple subsystems, which can be provided by different suppliers. In many cases, OEMs also contribute to the autonomous driving solution by developing their own application algorithms.

SAE or SAE International, formerly named as the Society of Automotive Engineers, is a U.S.-based global association of engineering professionals in various industries with a focus on transport industries, such as aerospace, automotive and commercial vehicles. It strives to study, enact and issue industry standards and the SAE standards of level of autonomous driving (ranging from level 0 to level 5) are widely acknowledged and adopted by the global automotive industry. SAE classified vehicle automation into six levels based on the extent of human intervention and the scope of the driving scenario. Market participants classify autonomous driving solutions into more specific categories based on the SAE classification, such as level 2+, as a practice in the industry to give users and customers a more precise idea of the level of automation of their products. In 2022, the penetration rate of level 2+ autonomous driving passenger vehicles was approximately 6%, calculated by dividing the number of newly sold level 2+ autonomous driving passenger vehicles by the total number of newly sold passenger vehicles for the same year. The table below illustrates the six levels of autonomous driving as defined by the SAE, from level 0 (no driving automation) to level 5 (full driving automation).



Source: SAE, Frost & Sullivan

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Typically, autonomous driving systems that can achieve level 1 and level 2 (covering level 2+) driving automation are classified as advanced driving assistance systems (ADASs), while systems that can achieve level 3 through level 5 driving automation are classified as automated driving systems (ADSs). Currently, ADAS is the most advanced autonomous driving solution widely available in passenger vehicles sold today, while ADS solutions have not been commercialized in passenger vehicles in large scale. Global autonomous driving industry is in the process of moving from level 2 to level 3 automation. With the advancing technology, automotive industry has widely adopted the terminology of level 2+ to distinguish their advanced technologies and functions from the basic level 2 function. A typical basic level 2 function is a combination of Adaptive Cruise Control (ACC) and Lane Centering Control (LCC), which helps vehicles dynamically maintain a safe following distance and keeps the vehicles centered in the lane at the same time. An example of an level 2+ function is Automated Lane Change (ALC), which actively detects vehicles in the blind spot and, when clear, performs a lane change movement at the driver's request. A more advanced function of level 2+ is Navigation on Autopilot (NoA), which provides "navigation-assisted driving" in complex road environments, allowing the vehicle to autonomously drive to the destination as requested by the driver. Currently, the mass-produced autonomous driving solutions available are primarily for level 2 autonomous driving, including level 2+. Nevertheless, there is a significant focus on high-level autonomous driving in the automotive industry, and major governments are actively promoting the development of level 3 and above autonomous technology. In China, several pilot commercial programs are underway in cities such as Beijing, Shanghai, Guangzhou, Shenzhen, and more, to allow OEMs and autonomous driving solution providers to test and operate level 3 and above autonomous driving vehicles. As a result, there are level 3 and above autonomous driving solutions available in the market and they have been integrated into vehicles participating in these pilot programs, but in a very small scale.

The concept of level 2+ is not defined by SAE, but it is a commonly accepted and recognized terminology in the automotive industry. Level 2+ is commonly seen in many public disclosures. In addition, the concept of level 2+ is accepted by the SAE and many global companies in this industry. The term of level 2+ has been widely used by well-known financial institutions and research institutions. Furthermore, the understanding of the concept of level 2+ remains consistent across the industry.

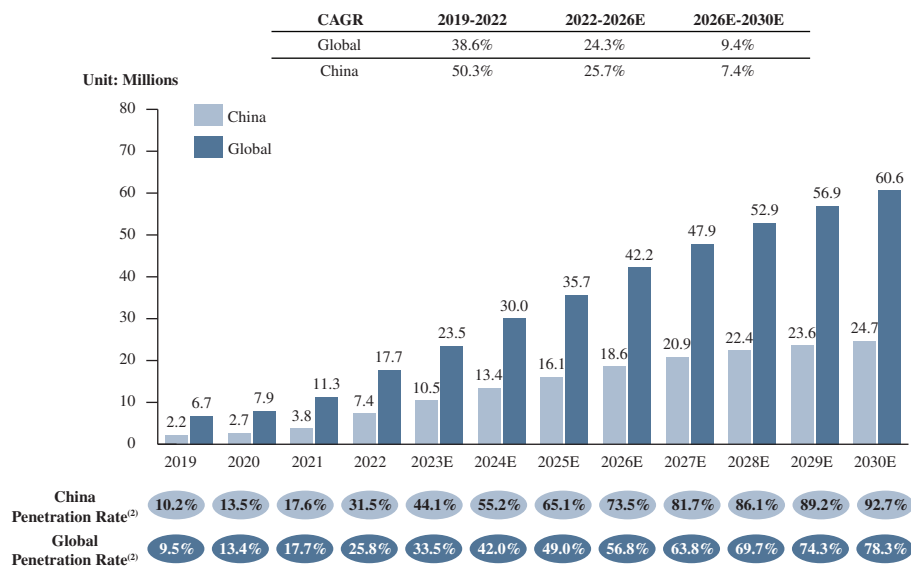
Overview of the Market of Autonomous Driving Passenger Vehicles

Due to rising consumer acceptance and more affordable autonomous driving solutions, the market of autonomous driving passenger vehicles is expanding rapidly. The global sales volume of autonomous driving passenger vehicles is expected to reach 42.2 million units by 2026 with a penetration rate of 56.8%, and 60.6 million units in 2030 with a penetration rate of 78.3%. Meanwhile, the sales volume of autonomous driving passenger vehicles in China is expected to reach 18.6 million units by 2026 with a penetration rate of 73.5%, and 24.7 million units by 2030 with a penetration rate of 92.7%.

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The charts below set forth the sales volume and penetration rate of autonomous driving passenger vehicles in China and globally.

Global and China Autonomous Driving Passenger Vehicle⁽¹⁾ Sales Volume



Source: Frost & Sullivan

Note:

- (1) Autonomous driving passenger vehicle refers to the vehicle featuring level 2 to level 5 automation, which has the need for AD domain controllers.
- (2) The penetration rate is calculated by dividing the number of newly sold autonomous driving passenger vehicles by the total number of newly sold passenger vehicles for the same year.

Key Drivers and Trends of the Autonomous Driving Passenger Vehicle Market

The growth drivers and future trends of the autonomous driving passenger vehicle market include:

- *Vehicle electrification.* Due to the greater control precision, lower latency, and more extensive redundant systems of NEVs as compared to ICE vehicles, autonomous driving solutions are widely used in NEVs. The industry trend of vehicle electrification provides a solid foundation for the advancement of autonomous driving technologies. Increasing penetration rates of NEVs will continue to fuel the expansion of the market of autonomous driving passenger vehicles.
- *Growing acceptance of autonomous driving solutions.* As the user experience and safety of vehicles can be enhanced by autonomous driving systems, vehicles that provide autonomous driving functions are preferred by consumers. In order to offer customers more competitive products, OEMs are actively seeking appropriate

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autonomous driving solutions that they can seamlessly integrate with their vehicle models. As a result, both supply and demand are driving the rapid growth of the market for autonomous driving passenger vehicles.

- *More affordable ADAS-equipped passenger vehicles.* The cost of sensors such as camera module and millimeter wave radar is declining due to the economies of scale and technological advancement, enabling ADAS to be available on entry-level vehicle models. It is expected that the cost of sensors will continue to decrease, making ADAS-equipped passenger vehicles more accessible and affordable.
- *Autonomous driving function advancement.* Autonomous driving solutions are founded on sensing and perception technologies and proprietary algorithms, and the safety validation of these solutions. Along with the improvement of autonomous driving solutions, it is expected that the demand of OEM customers for autonomous driving solutions and products will increase and lead to greater platform adoption. In addition, it is believed that the combination of data and intelligence will create a significant competitive advantage and differentiates innovative solutions providers, which are capable of advancing full autonomous solution capabilities based on real world data and continuous validation of the safety solution.
- *Favorable government policies.* Several governments around the world have implemented policies to promote the advancement of autonomous driving technologies. In particular, the Chinese government has issued a number of policies aimed at bolstering the R&D of intelligent vehicles and establishing a comprehensive and independent supply chain for intelligent vehicles.

Policies on Autonomous Driving Market in China

The PRC government authorities, including the State Council, the National Development and Reform Commission, the State Administration for Market Regulation and the Ministry of Transport, have issued a series of policies on the industry of autonomous driving and intelligent connected vehicles in recent years, aiming at providing policy and financial encouragement and support for strategic emerging industries at the national level: (i) the PRC government encourages enterprises in the fields of artificial intelligence and internet, etc. to develop into leading enterprises engaged in providing automobile propulsion system solutions; (ii) the PRC government optimized and upgraded digital infrastructure, especially for key emerging fields such as autonomous driving, and provided systematic artificial intelligence services; and (iii) the PRC government will strengthen the research and development of intelligent transport tools and key special equipment and promote the application of intelligent connected vehicles (such as the intelligent automobile, automatic driving, and coordinated vehicle network). In general, the PRC government regards the autonomous driving and intelligent connected vehicles industry as a national development plan and promotes its continuous development.

OVERVIEW OF THE AD DOMAIN CONTROLLER MARKET

Introduction of Vehicle Electrical/Electronic Architecture (E/E Architecture)

E/E architecture refers to the convergence of electronics hardware, network communications, software applications and wiring into one integrated system that controls an ever-increasing number of vehicle functions in the areas of vehicle control, body and security, infotainment, active safety, and other comfort, convenience, and connectivity functionality.

With the development of vehicle electrification and intelligence, vehicles can provide a number of functions, resulting in an increasing number of electronic components and a more intricate interaction between electronic components. Traditional distributed E/E architecture, with its disadvantages of complex layout and low communication efficiency, cannot meet the requirements of intelligent vehicles. Currently, the domain-centralized E/E architecture is evolving rapidly.

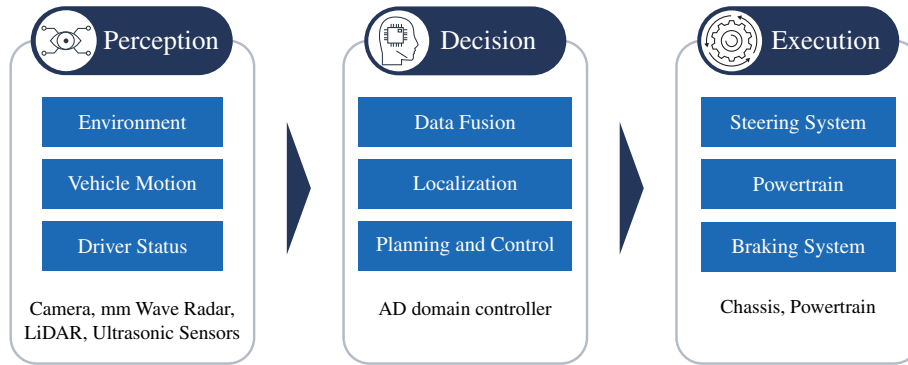
Typically, E/E architecture is divided into five functional domains: autonomous driving domain, cockpit domain, powertrain domain, chassis domain, and body domain. Automotive-grade component development and procurement cycles typically last longer than a year. For instance, it typically takes a provider of autonomous driving solutions, such as the one who offers intelligent front cameras and AD domain controllers, 12 to 24 months to develop products and solutions that can meet OEM specifications for a particular vehicle model. Advanced E/E architecture can effectively reduce the weight and material costs of vehicles, save R&D investments, shorten the development cycle, and enhance vehicle performance.

Introduction of AD Domain Controllers

Autonomous driving functions are typically realized through a process of perception, decision, and execution. An AD domain controller functions as the brain in autonomous driving solutions. It is connected to different sensors surrounding the vehicle, such as cameras, radar and LiDAR, fusing and processing data from sensors to make driving decisions and trigger actuators in the vehicles. Currently, high level autonomous driving at or above level 3 can only be achieved with AD domain controllers. Currently, AD domain controllers are mainly equipped on vehicles with level 2 (particularly level 2+) driving automation, primarily because (i) solutions with lower costs, such as intelligent front cameras, are preferred by OEMs to achieve level 1 and basic level 2 driving automation; and (ii) ADS solutions, which can achieve level 3 to level 5 autonomous driving, have not been commercialized in passenger vehicles in large scale.

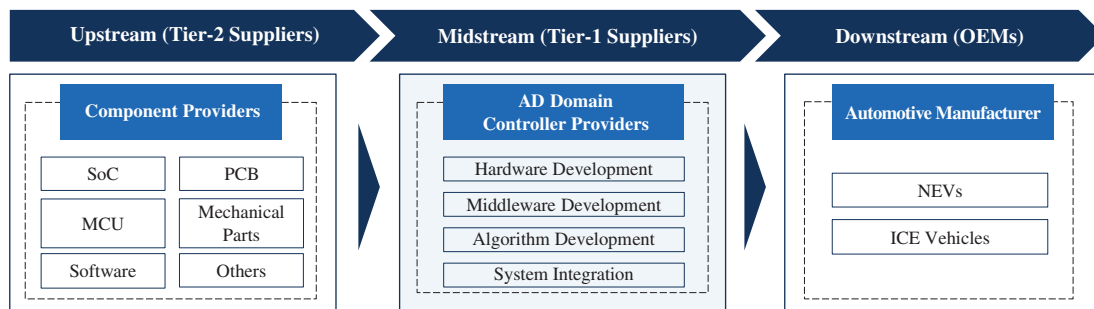
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The diagram below illustrates the main components of an autonomous driving solution.



The Value Chain of the AD Domain Controller Industry

The following chart illustrates the value chain of the AD domain controller industry.



Upstream participants, such as Mobileye, are Tier-2 suppliers for components of AD domain controllers, such as SoC, MCU, PCB, and software, with SoC being the most important and valuable component that is directly related to the performance of an AD domain controller.

Midstream participants include third-party AD domain controller providers, being the Tier-1 suppliers, who organically integrate the necessary software and hardware based on OEMs' needs. Our Company is a midstream participant in the AD domain controller industry value chain. Third-party AD domain controller providers are required to have a deep understanding of the technologies of software, hardware, functional safety, cyber security, E/E architecture, and autonomous driving. Leading third-party AD domain controller providers also develop their proprietary middleware and algorithms as their R&D capabilities increase.

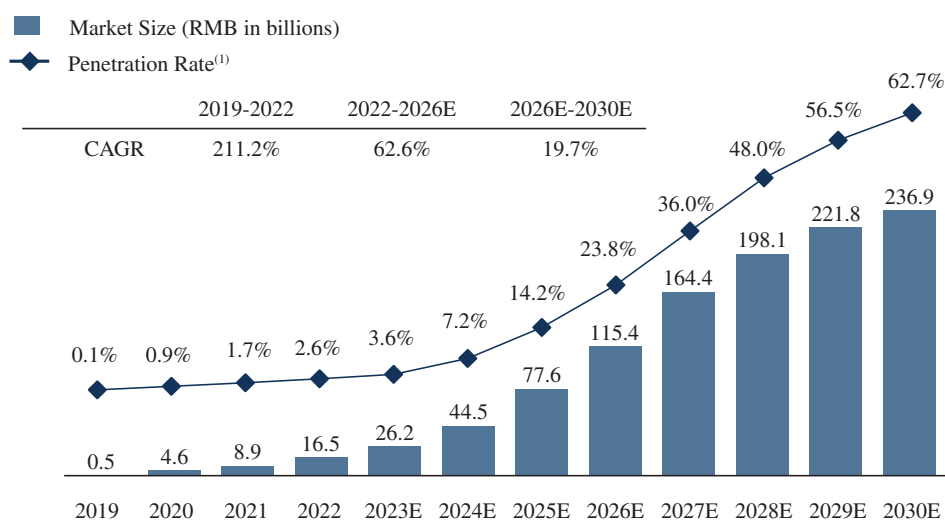
Downstream participants include OEMs in both the passenger and commercial vehicle sectors. OEMs are now actively promoting the domain-centralized E/E architecture, thereby increasing demand for AD Domain controllers.

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Market Size for AD Domain Controllers

Given the increasing importance of autonomous driving, the AD domain controller market has expanded rapidly in recent years. The size of global AD domain controller market grew from RMB0.5 billion in 2019 to RMB16.5 billion in 2022, representing a CAGR of 211.2%, and is expected to reach RMB115.4 billion in 2026, representing a CAGR of 62.6%. Along with market expansion, the penetration rate of AD domain controllers for passenger vehicles increased from 0.1% in 2019 to 2.6% in 2022, and is expected to reach 23.8% and 62.7% in 2026 and 2030, respectively. The chart below sets forth the global AD domain controller market size and penetration rate for passenger vehicles for the periods indicated.

Global AD Domain Controller Market Size and Penetration Rate for Passenger Vehicles



Source: Frost & Sullivan

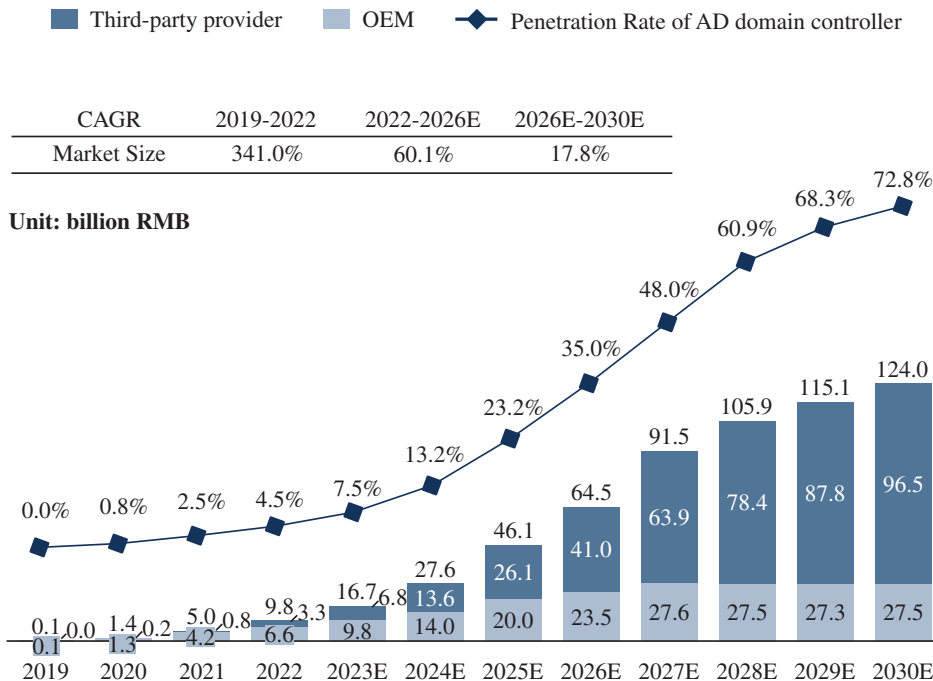
Note:

- (1) The penetration rate is calculated by dividing the number of newly sold passenger vehicles equipped with an AD domain controller by the total number of newly sold passenger vehicles for the same year.

Driven by the preference of Chinese customers for more advanced autonomous driving functions, as well as the rapid iteration of vehicle models by Chinese OEMs, the market size and penetration rate of AD domain controller in China increased significantly and is expected to continue to grow in the future. The growth rate of AD domain controller market in China from 2019 to 2022 was significantly higher than the global average. The size of AD domain controller market in China grew from RMB0.1 billion in 2019 to RMB9.8 billion in 2022, representing a CAGR of 341.0%, and is expected to reach RMB64.5 billion in 2026, representing a CAGR of 60.1%. Meanwhile, the penetration rate of AD domain controllers for passenger vehicles in China reached 4.5% in 2022 and is expected to rise to 35.0% and 72.8% in 2026 and 2030, respectively. The chart below sets forth the AD domain controller market size and penetration rate for passenger vehicles in China for the periods indicated.

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China AD Domain Controller Market Size and Penetration Rate for Passenger Vehicles, Breakdown by Third-party Provider and OEM

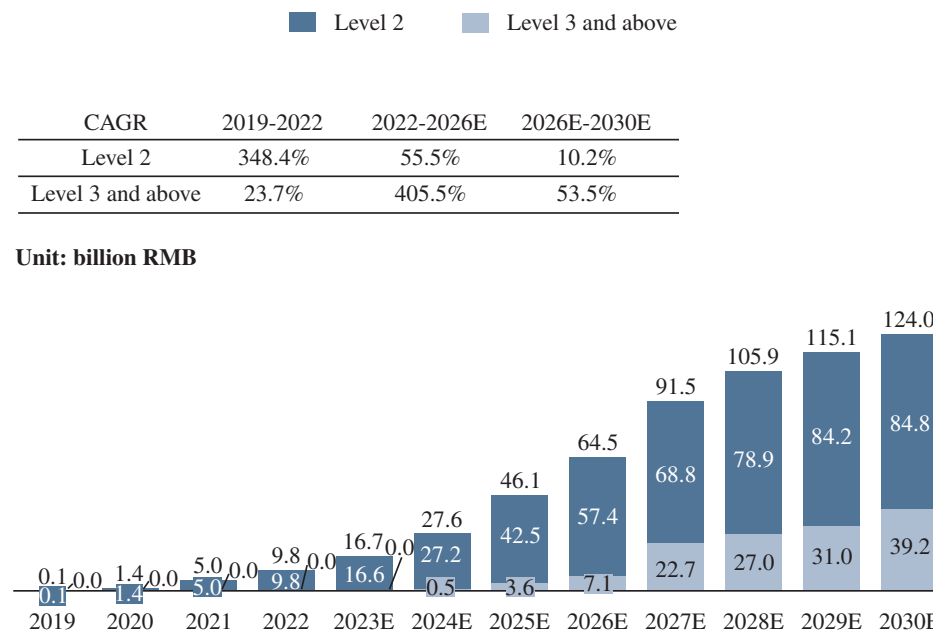


Source: Frost & Sullivan

Note:

- (1) The penetration rate is calculated by dividing the number of newly sold passenger vehicles equipped with an AD domain controller by the total number of newly sold passenger vehicles for the same year.

China AD Domain Controller Market Size, Breakdown by Level of Autonomous Driving



Source: Frost & Sullivan

Growth Drivers of the AD Domain Controller Market

The growth drivers for the AD domain controller market include:

- *Sustained growth of autonomous driving passenger vehicle market.* The development of the AD domain controller market is highly consistent with the sales of autonomous driving passenger vehicles. Global sales of autonomous driving passenger vehicles are rapidly increasing due to trend of vehicle electrification, technological advancements, comprehensive cost reductions, and changing consumer preferences. Therefore, the increasing investments of OEMs in this area result in a rapid increase in the penetration rate of AD domain controllers and a rapid expansion of the AD domain controller market.
- *Automotive E/E architecture transformation.* Advanced E/E architecture is necessary for OEMs to keep their competitive edge. Therefore, OEMs have prioritized the transformation and upgrade of automotive E/E architecture from a distributed to a domain-centralized system. Domain controllers offer numerous advantages over traditional distributed ECUs, such as lower overall vehicle cost, reduced wiring complexity, lighter weight, lower software development complexity, and shorter vehicle verification cycles. Furthermore, domain controllers improve the efficiency of the subsequent OTA updates, which are becoming increasingly important nowadays. With OTA updates, autonomous driving solution providers and OEMs can provide drivers with up-to-date autonomous driving functions throughout the lifecycle of their vehicles. Moreover, the development of AD domain controllers has become critical in realizing high performance autonomous driving functions. Going forward, an increasing number of automotive models with advanced E/E architecture are expected to be introduced, supporting the rapid expansion of the AD domain controller market.
- *Development of level 2+ autonomous driving functions.* A growing number of OEMs are actively working to integrate autonomous driving functions that are close to level 3 automation, especially for premium vehicle models. Taking NoA as an example, several OEMs have launched vehicle models equipped with Highway NoA functions in recent years and have also announced plans to launch Urban NoA functions that will support driving in more complex urban environments. Such advanced autonomous driving capabilities require AD domain controllers with powerful built-in hardware and software. OEMs will continue to introduce vehicles providing level 2+ autonomous driving functions in the future to improve the competitiveness of their products. This will continue to drive the continuous increase in needs of high-performance AD domain controllers.
- *Technological advancement and cost reduction of key components.* The SoC is the most important piece of hardware in the AD domain controller, and its performance determines, to some extent, the overall performance of the AD domain controller. Computing power is the ability of a SoC to process data in a unit of time. Typically,

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AD domain controllers with high-computing-power SoCs are able to perform more complex autonomous driving tasks, such as NoA. In recent years, international and domestic chip manufacturers have increased their investment in the development of SoCs. In addition, as a result of the advancement in SoC technologies and increase in production scales, the unit cost of computing power continues to decline. Furthermore, due to the increasing number of SoC suppliers, a variety of SoC types are available to third-party AD domain controller providers and OEMs. As a result, third-party AD domain controller providers can develop different products catering to the needs of various vehicle models based on different SoC types.

Future Trends of the AD Domain Controller Market

The future trends for the AD domain controller market include:

- *Integration of driving and parking functions.* Driving and parking assistance are the two main parts of autonomous driving functions. In traditional solutions, driving and parking functions are managed separately by two independent controllers. The driving controller can only access driving-related sensors, such as front cameras and millimeter wave radar, whereas the parking controller can only access parking-related sensors, such as fisheye cameras and ultrasonic radar. Compared to the traditional solution, the driving-parking-integrated AD domain controllers enable systematic integration of driving and parking sensors, which can achieve better performance, improve the development and iteration efficiency of AD domain controllers and save manufacturing costs. With these benefits, integrated AD domain controllers for driving and parking functions are expected to become the mainstream.
- *Cockpit integration.* With the advancement of automotive E/E architecture, the integration of different functional domains via cross domain collaboration has emerged as a new target in the development of intelligent vehicles. The integration of intelligent cockpit and autonomous driving domains has emerged as the next focus of the automotive industry. An intelligent cockpit is a vehicle system that uses smart features such as displays, audio systems, and seats to cater to personalized user needs. It acts as a bridge between the vehicle, the driver, and the passengers, and it improves driving experiences by creating a comfortable and interactive environment. A domain controller that can manage both the cockpit domain and autonomous driving domain can effectively reduce manufacturing costs and improve communication efficiency.
- *Decoupling of software and hardware.* AD domain controller is a complicated system that combines a number of software and hardware components. Traditionally, the development of AD domain controllers requires a close integration of software and hardware, resulting in relatively high development costs. Following the trend of decoupling of software and hardware with the development of middleware, software and algorithms will be able to switch between different hardware more efficiently.

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As a result, it improves the adaptability of AD domain control solutions to various vehicle models, effectively lowering development costs and increasing development efficiency. Therefore, the software-hardware decoupling of the AD domain controller has become an important trend in the industry.

Entry Barrier to the AD Domain Controller Market

The entry barriers to the AD domain controller market include:

- *Technical Capabilities.* Developing an AD domain controller is a complex system engineering task that requires knowledge in different areas, including a comprehensive understanding of various automotive functions, and expertise in operating systems, middleware, functional safety and cyber security. However, it can be difficult for new entrants to assemble a competent team with extensive knowledge and experience, and any deficiency can negatively impact their market competitiveness.
- *Capabilities for providing services.* Software and hardware development for an AD domain controller is complex, demanding, and time-consuming. OEMs are aggressively shortening the development cycle for domain controllers as competition on the automotive market intensifies. To remain competitive, third-party AD domain controller providers need to have strong service capabilities, technical proficiency, development experience, and resource allocation skills to quickly resolve issues during the development process. In contrast, new entrants may have difficulty establishing this comprehensive capability, putting them at a disadvantage in attracting new customers.
- *Customer Relationship.* Autonomous driving technologies have a significant impact on the driving experience and safety performance. Therefore, OEMs and suppliers need to work closely together during the entire development process of AD domain controllers, which are the core of autonomous driving solutions. It is unlikely that an OEM will quickly switch suppliers after selecting an autonomous driving solution for a specific vehicle model. As a result, it is challenging for new players to replace existing suppliers for a particular vehicle model.

Cost Structure

The AD domain controller is a complex system comprising both hardware and software. Generally, the software contributes to 20%-40% of the overall cost of an AD domain controller, while the hardware includes SoCs, MCUs, PCBs, resistors, capacitors, and structural parts, accounting for approximately 60%-80% of the total cost. Among them, SoCs are the most valuable component and have a great impact on the performance of an AD domain controller. Generally, automotive-grade SoCs account for 20%-40% of the overall cost of an AD domain controller. The price of the automotive-grade SoC varies greatly, with computing power measured in Tera Operations per Second (“TOPS”) being the most important factor. The cost

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of automotive-grade SoC has reduced dramatically due to technological advancements and economies of scale, from RMB60 to RMB120 per TOPS in 2019 to RMB20 to RMB65 per TOPS in 2022, and is expected to decrease over time and reach RMB10 to RMB30 per TOPS by 2030. Due to technological advancements and increased production scale, the cost of AD domain controllers is expected to decrease over time. In addition, it is common for AD domain controller providers to annually reduce their average selling prices as a means to enhance their competitive edge.

Competitive Landscape of the AD Domain Controller Market

Currently, the AD domain controller market for passenger vehicles in China primarily includes two types of players, OEMs and third-party AD domain controller providers. OEMs develop AD domain controllers on their own, which are applied to their own vehicle models and are not sold to third parties. Third-party AD domain controller providers in China are companies that design, develop and produce AD domain controllers for OEMs. There is a high degree of market concentration for AD domain controller market for passenger vehicles in China, with the largest player, an OEM, holding a 51.7% revenue share in 2022. Revenue generated by third-party AD domain controller providers amounted to RMB3.3 billion in aggregate in 2022, accounting for 33.1% of the overall AD domain controller market for passenger vehicles in China.

OEMs consider a number of factors when deciding whether to develop a component in-house or outsource it to a third party, including technical barriers, cost-effectiveness, and the initial investment required, among others. In general, OEMs are more likely to procure components with high development and production costs and high technological barriers from third-party suppliers rather than developing and producing in-house.

One key advantage that third-party suppliers possess over OEMs is their ability to achieve cost efficiency through large sales volume. For instance, when OEMs self-develop AD domain controllers exclusively for their own vehicles, it becomes challenging to achieve economies of scale. However, third-party providers can supply their products to multiple OEMs without any limitations, enabling them to benefit from larger economies of scale and cost advantages.

In addition to cost efficiency, the development of automotive components, such as AD domain controllers, demands comprehensive R&D capabilities, technical expertise, and access to skilled talent. While only a limited number of OEMs may possess the necessary resources for in-house development, third-party AD domain controller providers have a distinct advantage. They can invest more resource and leverage collaborative relationships with various OEMs to pool their expertise, accumulate technical know-how, and enhance their product performance through shared knowledge and experiences.

Furthermore, OEMs are willing to procure from third-party suppliers to maintain their technological competitiveness, especially for components that require continuous improvement and rapid iteration. Third-party providers, with their large customer base, have the opportunity to be at the forefront of market demands and access advanced technologies. This allows them

INDUSTRY OVERVIEW

to engage in quick and effective technological iterations and product updates, providing OEMs with advanced solutions. Consequently, by choosing third-party suppliers, OEMs can tap into a vast network of innovative solutions and remain competitive in the rapidly evolving automotive industry.

Some OEMs began developing and manufacturing AD domain controllers at an early stage in the industry, when there were few third-party companies focusing on AD domain controllers and traditional auto parts suppliers were unable to meet the OEMs' unique requirements. These OEMs used their self-developed products to demonstrate their R&D capabilities, expand their customer base and gain competitive advantages at the early stage in the industry, therefore they were willing to invest significantly in R&D. With the development of the autonomous driving industry it is expected that to enhance cost efficiency and technological competitiveness, most of OEMs will adopt a strategy to outsource the development and production of AD domain controller to third parties. Therefore, it is anticipated that third-party AD domain controller providers will occupy a larger market share in the future by offering more diverse and cost-effective solutions to OEMs.

Although Tier-1 suppliers in automotive industry tend to lower the selling prices to compete in the market, third-party AD domain controller providers maintain their profitability by continually reducing their production cost based on (i) their increasing economies of scale, (ii) technological advancements and innovation, (iii) cost reduction of components, and (iv) production efficiency improvement. First, large-scale production typically leads to higher output and more efficient production processes, resulting in lower unit costs. With increasing production volume, third-party AD domain controller providers can benefit from economies of scale and lower costs in raw material procurement, manufacturing, among others. Second, AD domain controller technology will continue to advance and evolve over time. New manufacturing technologies and processes, like smaller sized and more integrated chip designs and advanced manufacturing processes, will be introduced to make production more efficient and cost-effective. Third, due to the progress in technology and economies of scale, the cost of automotive-grade SoC has decreased significantly, from RMB60 to RMB120 per TOPS in 2019 to RMB20 to RMB65 per TOPS in 2022. It is expected that the cost of automotive-grade SoC would continue to decrease in the future due to improving technologies. Finally, measures such as the application of automation technology, lean manufacturing, and improved quality management can reduce labor costs, enhance production processes and efficiency.

The top five market participants accounted for 87.1% of all third-party AD domain controller providers' revenue in 2022. We are the second largest third-party AD domain controller provider in China in terms of revenue generated from sales of AD domain controllers in 2022, with a market share of 26.2%. The following chart sets forth the top five third-party AD domain controller providers in China by revenue in 2022.

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Ranking	Third-party AD Domain Controller Providers	Background Information	Market Share
1	Desay SV	A provider of automotive electronics that specializes in offering comprehensive solutions for intelligent cockpits, autonomous driving, and connected services. Desay SV was established in 1986 and is listed on the Shenzhen Stock Exchange.	44.6%
2	Our Company	–	26.2%
3	Hongjing Drive	A provider of autonomous driving solutions, including software, hardware and AD domain controllers. Hongjing Drive was established in 2018 and is headquartered in Hangzhou.	7.1%
4	Technomous	A provider of autonomous driving solutions that specializes in AD domain controllers. Technomous was established in 2018 and is headquartered in Shanghai.	4.9%
5	FreeTech	A provider of autonomous driving solutions that specializes in AD domain controllers. FreeTech was established in 2017 and is headquartered in Hangzhou.	4.3%
	Others		12.9%
	Total		100.0%

Note:

The revenue used to calculate market shares is solely based on AD domain controller sales, excluding any sales from sensors integrated in the autonomous driving solutions provided to OEM customers.

We are the fourth overall largest AD domain controller provider in China in terms of revenue generated from sales of AD domain controllers in 2022, with a market share of 8.6%. The following chart sets forth top 10 AD domain controller providers in China, including OEMs and third-party AD domain controller providers, by revenue in 2022. These companies' AD domain controllers can be used in level 2 (including level 2+) autonomous driving solutions, and all competitors are developing autonomous driving solutions of level 3 and beyond.

We are one of the few companies in the industry to achieve large-scale commercialization in China for autonomous driving solutions. The market for AD domain controllers experienced rapid growth in recent years. Nevertheless, in 2022, only five third-party providers in China, including our Company, attained AD domain controller revenues exceeding RMB100 million. According to Frost & Sullivan, this threshold serves as an indicator of companies achieving large-scale commercialization.

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Ranking	Entity	Company Name	Market share
1	OEM	Tesla	51.7%
2	Third-party	Desay SV	14.8%
3	OEM	NIO	14.2%
4	Third-party	Our Company	8.6%
5	Third-party	Hongjing Drive	2.3%
6	Third-party	Technomous	1.6%
7	Third-party	FreeTech	1.4%
8	Third-party	Hirain Technologies	0.8%
9	Third-party	Bosch	0.7%
10	Third-party	Continental AG	0.5%
		Others	3.2%
		Total	100.0%

Note:

The revenue used to calculate market shares is solely based on AD domain controller sales, excluding any sales from sensors integrated in the autonomous driving solutions provided to OEM customers.

OVERVIEW OF THE INTELLIGENT FRONT CAMERA MARKET

An intelligent front camera is capable of collecting and analyzing environmental data, identifying road conditions and navigating vehicles. The intelligent front camera is installed in the front of a vehicle and monitors traffic ahead, allowing the vehicle to maintain a safe speed, stay in lane, maintain a safe distance from vehicles ahead, and respond to emergencies. Intelligent front cameras are equipped with one or multiple camera modules, and have limited autonomous driving function coverage, typically including Adaptive Cruise Control (ACC), Lane Centering Control (LCC), and Autonomous Emergency Braking (AEB). The vehicle models that intelligent front cameras target are entry-level vehicles to achieve level 1 or basic level 2 autonomous driving functions.

The following table illustrates main differences between an AD domain controller and an intelligent front camera.

	<u>AD Domain Controller</u>	<u>Intelligent Front Camera</u>
Sensors	An AD domain controller is connected with multiple sensors in the vehicle (including cameras, ultrasonic sensors, radar, etc.)	An intelligent front camera is equipped with one or multiple camera module

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	<u>AD Domain Controller</u>	<u>Intelligent Front Camera</u>
Target Vehicle Model	Mid- to high-end vehicle with L2+ or beyond autonomous driving functions	Entry-level vehicle with level 1 or basic level 2 autonomous driving functions
Functions	Cover the functions of intelligent front camera, and can also achieve other functions such as Navigate on Autopilot (NoA), and Home-zone Parking Assistance (HPA)	Limited autonomous driving function coverage, typically including Adaptive Cruise Control (ACC), Lane Centering Control (LCC), and Autonomous Emergency Braking (AEB)

The market for intelligent front cameras has been rapidly growing, due to the increasing penetration rate of level 2 autonomous driving passenger vehicles. The global market for intelligent front cameras grew at a 21.6% CAGR from RMB8.7 billion in 2019 to RMB15.7 billion in 2022. The intelligent front camera market in China increased at a 30.0% CAGR from RMB2.9 billion in 2019 to RMB6.3 billion in 2022. The following chart sets forth the top five intelligent front camera providers in China by revenue in 2022. Since we only began series production of iFC 2.0 in August 2021 and sales were still in a ramp-up period, our market share was only approximately 0.05% based on revenue in 2022.

Ranking	Company Name	Market Share
1	Bosch	24.9%
2	Denso	18.6%
3	Aptiv	8.7%
4	ZF	6.2%
5	Veoneer	5.2%
Total		63.6%

Key Drivers and Trends of the Intelligent Front Camera Market

- The growing adoption of level 2 autonomous driving solutions will promote the development of intelligent front cameras. The penetration rate of global autonomous driving passenger vehicles is expected to reach 56.8% in 2026 and 78.3% in 2030. Meanwhile, the penetration rate of autonomous driving passenger vehicles in China is expected to reach 73.5% in 2026 and 92.7% in 2030. As the intelligent front camera is widely accepted in level 2 autonomous driving solutions, there is still plenty of room for growth in the market. For intelligent front camera providers, it is an industry norm to annually reduce their average selling prices as a means to increase market share.

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- Adding intelligent features (such as intelligent front cameras) to a vehicle is, on the one hand, more in line with consumer demand for safety and intelligence, and, on the other hand, can result in a higher score in the relevant vehicle tests (such as the C-NCAP) for OEMs. Therefore, we believe intelligent front cameras, as one of the most cost-effective safety assistance solutions, have the potential to become a popular choice for OEMs to include in their vehicle models in the future.
- An intelligent front camera can replace the traditional one camera one millimeter wave radar (1V1R) combination to reduce the material costs of vehicles. The vehicle lateral control and longitudinal control are primarily accomplished by using the millimeter wave radars and cameras. An intelligent front camera can achieve comparable performance to traditional 1V1R combinations at a lower cost, and thus have a higher market acceptance.
- Intelligent front cameras with dual camera lens and multi camera lens become more popular in the market. Products with two cameras can achieve detection of distance and wider field of view. Some companies which adopt camera system as main perception system, like Tesla, have used products with three cameras.

SOURCE OF INFORMATION

In connection with the Global Offering, we have engaged Frost & Sullivan to conduct a detailed analysis and prepare an industry report on the markets in which we operate. Frost & Sullivan is an independent global market research and consulting company which was founded in 1961 and is based in the United States. Services provided by Frost & Sullivan include market assessments, competitive benchmarking, and strategic and market planning for a variety of industries. We incurred a total of RMB500,000 in fees and expenses for the preparation and update of the Frost & Sullivan Report. The payment of such amount was not contingent upon our successful Listing or on the results of the Frost & Sullivan Report. Except for the Frost & Sullivan Report, we did not commission any other industry report in connection with the Global Offering.

We have included certain information from the Frost & Sullivan Report in this document because we believe such information facilitates an understanding of the markets in which we operate for potential investors. Frost & Sullivan prepared its report based on its in-house database, independent third-party reports and publicly available data from reputable industry organizations. Where necessary, Frost & Sullivan contacts companies operating in the industry to gather and synthesize information in relation to the market, prices and other relevant information. Frost & Sullivan believes that the basic assumptions used in preparing the Frost & Sullivan Report, including those used to make future projections, are factual, correct and not misleading. Frost & Sullivan has independently analyzed the information, but the accuracy of the conclusions of its review largely relies on the accuracy of the information collected. Frost & Sullivan research may be affected by the accuracy of these assumptions and the choice of these primary and secondary sources.

REGULATORY OVERVIEW

PRC LAWS AND REGULATIONS

We are subject to a variety of PRC laws, rules and regulations affecting many aspects of our business. This section summarizes the principal PRC laws, regulations and rules that we believe are relevant to our business and operations.

Regulations on Company Establishment and Foreign Investment

The PRC Company Law (《中華人民共和國公司法》), which was promulgated by the Standing Committee of the National People’s Congress (the “**SCNPC**”) and further amended in December 1999, August 2004, October 2005, December 2013 and October 2018, applies to the establishment, operation and management of both PRC domestic companies and foreign-invested enterprises. According to the PRC Company Law, where there are otherwise provisions in the laws relating to foreign investment, such provisions shall prevail.

The Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the “**FIL**”), which was promulgated by the National People’s Congress (the “**NPC**”) on March 15, 2019, and came into effect on January 1, 2020, provides that the “foreign investment” refers to the investment activities in China carried out directly or indirectly by foreign individuals, enterprises or other organizations (the “**Foreign Investors**”), including the following: (1) Foreign Investors establishing foreign-invested enterprises in China alone or collectively with other investors; (2) Foreign Investors acquiring shares, equities, properties or other similar rights of Chinese domestic enterprises; (3) Foreign Investors investing in new projects in China alone or collectively with other investors; and (4) Foreign Investors investing through other ways prescribed by laws and regulations or the State Council. The FIL further adopts the management system of pre-establishment national treatment and negative list for foreign investment. The “pre-establishment national treatment” refers to granting to foreign investors and their investments, in the stage of investment access, the treatment no less favorable than that granted to domestic investors and their investments; the “negative list” refers to special administrative measures for access of foreign investment in specific fields as stipulated by the State. The FIL granted national treatment to foreign investments outside the negative list. The negative list will be released by or upon approval of the State Council.

In December 2019, the State Council promulgated the Regulations on Implementing the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) (the “**Implementation Rules**”) which came into effect in January 2020. The Implementation Rules further clarified that the state shall encourage and promote foreign investment, protect the lawful rights and interests in foreign investments, regulate foreign investment administration, continue to optimize foreign investment environment, and advances a higher-level opening.

Investment activities in the PRC by foreign investors were principally governed by the Special Administrative Measures (Negative List) for Access of Foreign Investment (2021 version) (《外商投資准入特別管理措施(負面清單)(2021年版)》) (the “**Negative List**”), and the Catalogue of Industries for Encouraging Foreign Investment (《鼓勵外商投資產業目錄(2022年版)》) (the “**Encouraging List**”) promulgated by the MOFCOM and the NDRC in

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October 2022. The Negative List, which came into effect on January 1, 2022, sets out special administrative measures (restricted or prohibited) in respect of the access of foreign investments in a centralized manner, and the Encouraging List, which came into effect on January 1, 2023, sets out the encouraged industries for foreign investment. The Negative Lists cover 12 industries, and any field not falling in the Negative Lists shall be administered under the principle of equal treatment for domestic and foreign investment. Our business as currently conducted does not fall within the confines of the Negative Lists and is not subject to special administrative measures.

The Measures on Reporting of Foreign Investment Information (《外商投資信息報告辦法》) was released by the MOFCOM and the State Administration for Market Regulation (the “SAMR”) on December 30, 2019, and became effective on January 1, 2020. Foreign investors directly or indirectly conducting investment activities within the territory of China shall submit the investment information through submission of initial reports, change reports, deregistration reports, annual reports etc. to the competent commerce authorities in accordance with The Measures on Reporting of Foreign Investment Information. When submitting an annual report, a foreign-invested enterprise shall submit the basic information on the enterprise, the information on the investors and their actual controlling party, the enterprise’s operation and asset and liabilities information etc, and where the foreign investment admission special administrative measures are involved, the foreign investment enterprise shall also submit the relevant industry licensing information.

Regulations and Industry standards on Autonomous Driving and Intelligent Connected Vehicles Industry

In 2006, in order to promote the rapid development of China’s automotive product safety technology level, reduce the casualty rate in road traffic accidents, and achieve the goal of building a harmonious automotive society, China Automotive Technology Research Center officially established the C-NCAP (中國新車評價規程) based on fully considering the actual situation of road traffic accidents in China, combined with China’s automotive standards, technology, and economic development level. With the smooth implementation of C-NCAP and the in-depth study of C-NCAP, China Automotive Technology Research Center has also improved and upgraded the C-NCAP Management Code many times, which has been amended in 2006, 2009, 2012, 2015, 2018 and 2021. According to the C-NCAP, OEMs are responsible to carry out the testing.

C-NCAP aims at establishing a high standard, fair and objective vehicle safety performance evaluation method to promote the development of vehicle safety technology and pursue higher safety concept. The significance of the project is to provide consumers with safety information of newly released vehicles, promote production enterprises to strengthen attention to safety standards, improve vehicles’ safety performance and technology level, and enable vehicles’ excellent safety performance to be reflected in the evaluation. Moreover, C-NCAP will rate the pilot with stars based on the overall scoring rate of three aspects: passenger protection, pedestrian protection and active safety. The scoring rate for passenger protection, pedestrian protection and active safety shall be calculated according to the test item

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respectively, and the scoring rate shall be multiplied by the weight coefficients of the three parts and the final result shall be the comprehensive scoring rate. The standards for star-level rating of comprehensive scoring rate are: no less than 92% shall be rated as 5 + star, no less than 83% and no more than 92% shall be rated as 5 stars, no less than 74% and no more than 83% shall be rated as 4 stars, no less than 65% and no more than 74% shall be rated as 3 stars, no less than 45% and no more than 65% shall be rated as 2 stars and a rating of less than 45% is 1-star.

The Taxonomy of Driving Automation for Vehicles (《汽車駕駛自動化分級》) was promulgated by the SAMR and Standardization Administration on August 20, 2021 and became effective on March 1, 2022, which refers to the corresponding standard of Society of Automotive Engineers, and stipulates that the standards for autonomous driving can be divided into: Level 0 (emergency assistance), Level 1 (partial driver assistance), Level 2 (combined driver assistance), Level 3 (conditionally automated driving), Level 4 (highly automated driving) and Level 5 (fully automated driving).

Moreover, Level 0 requires the driving automation system to have the capability to continuously perform detection and response of a part of the object and event, and when the driver requests the exit of the driving automation system, the control right of the system should be immediately released. Level 1 requires the driving automation system to continuously perform vehicle lateral or longitudinal motion control in a dynamic driving task on the basis of Level 0, and requires the driving automation system to have a partial capability of object and event detection and response in accordance with the vehicle lateral or longitudinal motion control. Level 2 further requires the driving automation system to satisfy the corresponding capabilities of both lateral and longitudinal motion control of vehicles. Level 3 mainly requires that the driving automation system be able to perform the full range of dynamic driving tasks under its designed operating conditions after activation. Level 4 mainly requires that the driving automation system should be able to automatically implement the minimum risk strategy when the relevant event happens and the user does not respond to the intervention request. Furthermore, Level 5 requires that the driving automation system has no limitation on the designed operating range and is able to achieve fully automated driving.

The Ministry of Industry and information Technology (the “MIIT”), the Ministry of Public Security and the Ministry of Transport jointly issued and implemented the Rules for the Administration of the Road Testing and Demonstrative 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)》) on July 27, 2021, which was implemented from September 1, 2021, any entity intending to conduct a road testing of autonomous driving vehicles must obtain a road-testing certificate and a temporary license plate for each tested vehicle. To qualify for above testing certificate and temporary license plate, an applicant entity must satisfy, among others, the following requirements: (1) it must be an independent legal person registered in PRC with the capacity to conduct intelligent connected vehicles-related businesses such as manufacturing, technological research and testing of vehicles and vehicle parts, which has established protocol to test and assess the performance of autonomous driving system and is capable of conducting real-time remote monitor of the road tested vehicles, and with the ability of event recording,

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analysis and reproduction of the vehicles under road testing and ensuring the network security of the vehicles under road testing and the remote monitor platforms; (2) the vehicle under road testing must be equipped with a driving system that can switch between autonomous pilot mode and human operating mode in a safe, quick and simple manner and allows human driver to take control of the vehicle any time immediately when necessary; (3) the tested vehicle must be equipped with the functions of recording, storing and real-time monitoring the condition of the vehicle and is able to transmit real-time data of the vehicle, such as the driving mode, location and speed; (4) the applicant entity must sign an employment contract or a labor service contract with the driver of the tested vehicle, who must be a licensed driver with more than three years' driving experience and a track record of safe driving and is familiar with the testing protocol for autonomous driving system and proficient in operating the system; (5) the applicant entity must insure each tested vehicle for at least RMB5 million against car accidents or provide a letter of guarantee covering the same. In addition, during testing, the testing entity should post a noticeable identification logo for autonomous driving test on each tested car and should not use autonomous driving mode unless in the permitted testing areas specified in the road-testing certificate. If the testing entity intends to conduct road testing in the region beyond the administrative territory of the certificate issuing authority, it must apply for a separate road-testing certificate and a separate temporary license plate from the relevant authority supervising the road-testing of autonomous cars in that region.

On March 24, 2021, the Ministry of Public Security promulgated the Road Traffic Safety Law (Revised Proposal Draft) (《道路交通安全法(修訂建議稿)》), which stipulates that vehicles with autonomous driving functions should pass road testing on closed roads and venues, obtain temporary driving license plates, and conduct road testing at designated times, areas, and routes according to regulations. Those who have passed the test and are allowed to be produced, imported, or sold in accordance with relevant laws and regulations, and those who need to pass on the road shall apply for a motor vehicle license plate. Moreover, vehicles with autonomous driving function and manual direct operation mode should record real-time driving data when conducting road tests or passing on the road; the driver should be in the driver's seat of the vehicle, monitor the operation status and surrounding environment of the vehicle, and be ready to take over the vehicle at any time. In case of road traffic safety violations or traffic accidents, the responsibility of the driver and the development unit of the autonomous driving system shall be determined according to law, and the liability for damages shall be determined in accordance with relevant laws and regulations. If a crime is constituted, criminal responsibility shall be pursued in accordance with the law. And vehicles with autonomous driving function but without manual direct operation mode shall be separately stipulated by relevant departments of the State Council for road traffic. Furthermore, the autonomous driving function should be tested and qualified by a third-party testing agency engaged in automotive related business with corresponding qualifications. As of the Latest Practicable Date, the aforementioned provisions of the Road Traffic Safety Law (Revised Proposal Draft) have not been formally adopted.

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

In 2017, the MIIT and the National Standardization Administration jointly released the world's first intelligent connected vehicle standard system – the Guidelines for the Construction of the National Connected Vehicle Industry Standard System (Intelligent Connected Vehicles) (《國家車聯網產業標準體系建設指南(智能網聯汽車)》), which made a systematic plan and deployment for China's intelligent connected vehicle standard system and established the Intelligent Connected Vehicles Sub technical Committee of the National Automotive Standardization Technical Committee, Coordinate the construction of the standard system for intelligent connected vehicles. As of now, the first phase of the construction of the intelligent connected vehicle standard system has been successfully completed. Moreover, according to the construction method of the technical logical structure and product physical structure of intelligent connected vehicles, taking into account different functional requirements, product and technology types, and information flow between various subsystems, the government defines the standard system framework of intelligent connected vehicles as four parts: “Foundation”, “General Specifications”, “Product and Technology Applications”, and “Relevant Standards”. Foundation mainly includes three types of basic standards, such as terminologies and definitions, classification and coding, identifications and symbols of intelligent connected vehicles. General Specifications put forward the overall requirements and specifications from the vehicle level, mainly including function evaluation, human-machine interface, function safety and information safety, etc. Product and Technology Applications mainly cover the functions, performance requirements, and testing methods of core technologies and applications of intelligent connected vehicles, such as information perception, decision warning, auxiliary control, automatic control, and information interaction. Relevant Standards mainly include communication protocols, the foundation of vehicle information communication, which mainly cover protocol specifications on medium, short-range communication, wide area communication and other aspects of the realization of intelligent information interaction among vehicles (individual passengers, vehicles, roads, clouds, etc.), and they also include standard specifications for software and hardware interface between various physical layers and different application layers.

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In order to implement the National Standardization Development Outline (《國家標準化發展綱要》), promote the high-quality development of the intelligent connected vehicle industry, and accelerate the construction of an automobile power, MIIT has revised and improved the Guidelines for the Construction of the National Connected Vehicle Industry Standard System (Intelligent Connected Vehicles) based on the development of the intelligent connected vehicle technology industry, further formed the Guidelines for the Construction of the National Internet of Vehicles Industry Standard System (Intelligent Connected Vehicles) (2023 Edition) (《國家車聯網產業標準體系建設指南(智能網聯汽車)(2023年版)》), which provided that the government will establish a standard system for intelligent connected vehicles that adapts to China's national conditions and is in line with international standards in stages based on the current status of intelligent connected vehicle technology, industry needs, and future development trends. Moreover, regarding the stage 1 to 2025, the government will systematically form the system of standards for intelligent connected vehicles that can support the combined driving assistance and general functions of self-driving and formulate and revise over 100 relevant standards for intelligent connected vehicles to satisfy the demand for standardization of intelligent connected automobile technology, industry development and government administration. Regarding the stage 2 to 2030, a standard system for intelligent connected vehicles that can support the coordinated development of bicycle intelligence and connected vehicle empowerment will be fully formed, and the government will formulate and revise more than 140 standards related to intelligent connected vehicles, and establish an implementation effect evaluation and dynamic improvement mechanism to satisfy the demand for full-scene application of combined driving assistance, automatic driving and networked functions. Furthermore, the government will establish and improve a safety guarantee system, as well as a support system for software, hardware, and data resources. The coordination of international standards and regulations in key areas such as autonomous driving will reach an advanced level.

According to the Circular of the State Council on Issuing the Plan for Developing the Next Generation Artificial Intelligence (《國務院關於印發新一代人工智能發展規劃的通知》), the government will take three steps, the first step is that its overall technologies and applications of artificial intelligence should be synchronized with the world's advanced level by 2020. The second step is that major breakthroughs will be made in the basic theories of artificial intelligence, with some technologies and applications reaching the world's advanced level by 2025. The third step is that the theory, technology and application of artificial intelligence in general will reach the world-leading level, with China becoming the world's major artificial intelligence innovation center by 2030. Moreover, on February 10, 2020, the Strategies for the Innovative Development of Intelligent Vehicles (《智能汽車創新發展戰略》) was promulgated by the National Development and Reform Commission, the Office of the Central Leading Group for Cyberspace Affairs, the Ministry of Science and Technology and other eight departments. By 2025, the technological innovation, industrial ecology, infrastructure, regulations and standards, product supervision and cybersecurity systems for intelligent vehicles with Chinese standards shall be basically formed. Large-scale production shall be reached for intelligent vehicles with conditions for autonomous driving, and market-oriented application of intelligent vehicles featured by highly autonomous driving shall be realized under specific environment. Active progress has been made in the construction of

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facilities concerning intelligent transportation systems and intelligent cities. Regional coverage shall be realized for automotive wireless communications networks (LTE-V2X, etc.). A new generation of automotive wireless communications networks (5G-V2X) shall be gradually applied in some cities and on highways. Full coverage of the high-precision spatio-temporal reference service network shall be realized. From 2035 to 2050, China's standard intelligent vehicle system will be fully established and more complete. The vision of a safe, efficient, green and civilized power of intelligent vehicles will be gradually realized, and intelligent vehicles will fully meet the people's growing needs for a better life.

Regulations on Data Security, Cyber Security and Data Privacy Protection

Pursuant to the PRC Civil Code (《中華人民共和國民法典》) promulgated by the NPC on May 28, 2020 and effective from January 1, 2021, the personal information of a natural person shall be protected by the law. An information processor shall not disclose or tamper with any personal information collected or stored thereby; and without the consent of the natural person, no personal information shall be illegally provided to any other person.

On May 8, 2017, the Supreme People's Court and the Supreme People's Procuratorate jointly released the Interpretations of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues Concerning the Application of Law in the Handling of Criminal Cases Involving Infringement of 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》) (the "**Interpretations**"), which came into effect on June 1, 2017, clarifies several concepts regarding the crime of "infringement of citizens' personal information" stipulated by Article 253A of the Criminal Law of the PRC (《中華人民共和國刑法》), including the "provision of citizens' personal information" and "illegally obtaining any citizen's personal information by other methods". In addition, the Interpretations specify the standards for determining "serious circumstances" and "particularly serious circumstances" of this crime.

On November 7, 2016, the Standing Committee of National People's Congress (the "**SCNPC**") promulgated the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》), the "**Cybersecurity Law**", effective as of June 1, 2017, which applies to the construction, operation, maintenance and use of networks as well as the supervision and administration of cybersecurity in the PRC. The Cybersecurity Law defines "network" as a system comprising computers or other information terminals and relevant facilities used for the purpose of collecting, storing, transmitting, exchanging and processing information in accordance with specific rules and procedures. "Network operators", who are broadly defined as owners and administrators of networks and network service providers, are subject to various security protection-related obligations, including but not limited: (i) complying with security protection obligations under graded system for cybersecurity protection requirements, which include formulating internal security management rules and operating instructions, appointing cybersecurity responsible personnel and their duties, adopting technical measures to prevent computer viruses, cyber-attack, cyber-intrusion and other activities endangering cybersecurity, adopting technical measures to monitor and record network operation status and cybersecurity events; (ii) formulating a emergency plan and promptly responding and handling security risks,

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initiating the emergency plans, taking appropriate remedial measures and reporting to regulatory authorities in the event comprising cybersecurity threats; and (iii) following the principles of legality, legitimacy and necessity, disclosing the rules of collection and use, making clear the purpose, mean and scope of collection and use of information, and obtaining the consent of the person whose information is collected.

The Data Security Law of the PRC (《中華人民共和國數據安全法》), which was promulgated by the SCNPC on June 10, 2021 and took effect on September 1, 2021, provides that entities and individuals carrying out data activities shall establish a data classification and grading protection system and important data catalogs to enhance the protection of important data. Processors of important data shall specify the person responsible for data security and management agencies to implement data security protection responsibilities. Relevant authorities will establish the measures for the cross-border transfer of important data. If any company violates the Data Security Law of the PRC to provide important data outside China, such company may be punished by administration sanctions, including penalties, fines, and/or suspension of relevant business or revocation of the business license. In addition, the Data Security Law of the PRC provides a national security review procedure for those data activities which affect or may affect national security and imposes export restrictions on certain data and information.

On 28 December 2021, the Cyberspace Administration of China (the “CAC”) promulgated the Measures for Cybersecurity Review (《網絡安全審查辦法》) (the “**Cybersecurity Review Measures**”), which came into effect on 15 February 2022. According to the Cybersecurity Review Measures, there are two mechanisms to trigger cybersecurity review: (a) review of voluntary declaration by enterprises: applicable to (i) critical information infrastructure operators that intend to purchase network products and services; (ii) a network platform operator that processes the personal information of more than one million people intends to be listed overseas (國外上市); and (b) initiation of review by regulatory authorities: for any member of the cybersecurity review working mechanism believes that any network product or service or data processing activity affects or is likely to affect national security. In this case, the Office of Cybersecurity Review shall report this circumstance to the Central Cyberspace Affairs Commission for approval, and conduct a review after approval.

On November 14, 2021, the CAC promulgated the Regulation on the Administration of Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the “**Draft Cyber Data Security Regulation**”), which proposes to provide more detailed guidelines on the current rules on various aspects of data processing, including the processors’ announcement of data processing rules, obtaining consents and separate consents, security of important data and cross-border transfer of data, and further obligations of platform operators.

Furthermore, on July 7, 2022, the CAC promulgated the Measures on Security Assessment of Cross-border Data Transfer (《數據出境安全評估辦法》) which became effective on September 1, 2022. Such data export measures requires that any data processor which processes or exports personal information exceeding certain volume threshold under such measures shall apply for security assessment by the CAC before transferring any personal

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information abroad, including the following circumstances: (i) important data will be provided overseas by any data processor; (ii) personal information will be provided overseas by any operator of critical information infrastructure or any data processor who processes the personal information of more than 1,000,000 individuals; (iii) personal information will be provided overseas by any data processor who has provided the personal information of more than 100,000 individuals in aggregate or has provided the sensitive personal information of more than 10,000 individuals in aggregate since January 1 of last year; and (iv) other circumstances where the security assessment is required as prescribed by the CAC. The security assessment requirement also applies to any transfer of important data outside of China.

Regulations on Product Liability

Pursuant to the PRC Product Quality Law (《中華人民共和國產品質量法》), which was promulgated on February 22, 1993 and latest amended on December 29, 2018, a manufacturer is prohibited from producing or selling products that do not meet applicable standards and requirements for safeguarding human health and ensuring human and property safety. Products must be free from unreasonable dangers threatening human and property safety. Where a defective product causes personal injury or property damage, the aggrieved party may make a claim for compensation from the manufacturer or the seller of the product. Manufacturers and sellers of non-compliant products may be ordered to cease the production or sale of the products and could be subject to confiscation of the products and fines. Earnings from sales in violation of such standards or requirements may also be confiscated, and in severe cases, an offender's business license may be revoked.

Pursuant to the PRC Civil Code, if a product is found to be defective and to compromise the personal and property security of others, the victim may require compensation to be made by the manufacturer or the seller of the product. Where any manufacturer or seller knowingly produces or sells defective products or fails to take effective remedial measures in accordance with the PRC Civil Code and thus causes death or serious damage to the health of another person, such person shall be entitled to claim punitive damages. If the transporter or storekeeper is responsible for the matter, the manufacturer or seller shall have the right to demand compensation for its losses.

Regulations on Import and Export of Goods

The General Administration of Customs of the PRC promulgated the Administrative Provisions of the Customs of the People's Republic of China on the Registration of Customs Declaration Entities (Revised in 2018) (《中華人民共和國海關報關單位註冊登記管理規定(2018年修訂)》) on May 29, 2018, which stipulates that in completing customs formalities, customs declaration entities shall go through the applicable registration procedures with customs in accordance with the Provisions unless otherwise required by the laws, administrative regulations or rules of the customs, and only after obtaining approval to become registered from the local customs directly under the general administration of customs or the subordinate customs authorized thereby may the customs declaration enterprise complete the customs declaration procedure. However, this provisions has been replaced by the

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Administrative Provisions of the Customs of the PRC on the Filing of Customs Declaration Entities (《中華人民共和國海關報關單位備案管理規定》) which promulgated by the General Administration of Customs of China on November 19, 2021 and took effect on January 1, 2022. As of now, local customs no longer issue the “Custom Registration Certificate for Declaration Units of the PRC”, subsequent enterprises shall comply with the Administrative Provisions of the Customs of the PRC on the Filing of Customs Declaration Entities.

According to the Administrative Provisions of the Customs of the PRC on the Filing of Customs Declaration Entities, consignors or consignees of imported or exported goods or customs declaration enterprises that apply for record-filing shall obtain market entity qualifications. Due to the involvement of technology or product import and export in the business, the Company and iMotion Electronics have respectively obtained the Custom Registration Certificate for Declaration Units of the PRC in 2019 and 2018. According to the Announcement on Cancelling the Validity Period of Registration for Customs Declaration Enterprises and Their Branches(《關於取消報關企業和報關企業分支機構註冊登記有效期的公告》) which is promulgated on December 24, 2019, the validity period of registration for customs declaration enterprises and their branches will be cancelled nationwide from the date of the Announcement, and such registration will be valid on a long-term basis. Any customs declaration enterprise or its branch whose Custom Registration Certificate for Declaration Units of the PRC with an expiration date after December 1, 2019 has been issued before the date of the Announcement, does not need to renew the certificate, and the application of such enterprise or its branch for other relevant customs services will not be affected. Therefore, the Company and iMotion Electronics have obtained the Custom Registration Certificate for Declaration Units of the PRC which is valid on a long-term basis.

Regulations on Intellectual Property Rights

Patents

According to the Patent Law of the PRC (《中華人民共和國專利法》) promulgated by the SCNPC on March 12, 1984, and most recently amended on October 17, 2020, the Implementation Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》), promulgated by the State Council on June 15, 2001, last amended on January 9, 2010, and effective from February 1, 2010 and the Interim Measures on the Handling of Examination Operations in relation to the Implementation of the Amended Patent Law (《關於施行修改後專利法的相關審查業務處理暫行辦法》) issued by the China National Intellectual Property Administration on January 4, 2023, invention patents are valid for 20 years, utility model patents are valid for 10 years and design patents filed no later than May 31, 2021 are valid for 10 years while design patents filed on or after June 1, 2021 are valid for 15 years, from the date of application.

REGULATORY OVERVIEW

Trademarks

According to the Trademark Law of the PRC (《中華人民共和國商標法》), promulgated by the SCNPC on August 23, 1982, amended on February 22, 1993, October 27, 2001, August 30, 2013 and April 23, 2019 and effective from November 1, 2019, the period of validity for a registered trademark is 10 years, commencing from the date of registration. Upon expiry of the period of validity, the registrant shall go through the formalities for renewal within twelve months prior to the date of expiry, if intending to continue to use the trademark. Where the registrant fails to do so, a grace period of six months may be granted. The period of validity for each renewal of registration is 10 years, commencing from the day immediately after the expiry of the preceding period of validity for the trademark. In the absence of a renewal upon expiry, the registered trademark shall be canceled. Industrial and commercial administrative authorities have the authority to investigate any behavior in infringement of the exclusive right under a registered trademark in accordance with the law. In the case of a suspected criminal offense, the case shall be timely referred to a judicial authority and decided according to law.

Domain Names

In accordance with the provisions of the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》) promulgated by the MIIT on August 24, 2017 and taking effect on November 1, 2017, to establish domain name root servers and domain name root server operating organizations, domain name registration management organizations and domain registration service organizations within the territory of China, licenses from the MIIT or the telecommunications administration authority of the province, autonomous region or municipality directly under the central government shall be obtained in accordance with the relevant regulations. The domain name registration service shall be conducted following the principle of “apply first, register first”. The Notice of the Ministry of Industry and Information Technology on Regulating the Use of Domain Names in Internet Information Services (《工業和信息化部關於規範互聯網信息服務使用域名的通知》) promulgated by the MIIT on November 27, 2017 and effective on January 1, 2018 provides for the obligations of internet information service providers and other entities to fight terrorism and maintain network security.

Copyright and Software Registration

According to the Copyright Law of the PRC (《中華人民共和國著作權法》) which was promulgated by the SCNPC on September 7, 1990 and implemented on June 1, 1991, and finally revised on November 11, 2020 and came into effect on June 1, 2021, and the Implementation Regulations of the Copyright Law of the PRC (《中華人民共和國著作權法實施條例》) promulgated by the State Council on August 2, 2002 and implemented on September 15, 2002, and finally revised on January 30, 2013. Copyright holders enjoy a variety of personal and property rights, including the right of publication, the right of authorship, the right of reproduction, and the right of communication of information on networks.

REGULATORY OVERVIEW

The Regulation on Computers Software Protection (《計算機軟件保護條例》), which was promulgated by the State Council on June 4, 1991 and amended in 2001, 2011 and 2013, respectively, was formulated for the purposes of protecting the rights and interests of copyright owners of computer software, regulating the relationship of interests generated in the development, dissemination and use of computer software, encouraging the development and application of computer software, and promoting the development of software industry and the informatization of national economy. According to the Regulation on Computer Software Protection, Chinese citizens, legal entities or other organizations are entitled to the copyright in the software which they have developed, whether published or not. A software copyright owner may register with the software registration institution recognized by the copyright administration department of the State Council. A registration certificate issued by the software registration institution is a preliminary proof of the registered items.

According 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 on February 20, 2002, the Computer Software Protection Regulations (《計算機軟件保護條例》) revised by the State Council on January 30, 2013 taking force on March 1, 2013, the National Copyright Administration is mainly responsible for the registration and management of national software copyright, and the China Copyright Protection Center is recognized as the software registration agency. The China Copyright Protection Center will grant registration certificates to computer software copyright applicants who conform to the Measures for Registration of Computer Software Copyright and the Regulations on Computer Software Protection.

Trade Secrets

According to the PRC Anti-Unfair Competition Law (《中華人民共和國反不正當競爭法》), promulgated by the SCNPC in September 1993, as amended on November 4, 2017 and April 23, 2019 respectively, the term “trade secrets” refers to technical and business information that is unknown to the public, has utility, may create business interests or profits for its legal owners or holders, and is maintained as a secret by its legal owners or holders. Under the PRC Anti-Unfair Competition Law, business persons are prohibited from infringing others’ trade secrets by: (1) obtaining the trade secrets from the legal owners or holders by any unfair methods such as theft, bribery, fraud, coercion, electronic intrusion, or any other illicit means; (2) disclosing, using or permitting others to use the trade secrets obtained illegally under item above; (3) disclosing, using or permitting others to use the trade secrets, in violation of any contractual agreements or any requirements of the legal owners or holders to keep such trade secrets in confidence; or (4) instigate, induce or assist others to violate confidentiality obligation or to violate a rights holder’s requirements on keeping confidentiality of commercial secrets, so as to disclose, use or allow others to use the commercial secrets of the rights holder. If a third party knows or should have known of the above-mentioned illegal conduct but nevertheless obtains, uses or discloses trade secrets of others, the third party may be deemed to have committed a misappropriation of the others’ trade secrets. The parties whose trade secrets are being misappropriated may petition for administrative corrections, and regulatory authorities may stop any illegal activities and fine infringing parties.

Regulations on Environmental Protection and Fire Prevention

Environment Impact Assessment

According to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), promulgated by the SCNPC on December 26, 1989 and amended on April 24, 2014, the Administrative Regulations on the Environmental Protection of Construction Project (《建設項目環境保護管理條例》) (the “**Construction Environmental Protection Rule**”), promulgated by the State Council on November 29, 1998 and amended on July 16, 2017, and other relevant environmental laws and regulations, enterprises which plan to construct projects shall provide the assessment reports, assessment form, or registration form on the environmental impact of such projects with relevant environmental protection administrative authority for approval or filing. Enterprises may entrust a technical entity to conduct an environmental impact assessment of its construction projects and prepare environmental impact reports and environmental impact statements on construction projects. If a construction entity has the technical capability of environmental impact assessment, it may carry out the above activities itself.

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

The Construction Environmental Protection Rule also requires that upon completion of construction for which an environmental impact report or environmental impact statement is formulated, the constructor shall conduct an acceptance inspection of the environmental protection facilities pursuant to the standards and procedures stipulated by the environmental protection administrative authorities of the State Council, formulate the acceptance inspection report, and announce the acceptance inspection report pursuant to the law except for circumstances where there is a need to keep confidentiality pursuant to the provisions of the State. Where the environmental protection facilities have not undergone acceptance inspection or do not pass acceptance inspection, the construction project shall not be put into production or use.

Completion and Acceptance

The Interim Measures for Acceptance of Environmental Protection upon Completion of Construction Projects (《建設項目竣工環境保護驗收暫行辦法》) was promulgated and implemented by the former Ministry of Environmental Protection (now the Ministry of Ecology and Environment) on November 20, 2017. The Measures regulates the procedures and standards for environmental protection independent acceptance by construction units upon the completion of construction projects.

REGULATORY OVERVIEW

Water Pollution and Pollutant Discharge

According to the Catalog of Classified Administration of Pollutant Discharge License for Stationary Pollution Sources (2019 Version) 《(固定污染源排污許可分類管理名錄(2019年版))》) issued by the Ministry of Ecology and Environment on December 20, 2019, key management, simplified management and registration management of pollutant discharge permits are implemented according to factors such as the amount of pollutants generated, the amount of emissions, the degree of impact on the environment, etc., and only pollutant discharge entities that implement registration management do not need to apply for a pollutant discharge permit.

Fire Protection Design Approval and Filing

The Fire Prevention Law of the PRC (《中華人民共和國消防法》) (the “**Fire Prevention Law**”) was adopted on April 29, 1998 and latest amended on April 29, 2021. According to the Fire Prevention Law and other relevant laws and regulations of the PRC, the Emergency Management Authority of the State Council and its local counterparts at or above county level shall monitor and administer the fire prevention affairs. The Fire and Rescue Department of the People’s Government are responsible for implementation. The Fire Prevention Law provides that the fire prevention design or construction of a construction project must conform to the national fire prevention technical standards (as the case may be). According to the Interim Provisions on the Administration of Fire Protection Design Review and Final Inspection of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》), issued by the Ministry of Housing and Urban-Rural Development on April 1, 2020 and effective on June 1, 2020, special construction projects as defined under such Interim Provisions shall conduct fire protection design review and fire protection final inspection, construction projects other than such special construction projects shall fill protection design and acceptance of the project with competent authority.

Regulation on Production Safety

Pursuant to the Production Safety Law of the PRC (《中華人民共和國安全生產法》) which was promulgated on June 29, 2002 and amended on August 27, 2009, August 31, 2014 and June 10, 2021, production and operation entities shall abide by the Production Safety Law of the PRC and other laws and regulations concerning work safety, and redouble their efforts to ensure work safety by setting up and perfecting the responsibility system for work safety of all employees and rules and regulations on work safety, increasing the input and guarantee of funds, materials, technologies, and personnel in terms of work safety, improving the conditions for work safety, strengthening the development of standards and adoption of information technologies for work safety, building a dual prevention mechanism of level-to-level safety risk management and control and hidden danger identification and management, and perfecting the risk prevention and resolution mechanism, to raise the work safety level and ensure work safety.

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Regulations on Real Estates

Pursuant to the Land Administration Law of the PRC (《中華人民共和國土地管理法》) promulgated by the SCNPC on June 25, 1986, latest amended on August 26, 2019 and became effective on January 1, 2020, the PRC applies a system of control over the purposes of use of land, including land for agriculture, land for construction and unused land. All units and individuals shall use land in strict compliance with the purposes of use defined in the overall plans for land utilization. Registration of the ownership and the right to the use of land shall be governed by the laws and administrative regulations relating to real estate registration and the legally registered ownership and right to the use of land shall be protected by law and may not be infringed upon by any entities or individuals.

Under the Interim Regulations on Assignment and Transfer of the Rights to the Use of the State-Owned Urban Land (2020 Revision) (《城鎮國有土地使用權出讓和轉讓暫行條例(2020修訂)》) promulgated by the State Council on November 29, 2020, a system of assignment and transfer of the right to use state-owned land was adopted. A land user shall pay land premiums to the state as consideration for the assignment of the right to use a land site within a certain term, and the land user who obtained the right to use the land may transfer, lease out, mortgage, or otherwise commercially exploit the land within the term of use. Under the Interim Regulations on Assignment and Transfer of the Rights to the Use of the State-Owned Urban Land, the local land administration authority may enter into an assignment contract with the land user for the assignment of land use rights. The land user is required to pay the land premium as provided in the assignment contract. After the full payment of the land premium, the land user must register with the land administration authority and obtain a land use rights certificate that evidences the acquisition of land use rights.

The Interim Regulations on Real Estate Registration (《不動產登記暫行條例》), promulgated by the State Council on November 24, 2014, became effective on March 1, 2015 and amended on March 24, 2019, and the Implementing Rules of the Interim Regulations on Real Estate Registration (《不動產登記暫行條例實施細則》) promulgated by the Ministry of Land and Resources on January 1, 2016 and amended on July 24, 2019, provide that, among other things, the State implements a uniform real estate registration system and the registration of real estate shall be strictly administered and carried out in a stable and continuous manner that provides convenience for people.

According to the Administrative Measures for Commodity House Leasing (《商品房屋租賃管理辦法》) which was promulgated by the Ministry of Housing and Urban-Rural Development on December 1, 2010 and came into effect 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. The competent construction (real estate) departments of the municipalities directly under the Central Government, cities and counties shall order the lease record filing to make corrections

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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 institutions which fail to rectify within the specified time limit.

Regulations on Foreign Exchange

On January 29, 1996, the State Council promulgated the Administrative Regulations on Foreign Exchange of the PRC (《中華人民共和國外匯管理條例》) which became effective on April 1, 1996 and was amended on January 14, 1997 and August 5, 2008. Foreign exchange payments under current account items shall, pursuant to the administrative provisions of the foreign exchange control department of the State Council on payments of foreign currencies and purchase of foreign currencies, be made using self-owned foreign currency or foreign currency purchased from financial institutions engaging in conversion and sale of foreign currencies by presenting the valid document. Domestic entities and domestic individuals making overseas direct investments or engaging in issuance and trading of overseas securities and derivatives shall process registration formalities pursuant to the provisions of the foreign exchange control department of the State Council.

On November 19, 2012, the SAFE issued the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》) (the “**SAFE Circular 59**”), which came into effect on December 17, 2012 and was revised on May 4, 2015, October 10, 2018 and partially abolished on December 30, 2019. The SAFE Circular 59 aims to simplify the foreign exchange procedure and promote the facilitation of investment and trade. According to the SAFE Circular 59, the opening of various special purpose foreign exchange accounts, such as pre-establishment expenses accounts, foreign exchange capital accounts and guarantee accounts, the reinvestment of RMB proceeds derived by foreign investors in the PRC, and remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer require the approval or verification of SAFE, as well multiple capital accounts for the same entity may be opened in different provinces. Later, the SAFE promulgated the Circular on Further Simplifying and Improving Foreign Exchange Administration Policies in Respect of Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) in February 2015, which was partially abolished in December 2019 and prescribed that the bank instead of SAFE can directly handle the foreign exchange registration and approval under foreign direct investment while SAFE and its branches indirectly supervise the foreign exchange registration and approval under foreign direct investment through the bank.

On May 10, 2013, the SAFE issued the Administrative Provisions on Foreign Exchange in Domestic Direct Investment by Foreign Investors (《外國投資者境內直接投資外匯管理規定》) (the “**SAFE Circular 21**”), which became effective on May 13, 2013, amended on October 10, 2018 and partially abolished on December 30, 2019. The SAFE Circular 21 specifies that the administration by SAFE or its local branches over direct investment by

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foreign investors in the PRC must be conducted by way of registration and banks must process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches.

According to the Notice on Relevant Issue Concerning the Administration of Foreign Exchange 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, the domestic companies shall register the overseas listed with the foreign exchange control bureau located at its registered address in 15 working days after completion of the overseas listing and issuance. The funds raised by the domestic companies through overseas listing may be repatriated to China or deposited overseas, provided that the intended use of the fund shall be consistent with the contents of the document and other public disclosure documents.

According to the Notice of the State Administration of Foreign Exchange on Reforming the Management Mode of Foreign Exchange Capital Settlement of Foreign Investment Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the “**SAFE Circular 19**”) promulgated on March 30, 2015, coming effective on June 1, 2015 and partially abolished on December 30, 2019, foreign-invested enterprises could settle their foreign exchange capital on a discretionary basis according to the actual needs of their business operations. Whilst, foreign-invested enterprises are prohibited to use the foreign exchange capital settled in RMB (a) for any expenditures beyond the business scope of the foreign-invested enterprises or forbidden by laws and regulations; (b) for direct or indirect securities investment; (c) to provide entrusted loans (unless permitted in the business scope), repay loans between enterprises (including advances by third parties) or repay RMB bank loans that have been on-lent to a third party; and (d) to purchase real estates not for self-use purposes (save for real estate enterprises).

On October 23, 2019, SAFE promulgated the Notice on Further Facilitating Cross-Board Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), which became effective on the same date (except for Article 8.2, which became effective on January 1, 2020). The notice canceled restrictions on domestic equity investments made with capital funds by non-investing foreign-funded enterprises. In addition, restrictions on the use of funds for foreign exchange settlement of domestic accounts for the realization of assets have been removed and restrictions on the use and foreign exchange settlement of foreign investors’ security deposits have been relaxed. Eligible enterprises in the pilot area are also allowed to use revenues under capital accounts, such as capital funds, foreign debts and overseas listing revenues for domestic payments without providing materials to the bank in advance for authenticity verification on an item by item basis, while the use of funds should be true, in compliance with applicable rules and conforming to the current capital revenue management regulations.

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Labor and Social Security

According to the PRC Labor Law (《中華人民共和國勞動法》), which was promulgated by the SCNPC on July 5, 1994 and effective from January 1, 1995, and amended on August 27, 2009 and December 29, 2018 respectively, the PRC Labor Contract Law (《中華人民共和國勞動合同法》), which was promulgated by the SCNPC on June 29, 2007 and effective from January 1, 2008, and amended on December 28, 2012 and effective from July 1, 2013, and the Implementing Regulations of the Employment Contracts Law of the PRC (《中華人民共和國勞動合同法實施條例》), which was promulgated by the State Council on September 18, 2008, labor contracts in written form shall be executed to establish labor relationships between employers and employees. In addition, wages cannot be lower than the local minimum wage. The employers must establish a system for labor safety and sanitation, strictly abide by State rules and standards, provide education regarding labor safety and sanitation to its employees, provide employees with labor safety and sanitation conditions and necessary protection materials in compliance with State rules, and carry out regular health examinations for employees engaged in work involving occupational hazards.

According to the Social Insurance Law of PRC (《中華人民共和國社會保險法》), which was promulgated by the SCNPC on October 28, 2010 and effective from July 1, 2011, and amended on December 29, 2018, the Interim Regulations on the Collection and Payment of Social Security Funds (《社會保險費徵繳暫行條例》), which was promulgated by the State Council on January 22, 1999 and amended on March 24, 2019, and the Regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》), which was promulgated by the State Council on April 3, 1999 and amended on March 24, 2002 and March 24, 2019, employers are required to open social insurance account and housing provident fund account within 30 days from the date of establishment, and employers are also required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity insurance and to housing provident funds. Any employer who fails to contribute may be fined and ordered to make good the deficit within a stipulated time limit.

Regulations on Taxation

Enterprise Income Tax (“EIT”)

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the “**EIT Law**”), promulgated by the NPC on March 16, 2007, which became effective on January 1, 2008 and was amended on February 24, 2017 and December 29, 2018, and the Implementation Rules of the EIT Law (《中華人民共和國企業所得稅法實施條例》), promulgated by the State Council on December 6, 2007, which became effective on January 1, 2008, and amended on April 23, 2019, a domestic enterprise which is established within the PRC in accordance with the laws or established in accordance with any laws of foreign country (region) but with an actual management entity within the PRC shall be regarded as a resident enterprise. A resident enterprise shall be subject to an EIT of 25% of any income generated

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within or outside the PRC. A preferential EIT rate shall be applicable to any key industry or project which is supported or encouraged by the State. High and new technology enterprises which are supported by the State may enjoy a reduced EIT rate of 15%.

Value-Added Tax (“VAT”)

Pursuant to the Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例》), promulgated by the State Council on December 13, 1993 and newly amended on November 19, 2017, and the Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》), promulgated by the MOF and the STA on December 25, 1993 and latest amended on October 28, 2011 and came into effect on November 1, 2011 (collectively, the “**VAT Law**”), all enterprises and individuals engaged in the sale of goods, the provision of processing, repairing and replacement of services, and the importation of goods within the territory of the PRC must pay value-added tax. On November 19, 2017, the State Council promulgated the Decisions on Abolition of the Provisional Regulations of the PRC on Business Tax and Revision of the Provisional Regulations of the PRC on Value-added Tax (《關於廢止<中華人民共和國營業稅暫行條例>和修改<中華人民共和國增值稅暫行條例>的決定》) (the “**Order 691**”). According to the VAT Law and Order 691, all enterprises and individuals engaged in the sale of goods, the provision of processing, repairing and replacement of services, sales of services, intangible assets, real property, and the importation of goods within the territory of the PRC are taxpayers of VAT and shall pay the VAT in accordance with the law and regulation. The VAT tax rates generally applicable are simplified as 17%, 11%, 6% and 0%, and the VAT tax rate applicable to the small-scale taxpayers is 3%. The Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (《財政部、稅務總局關於調整增值稅稅率的通知》), was promulgated on April 4, 2018 and came into effect on May 1, 2018. The VAT tax rates of 17% and 11% are changed to 16% and 10%, respectively. On March 20, 2019, the MOF, STA and General Administration of Customs jointly promulgated the Announcement on Policies for Deeping the VAT Reform (《關於深化增值稅改革有關政策的公告》) (the “**Notice 39**”), which came into effect on April 1, 2019. Pursuant to Notice 39, the tax rate of 16% applicable to the VAT taxable sale or import of goods shall be adjusted to 13%, and the tax rate of 10% applicable thereto shall be adjusted to 9%.

Regulations on the H Share Full Circulation

“Full circulation” means listing and circulating on the stock exchange of the domestic unlisted shares of an H-share listed company, including unlisted domestic shares held by domestic shareholders prior to overseas listing, unlisted domestic shares additionally issued after overseas listing, and unlisted shares held by foreign shareholders. On August 10, 2023, the China Securities Regulatory Commission (the “**CSRC**”) issued the Guidelines for the “Full Circulation” Program for Domestic Unlisted Shares of H-share Listed Companies (2023 Revision) (《H股公司境內未上市股份申請“全流通”業務指引(2023修正)》) (the “**Guidelines for the Full Circulation**”).

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According to the Guidelines for the Full Circulation, shareholders of domestic unlisted shares may determine by themselves through consultation the amount and proportion of shares, for which an application will be filed for circulation, provided that the requirements laid down in the relevant laws and regulations and set out in the policies for state-owned asset administration, foreign investment and industry regulation are met, and the corresponding H-share listed company may be entrusted to file with the CSRC. And domestic companies limited by shares that have not been listed may file with the CSRC for the “Full circulation” at the time of their initial public offering and listing overseas.

On December 31, 2019, CSDC and the Shenzhen Stock Exchange (the “SZSE”) jointly announced the Measures for Implementation of H-share Full Circulation Business (《H股“全流通”業務實施細則》) (the “**Measures for Implementation**”). The businesses in relation to the H-share full circulation business, such as cross-border transfer registration, maintenance of deposit and holding details, transaction entrustment and instruction transmission, settlement, management of settlement participants, services of nominal holders, etc. are subject to the Measures for Implementation.

In order to fully promote the reform of H-share full circulation and clarify the business arrangement and procedures for the relevant shares’ registration, custody, settlement and delivery, CSDC promulgated the Circular on Issuing the Guide to the Program for Full Circulation of H-shares (《H股“全流通”業務指南》) on February 7, 2020, which specifies the business preparation, account arrangement, cross-border share transfer registration and overseas centralized custody, and other relevant matters. In February 2020, China Securities Depository and Clearing (Hong Kong) Limited also promulgated the Guide of China Securities Depository and Clearing (Hong Kong) Limited to the Program for Full Circulation of H-shares to specify the relevant escrow, custody, agent service, arrangement for settlement and delivery, risk management measures and other relevant matters.

According to the Measures for Implementation and the Guide to the Program for Full Circulation of H-shares, shareholders who apply for H Share Full Circulation (the “**Participating Shareholders**”) shall complete the cross-border transfer registration for conversion of relevant domestic unlisted shares into H Shares before dealing in the shares, i.e., CSDC as the nominal shareholder, deposits the relevant securities held by Participating Shareholders at China Securities Depository and Clearing (Hong Kong) Limited (the “**CSDC (Hong Kong)**”), and CSDC (Hong Kong) will then deposit the securities at HKSCC in its own name, and exercise the rights to the securities issuer through HKSCC, while HKSCC Nominees as the ultimate nominal shareholder is listed on the register of shareholders of H-share listed companies.

According to the Guide to the Program for Full Circulation of H-shares, H-share listed companies shall be authorized by Participating Shareholders to designate the only domestic securities company (the “**Domestic Securities Company**”) to participate in the transaction of converted H shares. The specific procedure is as follows:

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Participating Shareholders submit trading orders of the converted H Shares through the Domestic Securities Company, which transmits the orders to the Hong Kong Securities Company designated by the Domestic Securities Company through Shenzhen Securities Communications Co., Ltd.; and Hong Kong Securities Company conducts corresponding securities transactions in the Hong Kong market in accordance with the aforementioned trading orders and the rules of the Hong Kong Stock Exchange.

According to the Guide to the Program for Full Circulation of H-shares, upon the completion of the transaction, settlements between each of the Hong Kong Securities Company and CSDC (Hong Kong), CSDC (Hong Kong) and CSDC, CSDC and the Domestic Securities Company, and the Domestic Securities Company and the Participating Shareholders, will all be conducted separately.

Regulations Relating to Overseas Securities Offering and Listing

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

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

Where an issuer submits an application for initial public offering to competent overseas regulators, filing application with the CSRC shall be submitted within three business days thereafter. Subsequent securities offering of an issuer in the same overseas market where it has

REGULATORY OVERVIEW

previously offered and listed securities shall be filed with the CSRC within three business days after the offering is completed. Subsequent securities offering and listing of an issuer in other overseas markets shall be filed as initial public offering.

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

On February 24, 2023, the CSRC and other relevant government authorities promulgated the Provisions on Strengthening the Confidentiality and Archives Administration of Overseas Securities Issuance and Listing by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the “**Provision on Confidentiality**”), which took effect on March 31, 2023. Pursuant to the Provision on Confidentiality, where a domestic enterprise provides or publicly discloses to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, or provides or publicly discloses through its overseas listing subjects, documents and materials involving state secrets and working secrets of state organs, it shall report the same to the competent department with the examination and approval authority for approval in accordance with the law, and submit the same to the secrecy administration department of the same level for filing. Domestic enterprises providing accounting archives or copies thereof to entities and individuals concerned such as securities companies, securities service institutions and overseas regulatory authorities shall perform the corresponding procedures pursuant to the relevant provisions of the State.

HISTORY AND CORPORATE STRUCTURE

OVERVIEW

We are an autonomous driving solution provider in China with a focus on AD domain controllers. We have commercialized level 2 to level 2+, and are developing level 2 to level 4, autonomous driving solutions for OEMs. The history of our Group can be traced back to December 2016, when our Company was established in Suzhou, Jiangsu province, the PRC.

Mr. SONG Yang, our founder, Chairman, executive Director and chief executive officer, has accumulated robust experience in management and R&D in the automotive industry in his early career, possessing strong business acumen. Leveraging his combination of deep and localized knowledge of the PRC automotive market with extensive experience working for both domestic and localized international market-leading automotive brands in the PRC, Mr. SONG Yang keenly recognized the unmet demand for autonomous driving technology following along with the flourishing automotive industry in the PRC. He, thus, envisioned that the provision of autonomous driving solutions and products as a promising route to gain a foothold in this potential blue ocean market. For details of Mr. SONG Yang, see “Directors, Supervisors and Senior Management” and “Relationship with Our Controlling Shareholders.”

Under the leadership of Mr. SONG Yang, our Company tapped into the business in developing and providing autonomous driving solutions and products for OEMs, applying the advanced practices to our business in the PRC and leading rapid expansion across its entire operational spectrum thereafter. Starting from July 2017, we embarked on our autonomous driving journey by providing R&D and testing services for autonomous driving functions to certain OEMs, gaining initial expertise in this area. 2018 marked a year of breakthroughs for our Company by securing the first series production contract for our early stage iFC product, starting to provide R&D service for level 3 autonomous driving solutions to OEM, and reaching strategic cooperation with Mobileye. Through an acquisition within the same year, we also owned our manufacturing base and commenced manufacturing of PCBA products, enabling its manufacturing capabilities to support our R&D of autonomous driving solutions. In 2019, we further advanced to provide R&D service for level 4 autonomous driving solution. Within a short span of four years, by 2020, our rapid technology progression and high-value solutions attracted business tie-ups with leading OEMs, such as Geely. Of particular relevance, in October 2020, we received the letter of nomination for SuperVision™ and both parties started cooperation in R&D of level 2+ autonomous driving solutions and products, becoming one of the key suppliers of autonomous driving solutions and products for Geely Group since then. Additionally, we secured various nomination projects for iFC products and began developing our self-designed iDC Mid in 2020. From 2016 to 2020, our Company has evolved from an ambitious start-up into a proven series producer of AD domain controller and autonomous driving solutions provider.

HISTORY AND CORPORATE STRUCTURE

MILESTONES

The following table summarizes various key milestones in our corporate and business development.

Year	Milestone
2016	Our Company was established in the PRC in December.
2017	We completed our first Pre-IPO Investment in September, marking the inception of our external financing.
2018	We reached a strategic cooperation with Mobileye in March. We acquired and established our manufacturing base and commenced producing autonomous driving-related products in the third quarter.
2020	We launched the R&D project of iDC Mid in June. Our level 2 autonomous driving solutions started series production and were delivered to certain OEM customers in the third quarter.
2021	Our iFC 2.0 started series production in August. The series production of our first SuperVision™ project in collaboration with Mobileye started in October.
2022	Our iDC Mid started trial production in September.
2023	Our iDC Mid for Chery started series production in January. Our level 2+ autonomous driving solutions on the ZEEKR 009 started production and was delivered to ZEEKR for installation in January.

CORPORATE HISTORY

Establishment and Major Shareholding Changes of Our Company

Our Company was established in Suzhou, Jiangsu province, the PRC as a limited liability company on December 27, 2016 with an initial registered capital of RMB5,000,000 by an associate of Mr. SONG Yang. On March 24, 2017, Mr. SONG Yang (宋陽), Mr. LI Shuangjiang (李雙江) and Mr. LUO Hong (羅紅) (collectively, the “**Initial Shareholders**”), and an Independent Third Party, namely Suzhou Nanyuan Rongtong Venture Capital Management Co., Ltd. (蘇州南園融通創業投資管理有限公司) (current known as Suzhou Nanyuan Rongtong Management Consulting Co., Ltd. (蘇州南園融通管理諮詢有限公司)) (“**Suzhou Nanyuan**”) acquired all equity interests in the Company at nil consideration considering our Company had not yet commenced any substantial operation and had no paid-in capital contribution at that time. Pursuant to the shareholders’ resolutions dated March 24, 2017, our registered capital increased to RMB5,263,158 and such increased registered capital was subscribed for by our Initial Shareholders and Suzhou Nanyuan. Upon completion of the foregoing, our Company was owned by Mr. SONG Yang, Mr. LI Shuangjiang, Mr. LUO Hong and Suzhou Nanyuan as to 76.8%, 15.2%, 3.0% and 5.0%, respectively.

The R&D capabilities in autonomous driving solutions and operational success of our Company have attracted various reputable institutional investors and thereafter we have undertaken a series of capital increases to raise funds for fueling our R&D, series production and business development, and brought in new Shareholders with diversified backgrounds. The major shareholding changes of our Company are set out below.

2017 Equity Transfer

Pursuant to an equity transfer agreement dated August 18, 2017 between Mr. SONG Yang and Suzhou Nanyuan, Suzhou Nanyuan transferred all its registered capital of RMB263,158 to Mr. SONG Yang at a consideration of RMB1,750,000, which was determined after arm’s length negotiation by both parties. Upon completion of such transfer, our Company was owned by Mr. SONG Yang, Mr. LI Shuangjiang and Mr. LUO Hong as to 81.8%, 15.2% and 3.0%, respectively.

Series Pre-A Financing and Establishment of LanChi Platform

From September 2017 to November 2017, we completed the Series Pre-A financing (the “**Series Pre-A Financing**”) through the combination of capital increase and equity transfer, bringing in two new investors (the “**Series Pre-A Investors**”), namely Jiaxing Zizhi No. 1 Equity Investment Partnership (L.P.) (嘉興自知一號股權投資合夥企業(有限合夥)) (“**Zizhi Yihao**”) and Beijing CHJ Automotive Co., Ltd. (北京車和家信息技術有限公司) (“**Beijing CHJ**”).

HISTORY AND CORPORATE STRUCTURE

Pursuant to the capital increase agreement and the equity transfer agreement entered into from August 2017 to October 2017 by and among, Series Pre-A Investors, our Company and Initial Shareholders, Series Pre-A Investors agreed to invest in our Company by (i) subscribing for an increase of RMB717,705 registered capital at the consideration of RMB10,200,000; and (ii) acquiring an aggregate of RMB179,425 registered capital from Mr. SONG Yang at a consideration of RMB2,550,000, details of which are set out below:

<u>Name of Pre-IPO Investors</u>	<u>Name of Transferor</u>	<u>Consideration</u> <i>(RMB)</i>	<u>Registered Capital Acquired/ Subscribed</u> <i>(RMB)</i>	<u>Date of Settlement</u>
<i>Subscription of increased registered capital</i>				
Zizhi Yihao	—	5,440,000	382,777	September 1, 2017
Beijing CHJ	—	4,760,000	334,928	September 30, 2017
Total		<u>10,200,000</u>	<u>717,705</u>	
<i>Acquisition of existing registered capital</i>				
Zizhi Yihao	Mr. SONG Yang	1,360,000	95,693	November 15, 2017
Beijing CHJ	Mr. SONG Yang	1,190,000	83,732	November 22, 2017
Total		<u>2,550,000</u>	<u>179,425</u>	

The considerations of capital increase and equity transfer were determined based on arm's length negotiations between the parties primarily taking into account the R&D progress of our autonomous driving solutions at that time, which were fully settled on September 30, 2017 and November 22, 2017, respectively. For further details of the Series Pre-A Financing, see “—Pre-IPO Investments” in this section.

In December 2017, Lanchi Platform was established as an employee incentive platform of our Group where Mr. SONG Yang acted as its general partner. Pursuant to the equity transfer agreement dated March 2, 2018 and entered into between Mr. SONG Yang and Lanchi Platform, Mr. SONG Yang transferred RMB897,129 registered capital in the Company held by him to Lanchi Platform at nil consideration in order to implement the Employee Incentive Scheme.

HISTORY AND CORPORATE STRUCTURE

Upon completion of the Series Pre-A Financing and abovementioned equity transfers, the registered capital of our Company was increased to RMB5,980,863 and the shareholding structure of our Company was as follows:

<u>Name of Shareholder</u>	<u>Registered Capital</u> (RMB)	<u>Shareholding Percentage</u>
Mr. SONG Yang	3,229,236	54.0%
— Lanchi Platform	897,129	15.0%
Mr. LI Shuangjiang	799,473	13.4%
Mr. LUO Hong	157,895	2.6%
Zizhi Yihao	478,470	8.0%
Beijing CHJ	418,660	7.0%
Total	5,980,863	100.0%

Series A Financing and 2019 Equity Transfer

In September 2018, we completed the Series A financing (the “**Series A Financing**”) through capital increase, bringing in two new investors (the “**Series A Investors**”), namely SME Enterprise Development Fund (Shenzhen L.P.) (中小企業發展基金(深圳有限合伙)) (current known as Shenzhen Guozhong SME Development Private Equity Investment Fund Partnership (L.P.) (深圳國中中小企業發展私募股權投資基金合夥企業(有限合伙)) (“**SME Fund**”) and Suzhou Industrial Park Yuandian Zhengze No. 2 Venture Capital Partnership (L.P.) (蘇州工業園區原點正則貳號創業投資企業(有限合伙)) (“**Oriza Seed**”).

Pursuant to the relevant capital increase agreements entered into from June 2018 to September 2018, by and among, Series A Investors, our Company and the then existing Shareholders, Series A Investors and Zizhi Yihao agreed to invest in our Company by subscribing for an increase of RMB1,037,483 registered capital at a total consideration of RMB73,137,000, details of which are set out below:

<u>Name of Pre-IPO Investors</u>	<u>Consideration</u> (RMB)	<u>Registered Capital Subscribed</u> (RMB)	<u>Date of Settlement</u>
SME Fund	50,000,000	687,804	July 3, 2018
Zizhi Yihao	12,937,000	209,367	July 16, 2018
Oriza Seed	10,200,000	140,312	September 30, 2018
Total	73,137,000	1,037,483	

HISTORY AND CORPORATE STRUCTURE

The consideration was determined based on arm’s length negotiations between the parties primarily taking into account the R&D progress of our autonomous driving solutions, which was fully settled on September 30, 2018. For further details of the Series A Financing, see “— Pre-IPO Investments” in this section. After the Series A Financing, pursuant to the equity transfer agreement dated January 25, 2019 and entered into between Mr. SONG Yang and Lanchi Platform, Mr. SONG Yang further transferred RMB132,647 registered capital in the Company held by him to Lanchi Platform at nil consideration in order to expand the Employee Incentive Scheme pool.

Upon completion of the Series A Financing and abovementioned equity transfer, the registered capital of our Company was increased to RMB7,018,346 and the shareholding structure of our Company was as follows:

<u>Name of Shareholder</u>	<u>Registered Capital</u> (RMB)	<u>Shareholding Percentage</u>
Mr. SONG Yang	3,096,589	44.1%
— Lanchi Platform	1,029,776	14.7%
Mr. LI Shuangjiang	799,473	11.4%
Mr. LUO Hong	157,895	2.2%
Zizhi Yihao	687,837	9.8%
Beijing CHJ	418,660	6.0%
SME Fund	687,804	9.8%
Oriza Seed	140,312	2.0%
Total	7,018,346	100.0%

Series B1 Financing, Series B2 Financing and Establishment of Zichi Platform and Suzhou Hongchi

In January 2021, we have completed the Series B1 financing (the “**Series B1 Financing**”) and Series B2 financing (the “**Series B2 Financing**”) through capital increase, bringing in (i) two new investors in June 2020 (the “**Series B1 Investors**”), namely CCBI Tech Venture (Suzhou) Combined Debt & Equity Private Equity Fund (L.P.) (建銀科創(蘇州)投貸聯動股權投資基金(有限合夥)) (“**CCBI Fund**”) and Suzhou Industrial Park Heyu No. 1 Venture Capital Enterprise (L.P.) (蘇州工業園區禾裕壹號創業投資企業(有限合夥)) (“**Oriza Heyu**”, together with Oriza Seed, “**Oriza Holding**”); and (ii) two new investors in December 2020 (the “**Series B2 Investors**”), namely Guangdong Yuecai Small and Medium-sized Enterprises Equity Investment Fund Partnership (L.P.) (廣東粵財中小企業股權投資基金合夥企業(有限合夥)) (“**Yuecai Investment**”) and Zhuhai Hengqin Yixingbanyue Investment Partnership (L.P.) (珠海橫琴依星伴月投資合夥企業(有限合夥)) (“**Yixingbanyue**”, together with Yuecai Investment, “**Yuecai & BOC Funds**”).

HISTORY AND CORPORATE STRUCTURE

Pursuant to the relevant capital increase agreements dated May 22, 2020, by and among Series B1 Investors, our Company and the then existing Shareholders, Series B1 Investors, Zizhi Yihao, Beijing CHJ and SME Fund agreed to invest in our Company by subscribing for an increase of RMB486,605 registered capital at a total consideration of RMB52,000,000.

Pursuant to the relevant capital increase agreements entered into in December 2020, by and among, Series B2 Investors, our Company and the then existing Shareholders, Series B2 Investors agreed to invest in our Company by subscribing for an increase of RMB187,156 registered capital at a total consideration of RMB20,000,000.

Details of Series B1 Financing and Series B2 Financing are set out below:

Name of Pre-IPO Investors	Consideration	Registered Capital Subscribed	Date of Settlement
	<i>(RMB)</i>	<i>(RMB)</i>	
<i>Series B1 Financing</i>			
CCBI Fund	30,000,000	280,734	January 15, 2021
Oriza Heyu	3,000,000	28,073	June 17, 2020
Zizhi Yihao	5,000,000	46,789	June 15, 2020
Beijing CHJ	5,000,000	46,789	June 24, 2020
SME Fund	9,000,000	84,220	January 29, 2021
Total	<u>52,000,000</u>	<u>486,605</u>	
<i>Series B2 Financing</i>			
Yuecai & BOC Funds			
— Yuecai Investment	19,850,000	185,752	December 25, 2020
— Yixingbanyue	150,000	1,404	January 11, 2021
Total	<u>20,000,000</u>	<u>187,156</u>	

The considerations of Series B1 Financing and Series B2 Financing were determined based on arm's length negotiations between the parties primarily taking into account the R&D and commercialization progress of our autonomous driving solutions, which were fully settled on January 29, 2021 and January 11, 2021, respectively. For further details of Series B1 Financing and Series B2 Financing, see “— Pre-IPO Investments” in this section.

In April 2020, Zichi Platform was established as an employee incentive platform of our Group where Mr. SONG Yang acted as the general partner. Pursuant to the equity transfer agreement dated November 25, 2020 and entered into between Mr. SONG Yang and Zichi Platform, Mr. SONG Yang transferred RMB369,165 registered capital in the Company held by him to Zichi Platform at nil consideration to implement the Employee Incentive Scheme.

HISTORY AND CORPORATE STRUCTURE

In September 2020, Suzhou Hongchi was established as an intermediary holding platform of Mr. SONG Yang (as the general partner). Pursuant to the equity transfer agreement dated November 25, 2020 and entered into between Mr. SONG Yang and Suzhou Hongchi, Mr. SONG Yang transferred RMB73,833 registered capital in the Company held by him to Suzhou Hongchi at nil consideration due to such internal transfer. Suzhou Hongchi also introduced two limited partners who have confidence in our Group's future development and commercialization, namely Mr. XUE Wenbin (薛文斌), formerly an external consultant of our Group assisting in business development as well as standardized management and currently a director of iMotion Electronics and Mr. WANG Li (王力), an Independent Third Party. Through arm's length negotiations with Mr. SONG Yang and taking into account the then operation status of our Company, Mr. XUE Wenbin paid RMB367,200 (equaling to RMB2.9 per Share with 89.2% discount to the Offer Price), which was fully settled on April 26, 2021, and Mr. WANG LI paid RMB841,500 (equaling to RMB3.6 per Share with 86.1% discount to the Offer Price), which was fully settled on December 17, 2020, in exchange for their respective acquired limited partnership interests in Suzhou Hongchi. Mr. WANG Li and Mr. XUE Wenbin did not have any voting rights or other special rights in the Company attached to their partnership interests in Suzhou Hongchi. As of the Latest Practicable Date, Suzhou Hongchi was held by Mr. SONG Yang (as general partner), Mr. XUE Wenbin (as limited partner) and Mr. WANG Li (as limited partner) as to approximately 75.8%, 8.5% and 15.7%, respectively.

Upon completion of the foregoing equity changes, the registered capital of our Company was increased to RMB7,692,107 and the shareholding structure of our Company was as follows:

Name of Shareholder	Registered Capital (RMB)	Shareholding Percentage
Mr. SONG Yang	2,653,591	34.5%
— Lanchi Platform	1,029,776	13.4%
— Zichi Platform	369,165	4.8%
— Suzhou Hongchi	73,833	1.0%
Mr. LI Shuangjiang	799,473	10.4%
Mr. LUO Hong	157,895	2.1%
Zizhi Yihao	734,626	9.6%
Beijing CHJ	465,449	6.1%
SME Fund	772,024	10.0%
Oriza Holding		
— Oriza Seed	140,312	1.8%
— Oriza Heyu	28,073	0.4%
CCBI Fund	280,734	3.6%
Yuecai & BOC Funds		
— Yuecai Investment	185,752	2.4%
— Yixingbanyue	1,404	0.0% ⁽¹⁾
Total	7,692,107	100.0%

Note:

(1) Less than 0.1%.

HISTORY AND CORPORATE STRUCTURE

Series B3 Financing and Series B4 Financing

In February 2021, we completed Series B3 financing (the “**Series B3 Financing**”) and Series B4 financing (the “**Series B4 Financing**”), through capital increase, bringing in (i) two new investors in January 2021 (the “**Series B3 Investors**”), namely Guiyang Zhongtian Jiachuang Investment Co., Ltd. (貴陽中天佳創投資有限公司) (“**ZTF Investment**”) and Shenzhen Jiahui Chuangyao Investment Partnership (L.P.) (深圳市佳匯創耀投資合夥企業(有限合夥)) (“**Jiahui Investment**”); and (ii) one new investor in February 2021 (the “**Series B4 Investor**”), namely Shanghai Yaoyu Enterprise Management Consulting Partnership (L.P.) (上海瑤宇企業管理諮詢合夥企業(有限合夥)) (“**Yaoyu Investment**”).

Pursuant to the relevant capital increase agreements entered into in January 2021, by and among, Series B3 Investors, our Company and the then existing Shareholders, Series B3 Investors agreed to invest in our Company by subscribing for an increase of RMB156,982 registered capital at a total consideration of RMB20,000,000.

Pursuant to the relevant capital increase agreements dated February 5, 2021, by and among, Series B4 Investor, our Company and the then existing Shareholders, Series B4 Investor agreed to invest in our Company by subscribing for an increase of RMB156,982 registered capital at a consideration of RMB20,000,000.

Details of Series B3 Financing and Series B4 Financing are set out below:

Name of Pre-IPO Investors	Consideration	Registered Capital Subscribed	Date of Settlement
	<i>(RMB)</i>	<i>(RMB)</i>	
<i>Series B3 Financing</i>			
ZTF Investment	10,000,000	78,491	February 10, 2021
Jiahui Investment	10,000,000	78,491	February 10, 2021
Total	20,000,000	156,982	
<i>Series B4 Financing</i>			
Yaoyu Investment	20,000,000	156,982	February 9, 2021
Total	20,000,000	156,982	

HISTORY AND CORPORATE STRUCTURE

The considerations of Series B3 Financing and Series B4 Financing were determined based on arm’s length negotiations between the parties primarily taking into account the R&D and commercialization progress of our autonomous driving solutions, which were fully settled on February 10, 2021 and February 9, 2021, respectively. For further details of Series B3 Financing and Series B4 Financing, see “— Pre-IPO Investments” in this section.

Upon completion of the Series B3 Financing and Series B4 Financing, the registered capital of our Company was increased to RMB8,006,071 and the shareholding structure of our Company was as follows:

<u>Name of Shareholder</u>	<u>Registered Capital</u> <i>(RMB)</i>	<u>Shareholding Percentage</u>
Mr. SONG Yang	2,653,591	33.1%
— Lanchi Platform	1,029,776	12.9%
— Zichi Platform	369,165	4.6%
— Suzhou Hongchi	73,833	0.9%
Mr. LI Shuangjiang	799,473	10.0%
Mr. LUO Hong	157,895	2.0%
Zizhi Yihao	734,626	9.2%
Beijing CHJ	465,449	5.8%
SME Fund	772,024	9.6%
Oriza Holding		
— Oriza Seed	140,312	1.8%
— Oriza Heyu	28,073	0.3%
CCBI Fund	280,734	3.5%
Yuecai & BOC Funds		
— Yuecai Investment	185,752	2.3%
— Yixingbanyue	1,404	0.0% ⁽¹⁾
ZTF Investment	78,491	1.0%
Jiahui Investment	78,491	1.0%
Yaoyu Investment	156,982	2.0%
Total	8,006,071	100.0%

Note:

(1) Less than 0.1%.

HISTORY AND CORPORATE STRUCTURE

Series C1 Financing

In September 2021, we completed Series C1 financing (the “**Series C1 Financing**”) through the combination of capital increase and equity transfer, bringing in four new investors (the “**Series C1 Investors**”), namely China State-owned Enterprise Mixed Ownership Reform Fund Co., Ltd. (中國國有企業混合所有制改革基金有限公司) (“**Mixed Reform Fund**”), Pingyang Kunyi Equity Investment Partnership (L.P.) (平陽昆毅股權投資合夥企業(有限合夥)) (“**Pingyang Kunyi**”), Taicang Yanying No. 2 Biomedical Investment Management Center (L.P.) (太倉衍盈貳號生物醫藥投資管理中心(有限合夥)) (“**Yanying Investment**”) and Suzhou Yongxin Ronghui Venture Capital Partnership (L.P.) (蘇州永鑫融慧創業投資合夥企業(有限合夥)) (“**Yongxin Capital**”).

Pursuant to the relevant capital increase agreement and equity transfer agreement entered into in August 2021, by and among, Series C1 Investors, our Company and the then existing Shareholders, Series C1 Investors agreed to invest in our Company by (i) subscribing for an increase of RMB1,080,819 registered capital at a total consideration of RMB270,000,000; and (ii) acquiring an aggregate of RMB100,076 existing registered capital from the then existing Shareholders at a total consideration of RMB20,000,000, details of which are set out below:

<u>Name of Pre-IPO Investors</u>	<u>Name of Transferor</u>	<u>Consideration</u> (RMB)	<u>Registered Capital Acquired</u> (RMB)	<u>Date of Settlement</u>
<i>Subscription of increased registered capital</i>				
Mixed Reform Fund	—	230,000,000	920,698	September 15, 2021
Pingyang Kunyi	—	30,000,000	120,091	September 15, 2021
Yanying Investment	—	10,000,000	40,030	September 15, 2021
Total		<u>270,000,000</u>	<u>1,080,819</u>	
<i>Acquisition of existing registered capital</i>				
Yongxin Capital	Zizhi Yihao	5,000,000	25,019	September 16, 2021
	Mr. SONG Yang	11,975,227	59,922	September 16, 2021
	Mr. LI Shuangjiang	2,498,492	12,502	September 16, 2021
	Mr. LUO Hong	526,281	2,633	September 16, 2021
Total		<u>20,000,000</u>	<u>100,076</u>	

HISTORY AND CORPORATE STRUCTURE

The considerations of the capital increase and the equity transfer were determined after arm’s length negotiation by parties primarily taking into account the R&D and commercialization progress of our autonomous driving solutions, which were fully settled on September 15, 2021 and September 16, 2021, respectively. For further details of the Series C1 Financing, see “— Pre-IPO Investments” in this section.

Upon completion of such equity changes, the registered capital of our Company was increased to RMB9,086,890 and the shareholding structure of our Company is set forth in the below table:

<u>Name of Shareholder</u>	<u>Registered Capital</u> <i>(RMB)</i>	<u>Shareholding Percentage</u>
Mr. SONG Yang	2,593,669	28.5%
— Lanchi Platform	1,029,776	11.3%
— Zichi Platform	369,165	4.1%
— Suzhou Hongchi	73,833	0.8%
Mr. LI Shuangjiang	786,971	8.7%
Mr. LUO Hong	155,262	1.7%
Zizhi Yihao	709,607	7.8%
Beijing CHJ	465,449	5.1%
SME Fund	772,024	8.5%
Oriza Holding		
— Oriza Seed	140,312	1.6%
— Oriza Heyu	28,073	0.3%
CCBI Fund	280,734	3.1%
Yuecai & BOC Funds		
— Yuecai Investment	185,752	2.0%
— Yixingbanyue	1,404	0.0% ⁽¹⁾
ZTF Investment	78,491	0.9%
Jiahui Investment	78,491	0.9%
Yaoyu Investment	156,982	1.7%
Mixed Reform Fund	920,698	10.1%
Pingyang Kunyi	120,091	1.3%
Yanying Investment	40,030	0.5%
Yongxin Capital	100,076	1.1%
Total	9,086,890	100.0%

Note:

(1) Less than 0.1%.

HISTORY AND CORPORATE STRUCTURE

Series C2 Financing

In March 2022, we completed Series C2 financing (the “**Series C2 Financing**”) through capital increase, bringing in seven new investors (the “**Series C2 Investors**”), namely Iflytek Haihe (Tianjin) AI Venture Capital Fund Partnership (L.P.) (訊飛海河(天津)人工智能創業投資基金合夥企業(有限合夥)) (“**Tianjin Iflytek**”), Hefei Lianshan Innovation Industry Investment Fund Partnership (L.P.) (合肥連山創新產業投資基金合夥企業(有限合夥)) (“**Hefei Iflytek**”), Mr. XU Jingming (徐景明) (together with Tianjin Iflytek and Hefei Iflytek, “**Iflytek Startups**”), Yangfan Zhiyuan Industrial Investment Fund (Suzhou) Partnership (L.P.) (揚帆致遠產業投資基金(蘇州)合夥企業(有限合夥)) (“**Yangfan Zhiyuan**”), Shenzhen China Merchants StartUP Capital Partnership (L.P.) (深圳招商啟航資本合夥企業(有限合夥)) (“**StartUP Capital**”), Suzhou Yafeng Phase II Equity Investment Partnership (L.P.) (蘇州雅楓二期股權投資合夥企業(有限合夥)) (“**Yafeng II**”) and Suzhou Industrial Park Science and Technology Innovation Investment Partnership (L.P.) (蘇州工業園區科技創新投資合夥企業(有限合夥)) (“**Leader VC**”).

Pursuant to the capital increase agreement entered into in February 2022, by and among, Series C2 Investors, our Company and the then existing Shareholders, Series C2 Investors agreed to invest in our Company by subscribing an aggregate of RMB358,023 increased registered capital at a total consideration of RMB98,500,000, details of which are set out below:

<u>Name of Pre-IPO Investors</u>	<u>Consideration</u>	<u>Registered Capital</u>	<u>Date of Settlement</u>
	<i>(RMB)</i>	<i>(RMB)</i>	
Iflytek Startups			
— Tianjin Iflytek	15,000,000	54,521	February 25, 2022
— Hefei Iflytek	15,000,000	54,521	February 25, 2022
— Mr. XU Jingming	1,500,000	5,452	February 28, 2022
Yangfan Zhiyuan	30,000,000	109,043	March 11, 2022
StartUP Capital	2,000,000	7,269	March 9, 2022
Yafeng II	30,000,000	109,043	February 25, 2022
Leader VC	5,000,000	18,174	February 25, 2022
Total	98,500,000	358,023	

The consideration was determined based on arm’s length negotiations between the parties primarily taking into account the R&D and commercialization progress of our autonomous driving solutions, which was fully settled on March 11, 2022. For further details of the Series C2 Financing, see “— Pre-IPO Investments” in this section.

HISTORY AND CORPORATE STRUCTURE

Upon completion of the Series C2 Financing, the registered capital of our Company was increased to RMB9,444,913 and the shareholding structure of our Company was as follows:

Name of Shareholder	Registered Capital (RMB)	Shareholding Percentage
Mr. SONG Yang	2,593,669	27.5%
— Lanchi Platform	1,029,776	10.9%
— Zichi Platform	369,165	3.9%
— Suzhou Hongchi	73,833	0.8%
Mr. LI Shuangjiang	786,971	8.3%
Mr. LUO Hong	155,262	1.6%
Zizhi Yihao	709,607	7.5%
Beijing CHJ	465,449	4.9%
SME Fund	772,024	8.2%
Oriza Holding		
— Oriza Seed	140,312	1.5%
— Oriza Heyu	28,073	0.3%
CCBI Fund	280,734	3.0%
Yuecai & BOC Funds		
— Yuecai Investment	185,752	2.0%
— Yixingbanyue	1,404	0.0% ⁽¹⁾
ZTF Investment	78,491	0.8%
Jiahui Investment	78,491	0.8%
Yaoyu Investment	156,982	1.6%
Mixed Reform Fund	920,698	9.7%
Pingyang Kunyi	120,091	1.3%
Yanying Investment	40,030	0.4%
Yongxin Capital	100,076	1.1%
Iflytek Startups		
— Tianjin Iflytek	54,521	0.6%
— Hefei Iflytek	54,521	0.6%
— Mr. XU Jingming	5,452	0.1%
Yangfan Zhiyuan	109,043	1.2%
StartUP Capital	7,269	0.1%
Yafeng II	109,043	1.1%
Leader VC	18,174	0.2%
Total	9,444,913	100.0%

Note:

(1) Less than 0.1%.

HISTORY AND CORPORATE STRUCTURE

Series C3 Financing and 2022 Equity Transfer

From August 2022 to October 2022, we completed Series C3 financing (the “**Series C3 Financing**”) through capital increase and equity transfer, bringing in four new investor (the “**Series C3 Investor**”), namely HL Klemove Electronics (Suzhou) Co., Ltd. (漢拿科銳動電子(蘇州)有限公司) (“**HL Klemove Suzhou**”), Shaanxi Dechuang Smart Car Venture Capital Fund Partnership (L.P.) (陝西德創智能汽車創業投資基金合夥企業(有限合夥)) (“**Dechuang Vehicle**”), Suzhou Qianrong Tairun Venture Capital Partnership (L.P.) (蘇州乾融泰潤創業投資合夥企業(有限合夥)) (“**Qianrong Tairun**”) and Suzhou Yafeng Phase III Venture Investment Partnership (L.P.) (蘇州雅楓三期創業投資合夥企業(有限合夥)) (“**Yafeng III**”, together with Yafeng II, “**Yinghao Capital**”).

Pursuant to the relevant capital increase agreement and equity transfer agreements entered into during July 2022 to September 2022, by and among, Series C3 Investors, our Company and the then existing Shareholders, Series C3 Investors agreed to invest in our Company by (i) subscribing for an increase of RMB765,804 registered capital at a consideration of RMB247,500,000; and (ii) acquiring an aggregate of RMB267,635 registered capital from the then existing Shareholders at a total consideration of RMB87,459,812, details of which are set out below:

<u>Name of Pre-IPO Investors</u>	<u>Name of Transferor</u>	<u>Consideration</u> (RMB)	<u>Registered Capital Acquired</u> (RMB)	<u>Date of Settlement</u>
<i>Subscription of increased registered capital</i>				
HL Klemove Suzhou	—	247,500,000	765,804	August 16, 2022
Total		247,500,000	765,804	
<i>Acquisition of existing registered capital</i>				
Dechuang Vehicle	Mr. SONG Yang	15,839,865	49,011	October 13, 2022
	Mr. LI Shuangjiang	5,939,909	18,379	October 13, 2022
	Mr. LUO Hong	2,969,793	9,189	October 13, 2022
Qianrong Tairun	Oriza Seed	23,361,400	70,158	October 14, 2022
	Oriza Heyu	9,347,845	28,073	October 14, 2022
Yafeng III	Zizhi Yihao	30,000,000	92,825	October 21, 2022
Total		87,459,812	267,635	

HISTORY AND CORPORATE STRUCTURE

The considerations of capital increase and equity transfer were determined based on arm’s length negotiations between the parties primarily taking into account the R&D and commercialization progress of our autonomous driving solutions, which were fully settled on August 16, 2022 and October 21, 2022, respectively. For further details of the Series C3 Financing, see “— Pre-IPO Investments” in this section.

In July 2022, Suzhou Luchi was established initially for the purpose as an employee incentive platform and on July 31, 2022, Mr. SONG Yang, Mr. LI Shuangjiang and Suzhou Luchi entered into an equity transfer agreement, pursuant to which, Mr. SONG Yang and Mr. LI Shuangjiang agreed to transfer a total of RMB160,563 registered capital in the Company held by them to Suzhou Luchi at nil consideration for the initial purpose. Subsequently, considering the equity interests of the Company held by Zichi Platform and Lanchi Platform had been sufficient to implement the Employee Incentive Scheme, the equity interests held by Suzhou Luchi in the Company were not used for the Employee Incentive Scheme and Suzhou Luchi instead acted merely as the intermediary shareholding platform of Mr. SONG Yang and Mr. LI Shuangjiang, where Mr. SONG Yang acted as its general partner. As of the Latest Practicable Date, Suzhou Luchi was held by Mr. SONG Yang (as general partner) and Mr. LI Shuangjiang (as limited partner) as to 87.6% and 12.4%, respectively. Considering (i) the historical reason giving rise to collective holding Shares by Mr. SONG Yang and Mr. LI Shuangjiang through Suzhou Luchi; and (ii) neither Mr. SONG Yang nor Mr. LI Shuangjiang intended to restrict their ability to exercise direct control collectively over the Company by holding their interests through Suzhou Luchi, Mr. LI Shuangjiang was not considered as part of the group of controlling shareholders (as defined in the Listing Rules) prior to the Global Offering or the Controlling Shareholders upon completion of the Global Offering.

Upon completion of Series C3 Financing and such equity transfer, the shareholding structure of our Company was as follows:

<u>Name of Shareholder</u>	<u>Registered Capital</u> <i>(RMB)</i>	<u>Shareholding Percentage</u>
Mr. SONG Yang	2,440,764	23.9%
— Lanchi Platform	1,029,776	10.1%
— Zichi Platform	369,165	3.6%
— Suzhou Hongchi	73,833	0.7%
— Suzhou Luchi	160,563	1.6%
Mr. LI Shuangjiang	711,923	7.0%
Mr. LUO Hong	146,073	1.4%
Zizhi Yihao	616,782	6.0%
Beijing CHJ	465,449	4.5%
SME Fund	772,024	7.6%
Oriza Seed	70,154	0.7%
CCBI Fund	280,734	2.7%

HISTORY AND CORPORATE STRUCTURE

<u>Name of Shareholder</u>	<u>Registered Capital</u> (RMB)	<u>Shareholding Percentage</u>
Yuecai & BOC Funds		
— Yuecai Investment	185,752	1.8%
— Yixingbanyue	1,404	0.0% ⁽¹⁾
ZTF Investment	78,491	0.8%
Jiahui Investment	78,491	0.8%
Yaoyu Investment	156,982	1.5%
Mixed Reform Fund	920,698	9.0%
Pingyang Kunyi	120,091	1.2%
Yanying Investment	40,030	0.4%
Yongxin Capital	100,076	1.0%
Iflytek Startups		
— Tianjin Iflytek	54,521	0.5%
— Hefei Iflytek	54,521	0.5%
— Mr. XU Jingming	5,452	0.1%
Yangfan Zhiyuan	109,043	1.1%
StartUP Capital	7,269	0.1%
Yinghao Capital		
— Yafeng II	109,043	1.1%
— Yafeng III	92,825	0.9%
Leader VC	18,174	0.2%
HL Klemove Suzhou	765,804	7.5%
Qianrong Tairun	98,231	1.0%
Dechuang Vehicle	76,579	0.7%
Total	10,210,717	100.0%

Note:

(1) Less than 0.1%.

Conversion into a Joint Stock Company

On November 17, 2022, the then existing Shareholders passed resolutions approving, amongst other matters, the conversion of our Company from a limited liability company into a joint stock company. On the same day, our Company convened our inaugural meeting and our first general meeting, and passed related resolutions approving the conversion into a joint stock company, the Articles of Association and the relevant procedures.

HISTORY AND CORPORATE STRUCTURE

Upon the completion of the conversion, the registered capital of our Company became RMB10,210,717 divided into 10,210,717 Shares with a nominal value of RMB1.0 each, which were subscribed by all the then existing Shareholders in proportion to their respective equity interests in our Company before the conversion. The conversion was completed on December 29, 2022 when our Company obtained a new business license.

Capitalization Issue

On March 23, 2023, our Shareholders passed a resolution approving the capitalization of RMB194,003,623 from our share premium reserve for the issuing of 194,003,623 Shares with a nominal value of RMB1.0 each to our Shareholders at that time on a *pro rata* basis (the “**Capitalization Issue**”). Upon completion, the total issued Shares of our Company increased from 10,210,717 Shares to 204,214,340 Shares with a nominal value of RMB1.0 each.

Employee Incentive Platforms

In recognition of the contributions of our employees and to incentivize them to further promote our development, each of Lanchi Platform and Zichi Platform was established in the PRC as our employee incentive platforms.

Lanchi Platform

Lanchi Platform was established in the PRC as a limited partnership on December 1, 2017. Mr. SONG Yang, as the general partner of Lanchi Platform who holds approximately 9.1% partnership interest, is responsible for its overall management and is entitled to exercise the voting rights held by Lanchi Platform at his full and absolute discretion. As of the Latest Practicable Date, Lanchi Platform had 42 limited partners, including Mr. LU Yukun (an executive Director), Mr. LUO Hong (a Supervisor), Mr. ZHU Qinghua (a Supervisor), Mr. WANG Bingjie (a Supervisor) and 38 other employees of our Group.

As of the Latest Practicable Date, Lanchi Platform held 10.1% of the registered capital of our Company.

Zichi Platform

Zichi Platform was established in the PRC as a limited partnership on April 30, 2020. Mr. SONG Yang, as the general partner of Zichi Platform who holds approximately 25.1% partnership interest, is responsible for its overall management and is entitled to exercise the voting rights held by Zichi Platform at his full and absolute discretion. As of the Latest Practicable Date, Zichi Platform had 43 limited partners, who are all employees of our Group.

As of the Latest Practicable Date, Zichi Platform held 3.6% of the registered capital of our Company.

HISTORY AND CORPORATE STRUCTURE

Mr. SONG will be the beneficial owner of any repurchased limited partnerships in the employee incentive platforms. Please see “Appendix VI — Statutory and General Information — D. Employee Incentive Scheme” for details.

Our Subsidiaries

As of the Latest Practicable Date, we had five wholly-owned subsidiaries and their details are set forth below:

Changshu iMotion

Changshu iMotion was established in the PRC on December 4, 2017 with an initial registered capital of RMB1,000,000, which was later increased to RMB3,500,000 in February 2018. At the time of its establishment, Changshu iMotion was 30% owned by Mr. SONG Yang and 70% owned by our Company. On March 1, 2018, Mr. SONG Yang transferred all his equity interest in Changshu iMotion to our Company at nil consideration considering there was no paid-in capital contribution in Changshu iMotion at that time. As of the Latest Practicable Date, Changshu iMotion had not commenced any substantial business operations.

iMotion Electronics

iMotion Electronics was established in the PRC on June 19, 2018. In order to establish our own manufacturing base to prepare for the commercialization and series production of our autonomous driving solutions, considering a majority of OEM customers in the automotive industry typically require their autonomous driving solution providers to possess in-house manufacturing capabilities, iMotion Electronics acquired two SMT lines in electronic manufacturing services division of Suzhou Dongshan Precision Manufacturing Co., Ltd. (蘇州東山精密製造股份有限公司) (stock code: 002384) (“**Suzhou Dongshan**”), a company listed on the Shenzhen Stock Exchange and an Independent Third Party, in August 2018. The consideration of such acquisition was RMB12,149,000 after arm’s length negotiation, the last installment of which was fully settled in July 2020. The initial registered capital of iMotion Electronics is RMB20,000,000, which was later increased to RMB30,000,000 in March 2019 and RMB40,000,000 in November 2021, respectively. iMotion Electronics commenced its business since July 2018, mainly engaged in the provision of PCBA, including SMT processing, and manufacturing of our iFCs and AD domain controllers. iMotion Electronics has been wholly owned by our Company since its establishment. During the Track Record Period, to maximize the production capacity utilization of the two SMT lines and maintain operational efficiency, iMotion Electronics engaged in the production of other PCBA products beyond autonomous driving-related ones. With the growing demand for our autonomous driving solutions, iMotion Electronic as our manufacturing base will focus on providing autonomous driving-related PCBA products and progressively phase out the production of other PCBA products.

HISTORY AND CORPORATE STRUCTURE

Shanghai iMotion

Shanghai iMotion was established in the PRC on September 15, 2021 with an initial registered capital of RMB1,000,000, which was later increased to RMB4,000,000 in December 2021. As of the Latest Practicable Date, Shanghai iMotion had not commenced any substantial business operations and had been wholly owned by our Company since its establishment.

Tianjin iMotion

Tianjin iMotion was established in the PRC on April 20, 2022 with an initial registered capital of RMB15,000,000. As of the Latest Practicable Date, Tianjin iMotion had not commenced any substantial business operations and had been wholly owned by our Company since its establishment.

Germany iMotion

Germany iMotion was incorporated in the Germany on October 18, 2023 with an initial share capital of EUR100,000. As of the Latest Practicable Date, Germany iMotion had not commenced any substantial business operations and had been wholly owned by our Company since its establishment.

Disposal of Shanghai Yingxue

Shanghai Yingxue Automotive Technology Co., Ltd. (上海應雪汽車科技有限公司) (“**Shanghai Yingxue**”) was established in the PRC on January 4, 2018 with an initial registered capital of RMB1,000,000. Upon its establishment, Shanghai Yingxue was wholly owned by our Company and set up for the purpose of exploring and researching the thermal management business opportunity. Having considered the time and costs incurred and the competitive landscape, our Company’s management decided that it would be in the best interests of our Company and shareholders to focus on the development of AD domain controllers, rather than engaging in the thermal management business. Therefore, our Company disposed of all equity interests in Shanghai Yingxue to an Independent Third Party in December 2019 at a consideration of RMB1,700,000, which was settled in January 2020. The consideration was determined based on initial operational expenditure of our Company invested in Shanghai Yingxue. During the period when Shanghai Yingxue was a subsidiary of our Company, it did not carry out any substantial business or generate any revenue or profit.

PRC Legal Advisors’ Confirmation

As advised by our PRC Legal Advisors, our Company and its subsidiaries have made all necessary filings and have complied with applicable PRC laws and regulations in relation to the changes of shareholdings as set out above.

HISTORY AND CORPORATE STRUCTURE

PRE-IPO INVESTMENTS

Principal Terms of the Pre-IPO Investments

Our Company concluded several rounds of investments with the Pre-IPO Investors. The basis of determination for the consideration of the Pre-IPO Investments were from arm's length negotiation between our Company and the Pre-IPO Investors after taking into consideration the timing of the investments and the status of our business operation and R&D and commercialization progress. The following table summarizes the key terms of the Pre-IPO Investments to our Company made by the Pre-IPO Investors:

	Series Pre-A							
	Series A Financing	Series B1 Financing	Series B2 Financing	Series B3 Financing	Series B4 Financing	Series C1 Financing	Series C2 Financing	Series C3 Financing
Date of agreement (equity subscription)	August 23, 2017	May 22, 2020	December 2020	January 1, 2021	February 5, 2021	August 30, 2021	February 22, 2022	July 31, 2022
Date of settlement (equity subscription)	September 30, 2017	January 29, 2021	January 11, 2021	February 10, 2021	February 9, 2021	September 15, 2021	March 11, 2022	August 16, 2022
Date of agreement (equity transfer)	October 10, 2017	—	—	—	—	August 2021	—	September 30, 2022
Date of settlement (equity transfer)	November 22, 2017	—	—	—	—	September 16, 2021	—	October 21, 2022
Approximate cost per Share ⁽¹⁾	RMB0.7	RMB5.3	RMB5.3	RMB6.4	RMB6.4	RMB12.5	RMB13.8	RMB16.2
	Equity subscription:	Equity subscription:	Equity subscription:	Equity subscription:	Equity subscription:	Equity subscription:	Equity subscription:	Equity subscription:
	RMB0.7	RMB5.3	RMB5.3	RMB6.4	RMB6.4	RMB12.5	RMB13.8	RMB16.2
	Equity transfer:	—	—	—	—	Equity transfer:	—	Equity transfer:
	RMB0.7	—	—	—	—	RMB10.0	—	RMB16.3
Amount of registered capital subscribed/acquired	RMB171,705	RMB486,605	RMB187,156	RMB156,982	RMB156,982	RMB1,080,819	RMB358,023	RMB765,804
	Equity subscription:	Equity subscription:	Equity subscription:	Equity subscription:	Equity subscription:	Equity subscription:	Equity subscription:	Equity subscription:
	RMB171,705	RMB486,605	RMB187,156	RMB156,982	RMB156,982	RMB1,080,819	RMB358,023	RMB765,804
	Equity transfer:	—	—	—	—	Equity transfer:	—	Equity transfer:
	RMB179,425	—	—	—	—	RMB100,076	—	RMB267,635

HISTORY AND CORPORATE STRUCTURE

	Series A Financing	Series B1 Financing	Series B2 Financing	Series B3 Financing	Series B4 Financing	Series C1 Financing	Series C2 Financing	Series C3 Financing
Amount of consideration paid for equity subscription/acquisition	Equity subscription: RMB10,200,000 Equity transfer: RMB2,550,000	Equity subscription: RMB52,000,000	Equity subscription: RMB20,000,000	Equity subscription: RMB20,000,000	Equity subscription: RMB20,000,000	Equity subscription: RMB270,000,000 Equity transfer: RMB20,000,000	Equity subscription: RMB98,500,000	Equity subscription: RMB247,500,000 Equity transfer: RMB87,459,812
Discount to the Offer Price⁽²⁾	Equity subscription: 87.0% Equity transfer: —	Equity subscription: 80.3%	Equity subscription: 80.3%	Equity subscription: 76.3%	Equity subscription: 76.3%	Equity subscription: 53.6% Equity transfer: 62.9%	Equity subscription: 48.8%	Equity subscription: 39.9% Equity transfer: —
Post-money valuation of our Company⁽³⁾	RMB85,000,000	RMB510,200,000	RMB802,000,000	RMB809,000,000	RMB1,020,000,000	RMB2,270,000,000	RMB2,598,500,000	RMB3,300,000,000

Use of proceeds We utilized the proceeds to finance our R&D and commercialization as well as to support the working capital needs of our Groups. As of the Latest Practicable Date, approximately 72.3% of the net proceeds from the Pre-IPO Investments has been utilized for the aforementioned purposes. We expect to utilize the remaining proceeds from the Pre-IPO Investments for the same purposes.

Lock-up period Pursuant to the applicable PRC law, within the 12 months following the Listing Date, all existing Shareholders (including the Pre-IPO Investors) of our Company could not dispose of any of the Shares held by them.

Strategic benefits At the time of the Pre-IPO Investments, our Directors were of the view that (i) our Company would benefit from the additional capital provided by the Pre-IPO Investors and their knowledge and experience; and (ii) the Pre-IPO Investments demonstrated the Pre-IPO Investors' confidence in the operation and development of our Group.

Notes:

- (1) As adjusted to reflect the subsequent conversion into a joint stock company of the Company and Capitalization Issue.
- (2) The discount to the Offer Price is calculated based on the foreign exchange rate as of the Latest Practicable Date and the Offer Price of HK\$29.65 per H Share.
- (3) Calculated based on the valuation of our Company at the relevant time of each financing taking into account the funds received from the Pre-IPO Investors.

HISTORY AND CORPORATE STRUCTURE

Information Relating to Our Major Pre-IPO Investors

Set out below is a description of our major Pre-IPO Investors, which are private equity funds and strategic investment entities, and held more than 1.0% of the total issued share capital of the Company as of the date of this prospectus. To the best of the Company's knowledge, information and belief and having made all reasonable enquiries, all the Pre-IPO Investors are Independent Third Parties.

<u>Pre-IPO Investors</u>	<u>Background</u>
Zizhi Yihao	Zizhi Yihao is a limited partnership established in the PRC and is managed by its general partner Jiaxing Zizhi Discovery Equity Investment Management Partnership (L.P.) (嘉興自知探索股權投資管理合夥企業(有限合夥)) (“ Zizhi Discovery ”), which is ultimately controlled by Mr. HUANG Mingming (黃明明), an Independent Third Party. As of the Latest Practicable Date, all 24 limited partners of Zizhi Yihao were Independent Third Parties, of which CICC Genesis Fund (Limited Partnership) (中金啟元國家新興產業創業投資引導基金(有限合夥)), being the largest limited partner, held 13.75% partnership interest in Zizhi Yihao.
Beijing CHJ	Beijing CHJ is a limited liability company established in the PRC, which is a consolidated affiliated entity under the management of Li Auto Inc., a NEV automaker company dual listed on the Stock Exchange (stock code: 2015) and NASDAQ (ticker symbol: LI). As of the Latest Practicable Date, Beijing CHJ was controlled by Mr. LI Xiang (李想), an Independent Third Party.
SME Fund	SME Fund is a limited partnership established in the PRC and is managed by its general partner, Shenzhen Guozhong Venture Capital Management Co., Ltd. (深圳國中創業投資管理有限公司) (“ Shenzhen Guozhong VC ”), which is in turn controlled by Mr. SHI Anping (施安平), an Independent Third Party. As of the Latest Practicable Date, all eight limited partners of SME Fund were Independent Third Parties, of which National SME Development Fund Co., Ltd. (國家中小企業發展基金有限公司) and Shenzhen Guidance Fund Investment Co., Ltd. (深圳市引導基金投資有限公司), being the two largest limited partners, each held 25.0% and 24.98% partnership interest in SME Fund, respectively.

HISTORY AND CORPORATE STRUCTURE

<u>Pre-IPO Investors</u>	<u>Background</u>
CCBI Fund	<p>CCBI Fund is a limited partnership established in the PRC and is managed by its general partner, Tianjin CCB International Jinhe Equity Investment Management Limited (天津建銀國際金禾股權投資管理有限公司) (“CCBI Tianjin”). CCBI Tianjin is an investment holding company indirectly wholly owned by CCB International (Holdings) Limited (建銀國際(控股)有限公司), a wholly-owned subsidiary of China Construction Bank Corporation, a company listed on both Shanghai Stock Exchange (stock code: 601939) and the Stock Exchange (stock code: 939). As of the Latest Practicable Date, all nine limited partners of CCBI Fund were Independent Third Parties, of which Suzhou Industrial Park Industry Investment Fund (L.P.) (蘇州工業園區產業投資基金(有限合夥)), being the largest limited partner, held 25.0% partnership interest in CCBI Fund. CCBI Fund is experienced in investing in high technology companies.</p>
Yuecai & BOC Funds	<p>Yuecai Investment is a limited partnership established in the PRC and managed by its general partner, Yuecai Private Equity Investment (Guangdong) Co., Ltd. (粵財私募股權投資(廣東)有限公司) (“Yuecai PE”) and its fund manager, Yuecai & BOC Private Equity Fund Management (Guangdong) Co., Ltd. (粵財中垠私募股權投資基金管理(廣東)有限公司) (“Yuecai & BOC”). Both Yuecai PE and Yuecai & BOC are ultimately controlled by People’s Government of Guangdong Province (廣東省人民政府). As of the Latest Practicable Date, all five limited partners of Yuecai Investment were Independent Third Parties, of which Guangdong Yuecai Trust Co., Ltd (廣東粵財信託有限公司), being the largest limited partner, held 29.0% partnership interest in Yuecai Investment.</p> <p>Yixingbanyue is a limited partnership established in the PRC, and managed by its general partner Yuecai & BOC. As of the Latest Practicable Date, all 44 limited partners of Yixingbanyue were Independent Third Parties, of which Mr. WANG Zheng (王政), being the largest limited partner, held 17.1% partnership interest in Yixingbanyue.</p> <p>Each of Yuecai PE and Yuecai & BOC is a professional institutional investor in the PRC principally engaged in equity investments in strategic emerging industries.</p>

HISTORY AND CORPORATE STRUCTURE

Pre-IPO Investors

Background

Yaoyu Investment

Yaoyu Investment is a limited partnership established in the PRC and is managed by its general partner, Shanghai Keruisi Enterprise Management Consulting Partnership (L.P.) (上海刻瑞斯企業管理諮詢合夥企業(有限合夥)), which is in turn controlled by Ms. ZHANG Jingli (張景麗), an Independent Third Party. As of the Latest Practicable Date, the limited partner of Yaoyu Investment, Qingdao Gaoxin Shengdian Private Equity Investment Fund Partnership (L.P.) (青島高信盛典私募股權投資基金合夥企業(有限合夥)) (“**Gaoxin Shengdian**”), held its partnership interest as to 97.9%. Gaoxin Shengdian had two partners, namely Shanghai Gaoxin Private Equity Fund Management Co., Ltd. (上海高信私募基金管理有限公司), which served as the general partner and was under the control of Mr. CAO Bin (曹斌), and Mr. WANG Shiming (王士明), who acted as the limited partner and held approximately 99.9% partnership interest. Both Mr. WANG Shiming and Mr. CAO Bin are Independent Third Parties.

Yaoyu Investment is an institutional investor that primarily focuses on equity investment.

Mixed Reform Fund

Mixed Reform Fund is a national fund approved by the State Council of the PRC (中華人民共和國國務院), entrusted by the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會) (“**SASAC**”) and initiated by China Chengtong Holdings Group Co., Ltd. (中國誠通控股集團有限公司) (“**China Chengtong**”). Mixed Reform Fund was established in Shanghai in December 2020, with a target total scale of RMB200 billion and an initial registered capital of RMB70.7 billion. The shareholders of Mixed Reform Fund include a number of Chinese central enterprises, local government SOEs and private enterprises, amongst which the largest shareholder is China Chengtong with a shareholding of approximately 34.23%. China Chengtong is 100% controlled by the SASAC. Mixed Reform Fund is principally engaged in equity investment, asset management, investment advisory and corporate management advisory, with an investment focus on key strategic fields, core technical domains and others.

HISTORY AND CORPORATE STRUCTURE

Pre-IPO Investors

Background

Pingyang Kunyi

Pingyang Kunyi is a limited partnership established in the PRC and is managed by Huaqiang Venture Capital Co., Ltd. (華強創業投資有限責任公司) as its executive general partner (執行事務合夥人), which was in turn beneficially owned by Mr. LIANG Guangwei (梁光偉), an Independent Third Parties. As of the Latest Practicable Date, all the other three general and limited partners of Pingyang Kunyi were Independent Third Party, of which Shenzhen Qianhai Huaqiang Financial Holding Co., Ltd. (深圳前海華強金融控股有限公司) and Mr. LI Zhongliang (李忠良), being its two largest limited partners, held 59.0% and 39.0% partnership interest in Pingyang Kunyi, respectively.

Pingyang Kunyi is a private equity fund primarily focusing on equity investment in high-tech enterprises with high growth potential with portfolio companies covering automotive electronics and semiconductors fields.

Yongxin Capital

Yongxin Capital is a limited partnership established in the PRC and is managed by its general partner, Suzhou Yongxin Ark Equity Investment Partnership (蘇州永鑫方舟股權投資管理合夥企業(普通合夥)), which is in turn controlled by Mr. WEI Yong (韋勇), an Independent Third Party. As of the Latest Practicable Date, all 27 limited partners of Yongxin Capital were Independent Third Parties, of which Suzhou Yige Network Technology Co., Ltd. (蘇州億歌網絡科技有限公司), being the largest limited partner, held 10.8% partnership interest in Yongxin Capital.

Yongxin Capital is a private fund mainly making investments in start-up and growth stage companies.

HISTORY AND CORPORATE STRUCTURE

<u>Pre-IPO Investors</u>	<u>Background</u>
Iflytek Startups	<p>Each of Tianjin Iflytek and Hefei Iflytek is a limited partnership established in the PRC. Tianjin Iflytek and Hefei Iflytek are managed by their respective general partner, Tianjin Kexun Haihe Technology Partnership (L.P.) (天津科訊海河科技合夥企業(有限合夥)) (“Tianjin Kexun”) and Hefei Kexun Venture Capital Management Partnership (L.P.) (合肥科訊創業投資管理合夥企業(有限合夥)) (“Hefei Kexun”). Both Tianjin Kexun and Hefei Kexun were in turn controlled by Mr. XU Jingming (徐景明), who is an Independent Third Party and also an individual Pre-IPO Investor of our Company. As of the Latest Practicable Date, all limited partners of Tianjin Iflytek and Hefei Iflytek were Independent Third Parties, and none of them contributed one-third or more of the partnership interest in each of Tianjin Iflytek and Hefei Iflytek, save for that Tianjin Haihe Industry Fund Partnership (L.P.) (天津市海河產業基金合夥企業(有限合夥)), being the largest limited partner of Tianjin Iflytek, held partnership interest in Tianjin Iflytek as to 49.0%. Both Tianjin Iflytek and Hefei Iflytek are private equity investment funds filed with Asset Management Association of China (中國證券投資基金業協會).</p> <p>Mr. XU Jingming has extensive experience in equity investment. Tianjin Iflytek and Heifei Iflytek are experienced in making equity investments in private companies across the field of intelligent technology and its application innovation.</p>
Yinghao Capital	<p>Yafeng II is a limited partnership established in the PRC and is managed by Yinghao (Hainan) Venture Capital Co., Ltd. (英豪(海南)創業投資有限公司) (“Hainan Yinghao”) as its general partner. Hainan Yinghao is ultimately controlled by Mr. YU Guoqing (于國慶), an Independent Third Party. As of the Latest Practicable Date, all nine limited partners of Yafeng II were Independent Third Parties, none of which contributed one-third or more of the capital. Meanwhile, Mr. HAN Mingming (韓明明) and Mr. QIU Junjie (邱俊傑) being the two largest limited partners, each held 27.3% partnership interest in Yafeng II, respectively.</p> <p>Hainan Yinghao is an experienced institutional investor, primarily focusing on equity investment in advanced manufacturing, new materials and energy sectors.</p>

HISTORY AND CORPORATE STRUCTURE

Pre-IPO Investors

Background

Yafeng III is a limited partnership established in the PRC and is managed by Yinghao (Suzhou) Venture Capital Co., Ltd. (英豪(蘇州)創業投資有限公司) (“**Suzhou Yinghao**”) as its general partner. Suzhou Yinghao is also ultimately controlled by Mr. YU Guoqing. As of the Latest Practicable Date, all six limited partners of Yafeng III were Independent Third Parties, none of which contributed one-third or more of the capital. Meanwhile, Mr. YU Guoping (俞國平), being the largest limited partner, held 31.2% partnership interest in Yafeng III.

Suzhou Yinghao is an experienced institutional investor, primarily focusing on equity investment in advanced manufacturing, new materials and energy sectors.

HL Klemove Suzhou

HL Klemove Suzhou is a company established in the PRC and wholly owned by HL Klemove Corporation (“**HKL**”), a South Korean corporation specializing in autonomous driving. HKL is an affiliate of HL Mando Gorp., a multi-business group listed on the Korea Exchange (ticker symbol: 204320), specializing in the production of automotive chassis products using advanced technologies.

Qianrong Tairun

Qianrong Tairun is a limited partnership established in the PRC and is managed by its general partner, Suzhou Qianrong Taizhen Business Management Consulting Partnership (L.P.) (蘇州乾融太真企業管理諮詢合夥企業(有限合夥)), which is in turn controlled by Suzhou Qianrong Chuanghe Innovative Capital Management Co., Ltd (蘇州乾融創禾創新資本管理有限公司) (“**Qianrong Chuanghe**”) and ultimately controlled by Ms. YE Xiaoming (葉曉明), an Independent Third Party. As of the Latest Practicable Date, all 13 limited partners of Qianrong Tairun were Independent Third Parties, of which Jiangsu Taizhou Guangkong Equity Investment Partnership Enterprise (L.P.) (江蘇泰州光控股權投資合夥企業(有限合夥)) and Suzhou Tongyun Renhe Innovative Industry Investment Co., Ltd. (蘇州同運仁和創新產業投資有限公司), being the two largest limited partners, each held 16.6% partnership interest in Qianrong Tairun, respectively.

HISTORY AND CORPORATE STRUCTURE

Pre-IPO Investors

Background

Qianrong Tairun is a private equity fund managed by Qianrong Chuanghe under Jiangsu Qianrong Investment Holding Group (江蘇乾融投資控股集團有限公司) (“**Qianrong Holding**”). Qianrong Holding integrates angel investment, venture capital, equity investment, mergers and acquisitions, industrial fund of funds and secondary market, running through the whole cycle of investment and focuses on the hardcore technology field. Qianrong Holding manages a total of 19 private equity funds and its portfolio includes Zhongji Innolight Co., Ltd. (中際旭創股份有限公司) (listed on the Shenzhen Stock Exchange, stock code: 300308), Suzhou Goldengreen Technologies Ltd. (蘇州恆久光電科技股份有限公司) (listed on the Shenzhen Stock Exchange, stock code: 002808) and etc.

Yangfan Zhiyuan & StartUP Capital

Yangfan Zhiyuan is a limited partnership established in the PRC and is managed by its general partner, China Merchants (Shenzhen) StartUP Investment Management Co., Ltd. (深圳招商啟航投資管理有限公司) (“**CM StartUP**”), an Independent Third Party. As of the Latest Practicable Date, Yangfan Zhiyuan had two limited partners, both being Independent Third Parties, of which China Merchants Landmark (Shenzhen) Co., Ltd. (深圳市招商創業有限公司) held 80.0% partnership interest and Shenzhen China Merchants StartUP Capital Partnership (L.P.) (深圳招商啟航資本合夥企業(有限合夥)) held 19.0% partnership interest.

StartUP Capital is a limited partnership established in the PRC and is managed by its general partner, CM StartUP, which holds 99% partnership interest. The sole limited partner of StartUP Capital is an Independent Third Party.

CM StartUP is a state-level incubator and an investment platform for hard & core technology startups under China Merchants Group, focusing on early-stage equity investment. CM StartUP is held by China Merchants Shekou Industrial Zone Holdings Co., Ltd. (招商局蛇口工業區控股股份有限公司) as to 50% and by China Merchants Technology Investment (Shenzhen) Co., Ltd. (深圳市招商局科技投資有限公司) as to 50%, and is ultimately controlled by SASAC.

Special Rights of the Pre-IPO Investors

Pursuant to the existing Shareholders’ agreements, the Pre-IPO Investors had been granted certain special rights, including, among others, (i) the right to appoint Directors and Supervisors; (ii) pre-emptive right, (iii) anti-dilution adjustment rights, (iv) redemption rights, (v) liquidation preferences, (vi) veto right for certain corporate actions, (vii) information and

HISTORY AND CORPORATE STRUCTURE

inspection rights and (viii) most favorable treatment (for a Pre-IPO Investor who participated in multiple rounds of Pre-IPO Investments, it was entitled to the “most favorable treatment” where if it was granted certain rights that were more favorable in the previous round(s) of its Pre-IPO Investments, such more favorable rights shall apply and prevail). All such special rights were terminated prior to the date of the first submission of the listing application to the Stock Exchange.

In addition, all Pre-IPO investors have the anti-dilution option to purchase and subscribe for additional Shares at the Offer Price until its ownership of the then issued and outstanding share capital of the Company immediately after the Global Offering is the same as its aggregate ownership in the Company (on an as-converted and fully-diluted basis) immediately prior to the Global Offering. Such anti-dilution option right will be terminated upon completion of the Global Offering.

Public Float

The 22,502,813 H Shares to be converted from Domestic Shares held by Mr. SONG Yang, Mr. LI Shuangjiang, Mr. LUO Hong, Lanchi Platform, Zichi Platform, Suzhou Hongchi and Suzhou Luchi will not be considered as part of the public float as the aforesaid Shareholders are core connected persons of our Group.

To the best of our Directors’ knowledge, information and belief and having made all reasonable inquiries, none of the Pre-IPO Investors (i) is a core connected person of our Group; (ii) has been financed directly or indirectly by a core connected person of our Group for the subscription of Shares; or (iii) is accustomed to taking instructions from a core connected person of our Group in relation to the acquisition, disposal, voting or other disposition of the Shares registered in their name or otherwise held by them. Therefore, the 56,984,872 H Shares to be converted from the Domestic Shares held by the other Shareholders will be treated as part of the public float of our Company following Listing for the purpose of Rule 8.08 of the Listing Rules.

Assuming the Offer Shares are allotted and issued to public Shareholders, over 25% of our Company’s total issued Shares will be held by the public upon completion of the Global Offering.

Compliance with Interim Guidance and Guidance Letters

The Joint Sponsors confirm that the Pre-IPO Investments are in compliance with (i) the Interim Guidance HKEx-GL29-12 on pre-IPO investments issued by the Stock Exchange in January 2012 and as updated in March 2017; and (ii) the Guidance Letter HKEX-GL43-12 issued by the Stock Exchange in October 2012 and as updated in July 2013 and March 2017.

MAJOR ACQUISITIONS AND DISPOSALS

During the Track Record Period, we did not conduct any acquisitions, disposals or mergers that we consider to be material to us.

HISTORY AND CORPORATE STRUCTURE

CAPITALIZATION

The table below is a summary of the capitalization of our Company after completion of each round of Pre-IPO Investment and as of the date of this prospectus, unless otherwise indicated⁽¹⁾:

	Series Pre-A		Series A	Series B1	Series B2	Series B3	Series B4	Series C1	Series C2	Series C3	Shares Held as of the Date of this Prospectus ⁽³⁾	% as to the Total Issued Share Capital of Our Company as of the Date of this Prospectus	% as to the Total Issued Share Capital of Our Company upon Completion of the Global Offering
	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)	(Shares)		
<i>Our Initial Shareholders and their controlled entities</i>													
Mr. SONG Yang ⁽⁴⁾	3,229,236	3,229,236	3,096,589	3,096,589	3,096,589	2,653,591	2,653,591	2,593,669	2,593,669	2,440,764	48,815,280	23.9%	21.6%
— Lanchi Platform ⁽⁴⁾	897,129	897,129	1,029,776	1,029,776	1,029,776	1,029,776	1,029,776	1,029,776	1,029,776	1,029,776	20,595,520	10.1%	9.1%
— Zichi Platform ⁽⁴⁾	—	—	—	—	—	369,165	369,165	369,165	369,165	369,165	7,383,300	3.6%	3.3%
— Suzhou Hongchi ⁽⁴⁾	—	—	—	—	—	73,833	73,833	73,833	73,833	73,833	1,476,660	0.7%	0.7%
— Suzhou Luchi ⁽⁴⁾	—	—	—	—	—	—	—	—	—	160,563	3,211,260	1.6%	1.4%
Mr. LI Shuangjiang	799,473	799,473	799,473	799,473	799,473	799,473	799,473	786,971	786,971	711,923	14,238,460	7.0%	6.3%
Mr. LUO Hong	157,895	157,895	157,895	157,895	157,895	157,895	157,895	155,262	155,262	146,073	2,921,460	1.4%	1.3%
<i>Pre-IPO Investors</i>													
Zizhi Yihao	478,470	687,837	734,626	734,626	734,626	734,626	734,626	709,607	709,607	616,782	12,335,640	6.0%	5.5%
Beijing CHI	418,660	418,660	465,449	465,449	465,449	465,449	465,449	465,449	465,449	465,449	9,308,980	4.5%	4.1%
SME Fund	—	687,804	772,024	772,024	772,024	772,024	772,024	772,024	772,024	772,024	15,440,480	7.6%	6.8%

HISTORY AND CORPORATE STRUCTURE

	Series Pre-A		Series A	Series B1	Series B2	Series B3	Series B4	Series C1	Series C2	Series C3	Shares Held as of the Date of this Prospectus ⁽³⁾	% as to the Total Issued Share Capital of Our Company as of the Date of this Prospectus	% as to the Total Issued Share Capital of Our Company upon Completion of the Global Offering
	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)	(Shares)		
Oriza Holding ⁽⁵⁾	—	—	140,312	140,321	140,321	140,321	140,321	140,321	140,321	70,154	1,403,080	0.7%	0.6%
— Oriza Seed ⁽⁵⁾	—	—	—	28,073	28,073	28,073	28,073	28,073	28,073	—	—	—	—
— Oriza Heyu ⁽⁵⁾	—	—	—	280,734	280,734	280,734	280,734	280,734	280,734	280,734	5,614,680	2.7%	2.5%
CCBI Fund	—	—	—	—	—	—	—	—	—	—	—	—	—
Yuecai & BOC Funds ⁽⁶⁾	—	—	—	—	185,752	185,752	185,752	185,752	185,752	185,752	3,715,040	1.8%	1.6%
— Yuecai Investment ⁽⁶⁾	—	—	—	—	1,404	1,404	1,404	1,404	1,404	1,404	28,080	0.0% ⁽⁹⁾	0.0% ⁽⁹⁾
— Yixingbanyue ⁽⁶⁾	—	—	—	—	—	78,491	78,491	78,491	78,491	78,491	1,569,820	0.8%	0.7%
ZTF Investment	—	—	—	—	—	78,491	78,491	78,491	78,491	78,491	1,569,820	0.8%	0.7%
Jiahui Investment	—	—	—	—	—	—	—	—	—	—	—	—	—
Yaoyu Investment	—	—	—	—	—	—	156,982	156,982	156,982	156,982	3,139,640	1.5%	1.4%
Mixed Reform Fund	—	—	—	—	—	—	—	920,698	920,698	920,698	18,413,960	9.0%	8.1%
Pingyang Kunyi	—	—	—	—	—	—	—	120,091	120,091	120,091	2,401,820	1.2%	1.1%
Yanying Investment	—	—	—	—	—	—	—	40,030	40,030	40,030	800,600	0.4%	0.4%
Yongxin Capital	—	—	—	—	—	—	—	100,076	100,076	100,076	2,001,520	1.0%	0.9%
Iflytek Startups ⁽⁷⁾	—	—	—	—	—	—	—	—	—	—	—	—	—
— Tianjin Iflytek ⁽⁷⁾	—	—	—	—	—	—	—	—	54,521	54,521	1,090,420	0.5%	0.5%
— Hefei Iflytek ⁽⁷⁾	—	—	—	—	—	—	—	—	54,521	54,521	1,090,420	0.5%	0.5%
— Mr. XU Jingming ⁽⁷⁾	—	—	—	—	—	—	—	—	5,452	5,452	109,040	0.1%	0.0%

HISTORY AND CORPORATE STRUCTURE

	% as to the Total										% as to the Total Issued Share Capital of Our Company as of the Date of this Prospectus ⁽³⁾	% as to the Total Issued Share Capital of Our Company upon Completion of the Global Offering
	Series Pre-A Financing	Series A Financing	Series B1 Financing	Series B2 Financing	Series B3 Financing	Series B4 Financing	Series C1 Financing	Series C2 Financing	Series C3 Financing ⁽²⁾	Shares Held as of the Date of this Prospectus ⁽³⁾		
	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)	(Shares)		
Yangfan Zhiyuan	—	—	—	—	—	—	—	109,043	109,043	2,180,860	1.1%	1.0%
StartUP Capital	—	—	—	—	—	—	—	7,269	7,269	145,380	0.1%	0.1%
Yinghao Capital ⁽⁸⁾	—	—	—	—	—	—	—	—	—	—	—	—
— Yafeng II ⁽⁸⁾	—	—	—	—	—	—	—	109,043	109,043	2,180,860	1.1%	1.0%
— Yafeng III ⁽⁸⁾	—	—	—	—	—	—	—	—	92,825	1,856,500	0.9%	0.8%
Leader VC	—	—	—	—	—	—	—	18,174	18,174	363,480	0.2%	0.2%
HL Kienove Suzhou	—	—	—	—	—	—	—	—	765,804	15,316,080	7.5%	6.8%
Qianrong Tairun	—	—	—	—	—	—	—	—	98,231	1,964,620	1.0%	0.9%
Dechuang Vehicle	—	—	—	—	—	—	—	—	76,579	1,531,580	0.7%	0.7%
Global Offering Shareholders	—	—	—	—	—	—	—	—	—	—	—	9.8%
Total	5,980,863	7,018,346	7,504,951	7,692,107	7,849,089	8,006,071	9,086,890	9,444,913	10,210,717	204,214,340	100.0%	100.0%

HISTORY AND CORPORATE STRUCTURE

Notes:

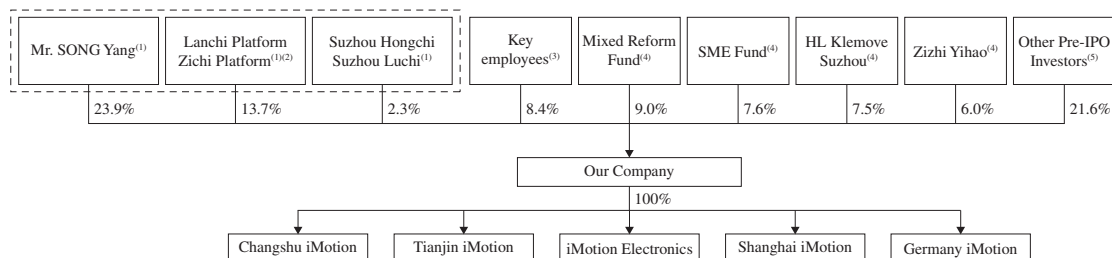
- (1) The percentage figures included in this table have been subject to rounding adjustments. Therefore, figure shown as total may not be an arithmetic aggregation of the figures above.
- (2) Our Company was converted into a joint stock company in December 2022 and our share capital became RMB10,210,717 divided into 10,210,717 Shares. For details, see “— Corporate History — Establishment and Major Shareholding Changes of Our Company — Conversion into a Joint Stock Company” in this section.
- (3) Upon completion of the Capitalization Issue, the total issued Shares of our Company increased to 204,214,340. For details, see “— Corporate History — Establishment and Major Shareholding Changes of Our Company — Capitalization Issue” in this section.
- (4) Mr. SONG Yang was able to exercise the voting rights attaching to Shares held by Lanchi Platform, Suzhou Hongchi and Suzhou Luchi by virtue of his capacity as their respective general partner.
- (5) Oriza Seed and Oriza Heyu are ultimately controlled by Mr. FEI Jianjiang (費建江), an Independent Third Party. Oriza Heyu transferred its registered capital in our Company to Qianrong Tairun and ceased to be a holder of our equity interest during the Series C3 Financing.
- (6) Yuecai Investment and Yixingbanyue are both ultimately controlled by People’s Government of Guangdong Province.
- (7) Tianjin Iflytek and Heifei Iflytek are both ultimately controlled by Mr. XU Jingming, who is also a Pre-IPO Investor.
- (8) Yafeng II and Yafeng III are both ultimately controlled by Mr. YU Guoqing, an Independent Third Party.
- (9) Less than 0.1%.

HISTORY AND CORPORATE STRUCTURE

OUR SHAREHOLDING AND CORPORATE STRUCTURE

Immediately Prior to the Global Offering

Our corporate and shareholding structure immediately prior to the completion of the Global Offering is as follows:



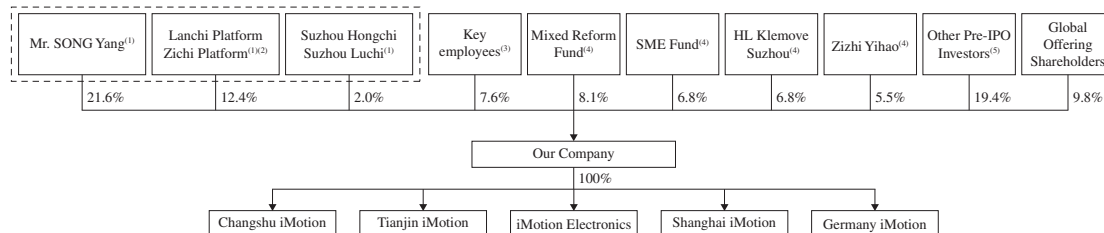
Notes:

- (1) As of the Latest Practicable Date, Mr. SONG Yang was able to exercise 39.9% of the voting rights in our Company through (i) 23.9% Shares directly held by him; (ii) an aggregate of 16.0% Shares held by Lanchi Platform, Zichi Platform, Suzhou Hongchi and Suzhou Luchi by virtue of his capacity as their respective general partner.
- (2) Lanchi Platform and Zichi Platform are employee incentive platforms of our Group. For details, see “— Corporate History — Employee Incentive Platforms” in this section. Suzhou Hongchi is an intermediary holding platform of Mr. SONG Yang and two external investors. Suzhou Luchi is an intermediary holding platform of Mr. SONG Yang and Mr. LI Shuangjiang.
- (3) Key employees refer to Mr. LI Shuangjiang (an executive Director) and Mr. LUO Hong (a Supervisor).
- (4) Each of Mixed Reform Fund, SME Fund, HL Klemove Suzhou and Zizhi Yihao are the Pre-IPO Investors. For details, see “— Pre-IPO Investments” in this section.
- (5) As of the Latest Practicable Date, other Pre-IPO Investors included Beijing CHJ (4.5%), Oriza Seed (0.7%), CCBI Fund (2.7%), Yuecai Investment (1.8%), Yixingbanyue (less than 0.1%), ZTF Investment (0.8%), Jiahui Investment (0.8%), Yaoyu Investment (1.5%), Pingyang Kunyi (1.2%), Yanying Investment (0.4%), Yongxin Capital (1.0%), Tianjin Iflytek (0.5%), Hefei Iflytek (0.5%), Mr. XU Jingming (0.1%), Yangfan Zhiyuan (1.1%), StartUP Capital (0.1%), Yafeng II (1.1%), Yafeng III (0.9%), Leader VC (0.2%), Qianrong Tairun (1.0%) and Dechuang Vehicle (0.7%).

HISTORY AND CORPORATE STRUCTURE

Immediately Following the Global Offering

The following chart sets forth our corporate and shareholding structure upon the completion of the Global Offering:



Notes:

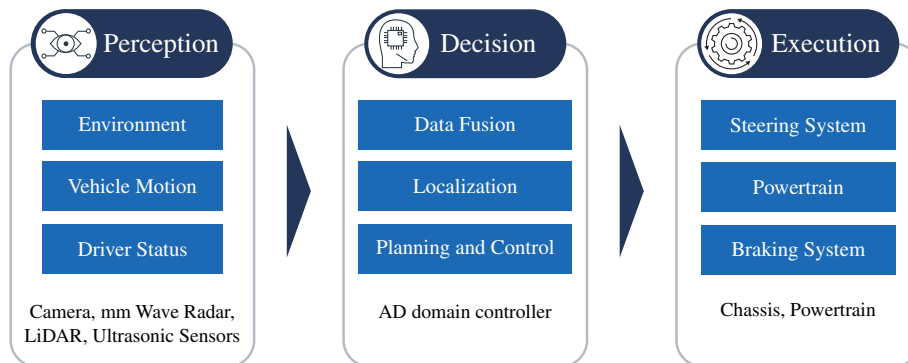
- (1) Immediately following completion of the Global Offering, Mr. SONG Yang was able to exercise 36.2% of the voting rights in our Company through (i) 21.6% Shares directly held by him; (ii) an aggregate of 14.4% Shares held by Lanchi Platform, Zichi Platform, Suzhou Hongchi and Suzhou Luchi by virtue of his capacity as their respective general partner. For details, see “Relationship with Our Controlling Shareholders.”
- (2) to (4) See the notes to “— Immediately Prior to the Global Offering” set out above for more information.
- (5) Immediately following the completion of the Global Offering, other Pre-IPO Investors included Beijing CHJ (4.1%), Oriza Seed (0.6%), CCBI Fund (2.5%), Yuecai Investment (1.6%), Yixingbanyue (less than 0.1%), ZTF Investment (0.7%), Jiahui Investment (0.7%), Yaoyu Investment (1.4%), Pingyang Kunyi (1.1%), Yanying Investment (0.4%), Yongxin Capital (0.9%), Tianjin Iflytek (0.5%), Hefei Iflytek (0.5%), Mr. XU Jingming (less than 0.1%), Yangfan Zhiyuan (1.0%), StartUP Capital (0.1%), Yafeng II (1.0%), Yafeng III (0.8%), Leader VC (0.2%), Qianrong Tairun (0.9%) and Dechuang Vehicle (0.7%).

OVERVIEW

We are an autonomous driving solution provider in China with a focus on AD domain controllers. We have commercialized level 2 to level 2+, and are developing level 2 to level 4, autonomous driving solutions for automotive manufacturers (OEMs). Our revenue increased significantly from RMB47.7 million in 2020 to RMB178.3 million in 2021 and further to RMB1,325.9 million in 2022, with a CAGR of 427.2%, and from RMB359.2 million for the six months ended June 30, 2022 to RMB543.2 million for the six months ended June 30, 2023. At the relatively early stages of large-scale commercialization, we have been loss-making since 2020 and we expect to incur net loss and net operating cash outflow in 2023. For details, see “— Business Sustainability.” As a Tier 1 supplier, we offer various autonomous driving in-vehicle solutions and products to OEMs on both new energy vehicles (NEVs) and internal combustion engine (ICE) vehicles. Our autonomous driving domain controller (AD domain controller) solutions typically include (i) AD domain controller; (ii) associated sensors, which we procure from third-party suppliers and integrate into our solutions; (iii) integrated software, algorithms and functions; and (iv) relevant services such as sensor implementation, vehicle systems integration, and function testing and validation.

We have commercialized two AD domain controller product lines which support level 2 to level 2+ autonomous driving functions, covering a wide price range of passenger vehicles and all types of driving scenarios, including highways, ring roads, complex urban roads, country roads, and parking areas. In addition to SuperVision™, we also provide self-designed and self-developed iDC series which includes iDC Mid and iDC High. In terms of revenue generated from sales of AD domain controller solutions in 2022, we are the fourth largest AD domain controller provider in China taking into account the in-house developed domain controllers by OEMs, with a market share of 8.6%, according to Frost & Sullivan.

AD domain controllers function as the brain of autonomous driving solutions - fusing and processing data from the vehicle’s sensors to make autonomous driving decisions and trigger actuators in the vehicles. The diagram below illustrates the main components of an autonomous driving solution.



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We also offer iFC products to OEMs based on our core algorithms on a stand-alone basis without providing relevant implementation and installation services. Our iFC product, which incorporates a controller supported by a SoC and a camera, is able to independently realize level 2 autonomous driving functions.

We possess comprehensive R&D capabilities including self-developed algorithms and hardware-software co-design capabilities, and are able to capture the massive opportunities in the autonomous driving market. We are also capable of achieving the eventual level 4 commercialization, with (i) our comprehensive capabilities in hardware, software, algorithms, functions and cloud, (ii) our continued algorithm optimization based on years of experience in commercializing level 2+ solutions, and (iii) our stable relationship with OEM customers and strategic partners.

According to Frost & Sullivan, under the trends of vehicle electrification, intelligence and connectivity, the autonomous driving market in China is expected to maintain significant growth momentum in the future. The size of the autonomous driving market, including software and hardware for passenger and commercial vehicles as well as robotaxi services, is expected to reach more than RMB1,100 billion and RMB3,100 billion in China and globally, respectively, in 2035. Accordingly, the market for AD domain controllers is expected to grow rapidly in the near future. The market size for AD domain controllers in China was RMB9.8 billion in 2022, of which RMB3.3 billion was attributed to third-party AD domain controller providers. The market size for AD domain controllers in China is expected to grow to RMB64.5 billion in 2026, at a CAGR of 60.1% from 2022 to 2026. It is anticipated that third-party AD domain controller providers will occupy a larger market share in the future by offering more diverse and cost-effective solutions to OEMs.

During the Track Record Period, we generated most of our revenue from the sale of our autonomous driving solutions and products to automotive manufacturers (OEMs) and we delivered approximately 130 thousand units of AD domain controllers in total. Most of these were SuperVision™ supplied to Geely Group, which were based on Mobileye's technology and the base version of AD domain controllers. As of the Latest Practicable Date, we obtained letters of nomination associated with 16 renowned OEM customers, such as Geely, Great Wall Motor, Chery and Dongfeng, among others, who sourced or are expected to source AD domain controllers and iFC products from us. Obtaining a letter of nomination indicates that we are selected as a designated supplier for autonomous driving solutions and products for a particular vehicle model of an OEM customer, and are qualified to join an OEM's supply chains for such particular vehicle model. However, there is no guarantee that our OEM customers will purchase our solutions and products in large quantities or at all and at a price that will be profitable to us even having entered into a letter of nomination and no certainty of finalization of contract and such letter of nomination may be terminated. As of the Latest Practicable Date, to our knowledge, we were the sole suppliers for 16 of 17 projects in which we obtained letters of nomination for AD domain controllers, except in one case where, another autonomous driving solutions provider was engaged for lower-end versions of the vehicle model.

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Since 2018, we have established a strategic partnership with Mobileye, and Mobileye has become our key supplier who primarily supplied the base version of AD domain controllers for SuperVision™ to us. The AD domain controller solution we provided for ZEEKR 001 was one of the first applications in the industry equipped with Mobileye's EyeQ®5H SoCs. The AD domain controller solution we provided for ZEEKR contributed to nil, 48.2%, 93.6% and 93.5% of our total revenue for the three years ended December 31, 2022, and six months ended June 30, 2023, respectively. For details, see "Business — Our Customers — Our Relationship with Geely Group" and "Business — Our Suppliers — Our Relationship with Mobileye." We also collaborate with renowned upstream business partners, such as Renesas, Texas Instruments, and Sunny Optical, to deliver tailored solutions to our OEM customers.

Through our established and stable partnerships with high-profile business partners and extensive experience in series production of autonomous driving solutions and products, we are able to accurately and quickly assess the varying needs of our OEM customers and continue to expand our business relationships with OEMs. Meanwhile, as we continue to update our technologies and enhance our solutions and products, we can respond to market trends in a timely manner. Therefore, leveraging our experience in the commercialization of autonomous driving solutions and products and outstanding capabilities in series production, we believe that we are able to seize the growth opportunities in the industry.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths contributed to our historical success and will drive our future growth.

A Tier 1 autonomous driving solution provider in China with competitive edge

We are an autonomous driving solution provider in China with a focus on AD domain controllers. We have commercialized level 2 to level 2+, and are developing level 2 to level 4, autonomous driving solutions for OEMs. In terms of revenue generated from sales of AD domain controller solutions in 2022, we are the fourth largest AD domain controller provider in China taking into account the in-house developed domain controllers by OEMs, with a market share of 8.6%. AD domain controller, which is a mission-critical component of autonomous driving below level 3, functions as the brain of autonomous driving solutions - fusing and processing data from the vehicle's sensors to make autonomous driving decisions and trigger actuators in the vehicles. In addition, we have participated in multiple developmental milestones of the autonomous driving market in China. For example, we made significant contributions to the development of safety standards for autonomous driving in China, as we were invited to participate in the formulation of the Functional Safety National Standard and the Safety of the Intended Function National Standard. In particular, we made contributions to the establishment of the Functional Safety National Standard GB/T 34590:2022, which became effective on July 1, 2023, covering aspects of vehicle systems, hardware, software, and semiconductors.

With the growing trends towards vehicle electrification, intelligence and connectivity, the autonomous driving market in China is expected to maintain fast growth momentum in the future. The size of the autonomous driving market, including software and hardware for passenger and commercial vehicles as well as robotaxi services, is expected to reach more than RMB1,100 billion and RMB3,100 billion in China and globally, respectively, in 2035. Furthermore, domain-centralized electrical/electronic architecture is becoming the mainstream in the automotive industry, in place of the distributed electrical/electronic architecture. Accordingly, the market for AD domain controllers is expected to grow rapidly in the near future. According to Frost & Sullivan, the market size for AD domain controllers in China was RMB9.8 billion in 2022, of which RMB3.3 billion was attributed to third-party AD domain controller providers. The market size for AD domain controllers in China is expected to grow to RMB64.5 billion in 2026, at a CAGR of 60.1% from 2022 to 2026. It is anticipated that third-party AD domain controller providers will occupy a larger market share in the future by offering more diverse and cost-effective solutions to OEMs.

We also benefit from favorable government policies for the autonomous driving market. From 2016 to 2022, the PRC government has issued a number of policies in support of the development of autonomous driving, including the 14th Five-Year Plan for the Development of National Strategic Emerging Industries (“十四五”國家戰略性新興產業發展規劃), the Outline of National Comprehensive Three-dimensional Transportation Network Planning (國家綜合立體交通網規劃綱要), and the Strategies for the Innovative Development of Intelligent Vehicles (智能汽車創新發展戰略).

The autonomous driving industry in China is expected to grow quickly as a result of the favorable government policies and the strong market demand. We believe we are able to fully capture the market potential and achieve sustainable significant growth in the future.

Advanced autonomous driving technologies

Our comprehensive R&D capabilities, as highlighted in system design, as well as software and algorithm development, enable us to self-design and develop comprehensive autonomous driving solutions and products. With our proprietary algorithms, our solutions and products can realize a full suite of autonomous driving functions, such as navigate on autopilot (NoA) system for high-speed driving scenarios, home-zone parking assistance (HPA) and automatic parking assistance (APA) for low-speed scenarios, and low-speed level 4 autonomous driving functions in limited areas. Moreover, our self-developed graphics-rendering framework provides drivers with a 360-degree panoramic view in low-speed driving scenarios which provides superior user experience. Since 2017, we have completed a total of five R&D projects in relation to level 3 and level 4 autonomous driving, including two level 4 autonomous driving R&D projects. In the first instance, we created a prototype that can realize level 4 autonomous driving in predetermined urban areas. Additionally, we helped an OEM customer create a logistic vehicle model that can automatically travel between the OEM's manufacturing facilities and warehouse. Our R&D capabilities on level 3 and level 4

autonomous driving are also demonstrated by the number of our issued patents and patent applications. As of the Latest Practicable Date, we had 18 issued patents and eight patent applications related to level 3 and level 4 autonomous driving.

We believe our excellent autonomous driving technologies differentiate us from other autonomous driving solution providers in China, as highlighted by the following competitive advantages:

- *System design.* Our system design and development capabilities cover hardware, software and algorithms. We possess capabilities in sensor design, sensor and SoC driver development, middleware design and OTA updates. With our efficient and simplified systematic development model, we ensure on-time delivery of high-quality products to OEMs. As an example, we completed the development of iDC Mid, our cost-effective AD domain controller, which integrates driving, parking, surround view 3D (SV3D), HMI rendering and OTA functions, within approximately one year after receiving the OEM's letter of nomination, as compared to the average industry duration of 12 to 24 months. Furthermore, the know-how we have gained during the development of iDC Mid also allows us to offer OEMs similar products in a relatively short timeframe.
- *Middleware.* Our self-developed middleware does not rely on any open-source framework and removes the communication barrier between embedded MCUs and SoCs, allowing zero-copy data sharing in heterogeneous systems which improves the performance of systems by eliminating intermediate buffers when transferring data. Through our self-developed middleware, we can deploy our software on different computing platforms and operating systems, enabling us to quickly adapt to the hardware of various OEMs, reducing the time and cost of system development and improving the adaptability and iterability of our solutions and products.

Leveraging our vision middleware, we can develop visual perception algorithms that are compatible with different computing platforms. It is optimized for time-consuming operations such as image exposure, image transformation, deep learning, and video rendering, therefore ensuring high performance in real-time image processing and reducing the system's resource consumption.

- *Algorithms.* We have developed a set of algorithms for autonomous driving, as highlighted by our perception and vehicle localization algorithms. We use a multi-level data fusion approach in the development of visual perception algorithms. We employ CNN technologies to complete scene understanding tasks, and use the pre-processing and post-processing algorithms with high robustness for scene tracking, thus ensuring overall system stability. Meanwhile, we have implemented Transformer-based Bird-Eye View perception algorithms, which can perform real-time Bird-Eye View perception on automotive-grade chips, in our autonomous driving products. Transformer-based perception algorithms hold great potential for performance improvement. By employing continuous data feedback loops, these

algorithms can effectively handle more complex autonomous driving scenarios, including urban areas. Furthermore, we are working with our business partners to customize the hardware acceleration framework for our own system so as to further improve the efficiency of algorithms.

Ultrasonic sensors (USS) can be engaged to enhance automatic parking functions as they can provide high-accuracy perception in low visibility situations, such as inclement weather condition. Our USS perception algorithms can help detect obstacles at a close distance at low speed. Our USS perception algorithms have been designed to be compatible with both the cost-effective AK1 ultrasonic sensors and the high-performance AK2 ultrasonic sensors, in order to meet different cost and performance requirements of OEMs. Our USS perception algorithms are designed to be compatible with mainstream sensor types and are already compatible with the latest generation of ultrasonic probe models. Additionally, we have the capability to continually iterate our USS perception algorithm to meet specific functional requirements and enhance the overall driving experience.

Moreover, to provide performance robustness under different environmental conditions, we developed a sensor fusion algorithm based on visual perception, USS perception and radar perception.

We have designed our vehicle localization algorithms to work on both open roads and in closed areas. On open roads, our vehicle localization algorithms utilize the feature point matching system and the inertial navigation system to provide a reliable localization output. Such localization algorithm does not rely on a high-precision integrated navigation system, so that it can reduce the overall cost of vehicles. For low-speed driving in closed areas, we have developed a set of simultaneous localization and mapping algorithms based on the fusion of semantic information and image features, which does not rely on navigation systems or inertial measurement units while still producing accurate vehicle localization output. Using our accurate visual scale recovery algorithms and vehicle localization algorithms, our HPA can support long-distance memory parking up to two kilometers in underground garages. We are also developing simultaneous localization and mapping algorithms for open roads, aiming to resolve the limited and outdated map coverage issue of high-definition maps.

We are supported by an experienced R&D team. As of June 30, 2023, we had 250 R&D personnel, representing 74.2% of our total employees. With past work experience in renowned companies in the autonomous driving industry, our R&D team possesses a deep understanding of the industry. Furthermore, we have been recognized as a 2022 Jiangsu Engineering Technology Research Center (2022年江蘇省工程技術研究中心) and a High and New Technology Enterprise (高新技術企業).

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We obtained ISO 21434:2021 CSMS Certification in August 2022 and ISO26262:2018 Functional Safety Management System ASIL-D in August 2021. In addition, we achieved Automotive SPICE Capability Level 2 certification in June 2021, which demonstrated our capabilities to develop embedded software-based systems within the automotive domain. Moreover, we have also established collaborative relationships with prestigious universities as well as industry-leading enterprises in the PRC and around the world.

Proven ability to commercialize autonomous driving solutions and products in large scale

Our abilities to commercialize autonomous driving solutions and products and remain at the forefront of the industry are attributable to our in-depth understanding of market needs, remarkable engineering capabilities, and strong in-house production capabilities.

Adhering to a progressive market-oriented growth strategy that is continuously adapted to the changing needs of our OEM customers, we work closely with well-known domestic and international OEMs and became one of the few companies to achieve large-scale commercialization of autonomous driving solution in China, according to Frost & Sullivan. The penetration rate of autonomous driving for passenger vehicles in China is expected to increase from 31.5% in 2022 to 73.5% in 2026. In the near future, it is anticipated that level 2 autonomous driving will become a standard feature of almost all passenger vehicle models. By adopting a market-oriented approach, we continuously communicate with OEM customers to quickly respond to end users' feedback and enhance user experience. Empowered by our advanced over-the-air (OTA) technology, we are able to continuously provide better autonomous driving function experiences to our OEM customers and end users. Moreover, we have accumulated know-how for more advanced level 3 / level 4 autonomous driving solutions.

We possess advanced engineering capabilities. Leveraging our self-developed middleware, algorithm, comprehensive product matrix and extensive experience in the development of autonomous driving solutions and products, we adopt a modular approach in product development. We are therefore able to respond quickly to the diverse needs of OEM customers based on different vehicle models. As of the Latest Practicable Date, we obtained letters of nomination associated with 16 renowned OEM customers, such as Geely, Great Wall Motor, Chery and Dongfeng, among others, which indicated that we were selected as a designated supplier for autonomous driving solutions and products, and were qualified to join the OEMs' supply chains. During the Track Record Period, we delivered approximately 130 thousand units of AD domain controllers in total.

With our efficient in-house production capabilities and comprehensive experience in production, we can meet OEMs' scalable delivery requirements while maintaining a high level of product quality and cost efficiency. Leveraging our in-house production line, we are able to produce prototypes in a timely manner, improving the efficiency of our R&D activities. We implement a design-for-manufacturing process to refine, simplify and optimize the product design for ease of manufacturing and ultimately provide a better product at a more competitive cost. We can deliver products that meet OEMs' needs in a timely and consistent manner through our standard and automated manufacturing process.

Comprehensive autonomous driving solution and product portfolio covering a wide price range of vehicles

We provide two AD domain controller product lines. We act as the system integrator in SuperVision™ projects, which is based on Mobileye's technology including the base version of AD domain controllers acquired from Mobileye. We also provide self-designed and self-developed iDC series which includes iDC Mid and iDC High. In addition, we provide self-designed and self-developed iFC products. Our solutions and products support level 2 to level 2+ autonomous driving, covering a wide price range of passenger vehicles and all types of driving scenarios, including highways, ring roads, complex urban roads, country roads, and parking areas. Furthermore, we conduct software iterations via OTA updates throughout the whole lifecycle of our solutions and products, to continuously provide OEMs and drivers with up-to-date autonomous driving functions and improve user experience.

We believe that our solutions and products have the following advantages:

- *SuperVision™*. We acquire the base version of AD domain controllers from Mobileye and then integrate licensed software developed by Mobileye, which is not based on our proprietary algorithm, with the hardware parts, transforming the base version of AD domain controllers into a fully-functional AD domain controller tailored to the unique requirements of a vehicle model. SuperVision™ is a fully operational point-to-point assisted driving navigation solution on various road types and includes cloud-based enhancements and supports OTA updates subject to the system's operational domain design (ODD). Equipped with 11 cameras powered by two Mobileye's EyeQ®5H SoCs, SuperVision™ has superior visual perception capabilities and offers one of the most comprehensive autonomous driving functions covering driving scenarios in its defined ODD. SuperVision™ meets the specific needs of premium intelligent vehicle models of our OEM customers, equipping them with a distinctive advantage to compete on the global market. SuperVision™ can achieve level 2+ autonomous driving. The series production of SuperVision™ under our project in collaboration with Mobileye for ZEEKR 001 commenced in October 2021. After the commencement of sales, our work in the SuperVision™ projects is primarily focused on (i) software flashing of the base version of AD domain controllers, (ii) functional testing, (iii) packaging, and (iv) delivery.
- *iDC Series*. The iDC series is our self-developed AD domain controller product line. Compared to the typical architecture that includes both SoC and microcontroller (MCU), we creatively developed an advanced software architecture for our iDC series that integrates high-speed driving functions and low-speed parking functions into one SoC only, enabling product cost reduction and system efficiency enhancement. iDC Mid, which started series production in January 2023, is a cost-effective solution targeting the mid- to high- end vehicle market that can achieve level 2+ autonomous driving. Empowered by our flexible system

architecture, iDC Mid offers exceptional adaptability, allowing it to be used on a variety of vehicle models of our OEM customers. Our proprietary algorithms enable iDC Mid to integrate Highway NoA, HPA, APA, SV3D, safety assistance, and other driver assistance functions.

We expect the series production of iDC High, an enhanced version of iDC Mid that can achieve level 2+ autonomous driving, to start in 2024. The upcoming iDC High will have a higher computing power and enhanced sensor configuration, compared to iDC Mid. It will be able to support a full-scenario intelligent driving experience. Designed for mid- to high- end vehicles, iDC High will include all autonomous driving functions of iDC Mid. In addition, it will include more advanced autonomous driving functions, such as Urban NoA, and more advanced parking functions to cover more scenarios.

- *iFC Series.* Our iFC series is a budget solution for level 2 autonomous driving that includes both comfort functions (such as lane centering control (LCC) and adaptive cruise control (ACC)) and safety assistance functions (such as emergency lane keeping (ELK) and automatic emergency braking (AEB)). iFC 2.0 has started series production in August 2021 and can meet C-NCAP and EURO-NCAP 2023 5-star safety standards as well as GSR regulatory standards. We plan to launch the iFC 3.0 solution in 2024, which is targeted to meet future C-NCAP and EURO-NCAP 5-star safety standards. Due to its enhanced perception capabilities, more compact size, and enhanced function extension capabilities, our iFC 3.0 is expected to meet the upgrading needs of our OEM customers.

Compared with other competing solutions and products in the similar price range, we believe that our solutions and products are superior in terms of functionality and performance.

Well-established partnerships with industry leaders

Our well-established partnerships with leaders in the autonomous driving industry contributes to our significant and sustainable business growth.

We have established stable collaborations with top-tier domestic and international OEMs. As of the Latest Practicable Date, we obtained letters of nomination associated with 16 renowned OEM customers, such as Geely, Great Wall Motor, Chery and Dongfeng, among others, which indicated that we were selected as a designated supplier for autonomous driving solutions and products, and were qualified to join the OEMs' supply chains. As of the Latest Practicable Date, we were able to carry out vast majority of the projects for which we received the letters of nomination.

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In particular, as the core supplier of AD domain controllers, we have established a close partnership with Geely Group since 2020. We are the sole supplier of AD domain controllers for premium vehicles (with selling prices above RMB300,000) that are currently in series production under the ZEEKR brand of Geely Group in the PRC. According to Frost & Sullivan, ZEEKR 001 ranked the second in premium electric vehicles in China in terms of sales volume in 2022 and is the only Chinese premium pure electric model in the monthly 10k units sales club. Having been recognized by Geely Group for our superior autonomous driving solutions, we were selected as the supplier of autonomous driving solution for ZEEKR 009, which started series production in January 2023. Meanwhile, we are actively expanding into international markets by cooperating with domestic OEMs that have overseas strategies, such as Chery, which ranked the second in terms of volume of vehicle exports among Chinese OEMs in 2022, according to Frost & Sullivan.

We also collaborate with renowned upstream business partners, such as Mobileye, Renesas, Texas Instruments and Sunny Optical, to deliver tailored solutions to our OEM customers. Leveraging our extensive experience in cooperating with OEMs, and due to our deep understanding of the autonomous driving industry in China and proven track record for commercialization of autonomous driving solutions and products, we have become a preferred business partner of upstream suppliers in their market expansion processes. For example, we have established a strategic partnership with Mobileye since 2018. We cooperated with Mobileye to provide SuperVision™ for ZEEKR 001, which was one of the first applications in the industry equipped with Mobileye's EyeQ®5H SoCs.

As a result of our collaborations with renowned business partners in upstream and downstream areas, we believe we have become one of the few companies that understands both the evolving needs of downstream OEMs and the underlying technologies adopted by upstream suppliers. Taking advantage of such collaborations, we are able to develop autonomous driving solutions and products based on the latest SoCs, enabling comprehensive autonomous driving functions along with cost efficiency, thereby providing a high-quality user experience.

Experienced management team supported by renowned shareholders

We are led by our visionary founder, Mr. SONG Yang, who has extensive experience in the autonomous driving industry. Mr. SONG is primarily responsible for the overall strategic planning and business direction of our Group. He has almost 20 years of experience in the automotive industry and over ten years of experience in the autonomous driving industry, as well as abundant experience in corporate management. From September 2014 to October 2016, Mr. SONG was the general manager at KSS Automotive Active Safety System (Suzhou) Co., Ltd. (百利得汽車主動安全系統(蘇州)有限公司). During his tenure at KSS Automotive, Mr. SONG led the formation of its China presence and the active safety division, and was responsible for the overall strategic planning and business growth in the PRC. Our chief technology officer, Mr. LU Yukun, who is responsible for the overall technology strategy and the R&D of the technology infrastructure of our Group, has over 17 years of R&D experience in the automotive industry and over ten years of experience in the autonomous driving industry and specifically has strong technical knowledge and skills in autonomous driving. Prior to

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joining our Company, Mr. LU Yukun served as R&D Manager at Bosch Automotive and KSS Automotive, respectively, and as Deputy Director of Innovation and New Ventures for Asia Pacific at Nexteer Automotive (Suzhou) Co. Ltd.

We have assembled a senior management team with extensive experience in the industry and in R&D. With an average of 14 years of industry experience, a majority of our senior management have been leading our rapid growth since our inception. In line with our vision of satisfying OEM customers' needs with technology innovations, we have successfully developed comprehensive in-house R&D and engineering capabilities. To achieve future success in the autonomous driving market, we seek to leverage our management team's extensive industry experience and proven track record, as well as our abundant talent pool and mature talent development track.

In addition, our shareholders have consistently supported the growth of our business. We have a wide range of outstanding shareholders, including professional financial investment institutions such as Yangfan Zhiyuan, state-owned shareholders such as Mixed Reform Fund, and several well-known strategic partners in the industry such as HL Klemove and Li Auto.

OUR STRATEGIES

We plan to implement the following strategies:

Continue to pioneer the large-scale commercialization of autonomous driving solutions and products

We will continue to provide a full suite of autonomous driving solutions and products with a focus on AD domain controllers. Our solution and product matrix will be further enhanced to cover all driving scenarios. We will focus on expanding our current product lines and developing and commercializing more autonomous driving solutions and products over the next five years.

- *SuperVision™*. With Mobileye, we are expanding our collaboration with Geely Group. Two additional brands under Geely Group, Polestar and Smart, are expected to launch SuperVision™ globally in one of their electric vehicle models, beginning in 2023. In January 2023, we entered into a framework contract with an affiliate of Geely Group in connection with a project to supply SuperVision™ in Polestar 4 (極星4). Series production of such vehicle model of Polestar began in November 2023, and its export to the EU and the US is anticipated to begin as early as 2024. In addition to Geely Group, we are also exploring cooperation opportunities with major domestic OEMs for adoption of SuperVision™ as an advanced driving solution across multiple vehicle models.

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- *iDC Series.* We expect to further develop our iDC series leveraging our excellent system integration capabilities to provide OEM customers with high-quality autonomous driving functions at a competitive price. In particular, we plan to add more autonomous driving functions to the iDC Mid through OTA updates. Moreover, we expect to launch our iDC High solutions in 2024. Leveraging the combined synergies between high computing power provided by the V4H SoCs of Renesas and our proprietary algorithms embedded in iDC High, we believe that iDC High will have better visual perception capabilities as compared to iDC Mid, enabling Urban NoA and providing more advanced parking functions covering more scenarios.
- *iFC Series.* We will further expand the iFC series and introduce new products with more functions. In particular, we expect to launch iFC 3.0 in 2024, which is expected to integrate Mobileye's next generation EyeQ®6L SoC.

In addition, we will endeavor to commercialize more advanced autonomous driving solutions and products and expand our solution and product mix.

We will continue to expand our in-house manufacturing capacity to reinforce our business expansion. We plan to (i) set up new automatic assembly line for iFC products by the end of 2023, which will have an annual production capacity of approximately 1,000,000 units (based on two shifts with 22 working hours per day and 26 working days per month), (ii) enhance our newly-added test line, which can be used to assemble AD domain controllers and is expected to have an annual production capacity of approximately 300,000 units (based on one shift with 11 working hours per day and 250 working days per year); and (iii) a new SMT line with an annual production capacity of approximately 600,000 to 700,000 units (based on two shifts with 22 working hours in aggregate per day and 26 working days per month).

By utilizing our technological advantages and extensive experience in innovating autonomous driving solutions and products that integrate both driving and parking assistant functions, we expect to launch more cost-effective solutions and products and accelerate the commercialization process of our solutions and products. For example, by leveraging cost-efficient domestic supply chain and the economies of scale brought by our increased capacity, we were able to successfully lower the manufacturing cost of iFC 2.0.

Increase our investment in R&D to solidify our leading position and prepare for commercialization of level 4 autonomous driving

We are dedicated to the R&D of autonomous driving solutions and products to strengthen our technological advantages.

- *Optimize the algorithms.* We will continue to invest in improving our comprehensive and advanced autonomous driving algorithms. Our primary focus will be on: (i) enhancing the algorithms and introducing more advanced algorithm models; (ii) integrating high-performance sensors and upgrading sensor configuration, to expand driving scenario coverage and increase algorithm accuracy; and (iii) continuously enhancing our data capabilities to improve functionalities of our autonomous driving solutions and products.
- *Enhance our self-developed middleware.* We will also focus on improving our self-developed middleware, which will be applied to all our product lines. We intend to further develop our middleware to make our own technology infrastructure more automatic and programmatic, allowing us to connect our solutions with different vehicle operating systems of our OEM customers more seamlessly. Furthermore, we intend to make our middleware's modeling environment more user-friendly, allowing it to be used by more third-party developers.
- *Upgrade hardware designs.* As an increasing number of our autonomous driving solutions and products have started series production, we will continue to optimize the hardware design from electronic, mechanical and optical perspectives to enhance our competitiveness. In addition, we will collaborate with our business partners to continuously improve hardware frameworks that are compatible with our algorithm iterations, in order to achieve a seamless integration of hardware and software.

We are committed to the commercialization of level 2+ and higher-level autonomous driving solutions. We believe our comprehensive R&D capabilities developed in this process will best position us in the industry for the successful commercialization of level 4 autonomous driving solutions in the future (expected to come in more than five years). To prepare for commercialization of level 4 autonomous driving solutions, we have adopted a three-pronged approach:

- *Comprehensive R&D capabilities.* We have strong R&D capabilities in hardware, software, algorithms, functions, and cloud-based data loop, backed by our current large-scale commercialization. In the future, in order to best position ourselves for the commercialization of level 4 autonomous driving solutions, we will continuously iterate our algorithms with experience accumulated in the large-scale commercialization. Furthermore, we believe our self-developed modular software, hardware, and middleware will enable our seamless transition to level 4 autonomous driving;

- *Algorithm iteration.* We recognize the importance of data accumulation in enhancing and refining our autonomous driving algorithms. As we continue to deploy level 2+ autonomous driving solutions and products, we will experience explosive data accumulation that enables accelerated coverage of long-tail scenarios required for level 4 autonomous driving. We consider the vast amount of real-world driving data will be invaluable in training and perfecting our level 4 autonomous driving algorithms. Additionally, we are committed to making significant improvements in data processing and storage capabilities, ensuring that we can effectively manage and utilize the ever-growing datasets. This data-driven approach will enable us to rapidly improve our technology; and
- *Relationship with OEM customers and strategic partners.* We believe in fostering strong relationships with OEM customers and strategic partners, as they are crucial for the widespread adoption and success of our level 4 autonomous driving solutions. Our partnerships with OEMs will enable us to integrate our autonomous driving technologies into a wide variety of vehicle models, while our strategic alliances will provide access to resources, expertise, and market opportunities that are essential for the rapid and effective commercialization of level 4 autonomous driving solutions. We cooperated with certain of our OEM customers on the level 4 autonomous driving technology feasible tests.

Additionally, we plan to invest in R&D of integrated cockpit-driving platform, which we anticipate will reach series production in the next two to three years. Moreover, we will further engage in R&D of the vehicle central computer, which, as a controller for the entire vehicle, connects all subsystems including the powertrain and chassis.

To support our R&D strategy, we will continue to increase our investment in computing resources, servers, and data processing capabilities. We intend to enhance our high-performance data management systems as well as data processing and training clusters. We believe the high-performance data management system will benefit us primarily in the following aspects: (i) it can enhance our data analytic efficiency, which is crucial for the development and constant improvement of autonomous driving algorithms. A high-performance data management system can quickly process large datasets, enabling faster algorithm iteration; (ii) it can improve our data privacy and security. Our OEM customers own the data collected by them and may transmit it to us for OTA updates or product maintenance in the future. We will have the authorization to use desensitized and anonymized data for research and development of our autonomous driving solutions and products. A high-performance data management system can help improve data security and privacy by implementing measures to protect against unauthorized access while also adhering to industry regulations and addressing privacy concerns; and (iii) by optimizing data management, processing, and analysis, a high-performance data management system can help control the overall costs associated with data management, enabling us to allocate resources to other critical aspects of our business. Therefore, we plan to gradually expand our R&D team. In addition, we expect to complete the construction of our R&D headquarters and manufacturing premises with a total of 70,000 sq.m. in Suzhou by the end of 2025.

Continue to deepen, expand, and diversify our OEM customer base

We are committed to deepening our partnership with various industry-leading OEMs, including Geely, Great Wall Motor, Chery, and Dongfeng. From 2023 to 2025, we aim to achieve series production of our autonomous driving solutions and products in a number of new vehicle models in China and globally. In particular, we endeavor to extend our cooperation with existing OEM customers to their new vehicle models. For example, we deployed our autonomous driving solution on the ZEEKR 009 of Geely Group, a new model of vehicle that started series production in January 2023, after our successful cooperation on the ZEEKR 001.

We will identify key potential OEM customers based on our product roadmaps and continue to increase the size of our sales and marketing teams. For certain potential OEM customers, we will assemble a team of experienced employees from sales, project management, and R&D departments, who will proactively communicate with potential OEM customers at an early stage of the project development process to explore future opportunities for cooperation. We also plan to assist potential OEM customers in the R&D and testing of new products and functions to showcase our autonomous driving capabilities. In addition, we plan to engage in a variety of marketing activities to introduce our solutions and products to OEM customers. For example, we intend to organize offline technology events and attend more industry exhibitions to promote our solutions and products. Furthermore, we will work with our strategic business partners to expand our OEM customer base.

Enhance our value chain integration capabilities

To ensure a steady supply of automotive-grade chips, we will continue to cooperate with first-class SoC manufacturers. On the one hand, we will further deepen our cooperation with our current suppliers, such as Mobileye, Renesas, and Texas Instruments. On the other hand, we also intend to establish cooperation with other industry-leading SoC suppliers, particularly domestic automotive-grade SoCs manufacturers. We anticipate that our iDC High embedded with the Renesas V4H SoC will enter series production in 2024.

At the same time, we intend to strengthen our cooperation with suppliers of camera module, millimeter wave radar, ultrasonic sensors and LiDAR. We intend to develop a long-term and stable modular solution for sensors in order to shorten the development cycle and improve the adaptability of our solutions. To provide diversified options for our OEM customers, we will continue to cooperate with renowned manufacturers globally in the future.

We are committed to increasing our participation in the industry chain. To achieve this goal, we will explore opportunities for joint development of AD domain controller architecture, hardware, algorithms, and functions with downstream OEMs. In addition, we intend to strengthen our vertical integration through mergers and acquisitions of high-quality companies that create synergies, such as manufacturers of sensors and other AD domain controller components. As of the Latest Practicable Date, we had not identified any specific acquisition target.

We also plan to strengthen our relationship with our strategic shareholders. Furthermore, we will collaborate in the areas of hardware, software and algorithm development, to jointly develop competitive autonomous driving solutions and products that will leverage our respective product and technology advantages.

Build an international brand with a global presence

In accordance with our overseas expansion strategy, we will work with OEMs in China to adapt our solutions and products to their vehicle models to be exported overseas. For example, ZEEKR 001 (European version), a vehicle model embedded with our solutions and products, has achieved series production in August 2023 and is expected to be exported to Europe in 2023. Furthermore, we are the supplier for autonomous driving solutions of Chery's EXEED Lanyue (星途攬月) and EXEED Lingyun (星途凌雲) models, which have our iDC Mid integrated. Both Chery's vehicle models are expected to be exported overseas. Furthermore, we received two letters of nomination from Chery in June and August 2023, respectively, for the development of autonomous driving solutions on its upcoming vehicle models. We will also gradually expand our OEM customer base to cover overseas OEMs. Several overseas OEMs that deploy SuperVision™ provided by us, such as Polestar, have begun installing our autonomous driving solutions and products on their new vehicles. In January 2023, we entered into a framework contract with an affiliate of Geely Group in connection with a project to supply SuperVision™ in Polestar 4 (極星4). Series production of such vehicle model of Polestar began in November 2023, and its export to the EU and the US is anticipated to begin as early as 2024.

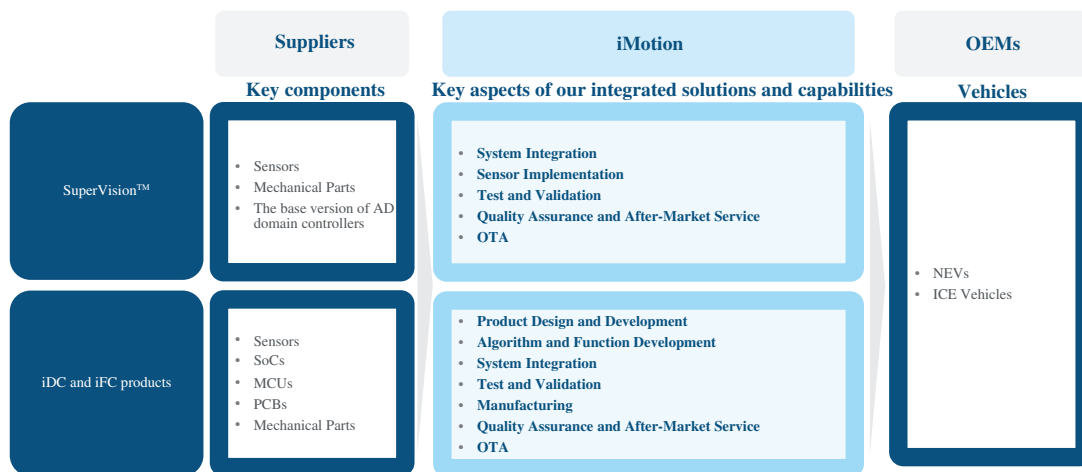
Our global presence will be further enhanced by the establishment of a subsidiary in Germany in October 2023, which is in line with our overseas strategy to explore the European market. We expect that our German subsidiary will be responsible for customer service, sales, and validation of autonomous driving solutions and products in relation to our business in Europe. Additionally, we intend to establish an overseas R&D center in Germany within the next three to five years. We anticipate that our subsidiary and R&D center in Germany, located in Europe's automotive OEM hub, will be able to attract talent in the automotive and autonomous driving industries, facilitating our business expansion in Europe. Our subsidiary and R&D center in Germany are expect to focus on two aspects of work: (i) providing services for domestic OEMs as they expand overseas; and (ii) establishing our own service point in Europe to develop business. In addition, through the resources provided by our strategic overseas shareholders, including HL Klemove, we will be able to explore new business opportunities abroad and establish more international strategic alliances.

OUR BUSINESS MODEL

During the Track Record Period, we generated most of our revenue from the sales of our autonomous driving solutions and products to automotive manufacturers (OEMs) (or in respect of certain vehicle models, an affiliate of the relevant OEM). We develop autonomous driving solutions and products for OEMs leveraging our core vertically integrated competencies in product design and development, algorithm and function development, system integration and manufacturing, among others. Our solutions and products for autonomous driving can be installed on both new energy vehicles (NEVs) and internal combustion engine (ICE) vehicles, and are capable of realizing comprehensive autonomous driving functions.

During the Track Record Period, we also generated revenue from (i) R&D services provided to OEMs in assistance of their autonomous driving projects, and (ii) the sales of PCBA products to third parties. Our R&D services are primarily focused on three aspects: (i) the development of software and hardware for autonomous driving; (ii) the development of algorithms and functions for autonomous driving; and (iii) functional safety consulting and validation. With respect to our sales of PCBA products to third parties, we mount different electronic components on the PCB, such as SoCs, resistors, capacitors, and transmitters based on our customers’ specifications to prepare fully usable circuit boards. We do not consider the sales of PCBA products to third parties as our core business and plan to gradually wind down sales of PCBA products to third parties over the next five years. However, we will continue to use our SMT lines to produce PCBA products as components of our own autonomous driving solutions and products.

The process of provision of our autonomous driving solutions is illustrated as follows:



BUSINESS

Our suppliers provide us with components of our solutions and products in accordance with our specific needs. We procure from the suppliers for standard electronic components like SoCs, MCUs, integrated circuits, resistors, capacitors, inductors, and connectors that can meet our specifications. Additionally, we entrust some suppliers to manufacture certain parts used in our products and solutions, including PCBs, housings, and camera modules, in accordance with our designs. Regarding SuperVision™, we procure from Mobileye the base version of AD domain controllers. However, for our self-developed iDC and iFC products, we are responsible for product design and development, algorithm and function development, as well as manufacturing.

The table below sets forth a breakdown of our revenue by business line both in absolute amount and as a percentage of our total revenue for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2020		2021		2022		2022		2023	
	<i>(RMB in thousands, except for percentages)</i>									
	<i>(Unaudited)</i>									
Autonomous driving solutions and products										
— AD domain controller solutions	—	—	86,010	48.2%	1,249,834	94.3%	335,959	93.5%	515,535	94.9%
— ZEEKR	—	—	86,010	48.2%	1,240,400	93.6%	333,614	92.9%	507,671	93.5%
— Smart	—	—	—	—	1,489	0.1%	1,059	0.3%	43	0.0%
— Polestar ⁽¹⁾	—	—	—	—	—	—	—	—	1,075	0.2%
— Chery	—	—	—	—	—	—	—	—	3,710	0.7%
— Others ⁽²⁾	—	—	—	—	7,945	0.6%	1,286	0.3%	3,036	0.5%
— Intelligent front cameras	440	0.9%	144	0.1%	3,115	0.2%	796	0.3%	5,321	1.0%
<i>Subtotal</i>	<i>440</i>	<i>0.9%</i>	<i>86,154</i>	<i>48.3%</i>	<i>1,252,949</i>	<i>94.5%</i>	<i>336,755</i>	<i>93.8%</i>	<i>520,856</i>	<i>95.9%</i>
Autonomous driving-related										
R&D services	4,826	10.1%	34,503	19.4%	37,956	2.9%	5,460	1.5%	12,083	2.2%
Sales of PCBA products	42,389	89.0%	57,601	32.3%	34,977	2.6%	16,956	4.7%	10,273	1.9%
Total	47,655	100.0%	178,258	100.0%	1,325,882	100.0%	359,171	100.0%	543,212	100.0%

Note:

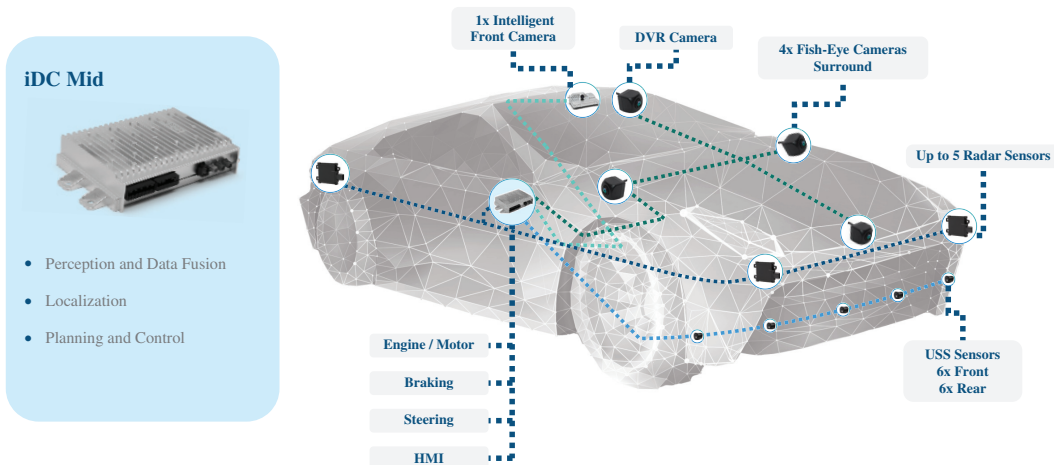
- (1) The sales to Polestar were made through an affiliate of Geely Group.
- (2) The amount represents revenue from (i) sales of AD domain controller solutions to be installed on certain vehicle models which have discontinued or suspended sales and (ii) sales of materials and sample products unrelated to a specific vehicle model.

OUR AUTONOMOUS DRIVING SOLUTIONS AND PRODUCTS

Overview of Our Autonomous Driving Solutions and Products

Autonomous driving solutions and products are equipped in vehicles that aim to reduce manual operation and increase driving safety. Based on different levels of automation, autonomous driving solutions are categorized as advanced driver assistance system (ADAS) solutions and automated driving system (ADS) solutions. ADAS solutions can achieve different functions from basic safety warnings to active vehicles control, such as LCC and ACC, but still require human intervention from time to time. ADS solutions are more advanced as it can automatically control the operations of vehicles. Ultimately, vehicles that are equipped with ADS solutions will require little or even no human intervention. Currently, ADAS is the most advanced autonomous driving solution widely available in passenger vehicles sold today, while ADS solutions have not been commercialized in passenger vehicles in large scale.

Autonomous driving solutions are enabled by AD domain controller and a number of sensors connected to it, including camera, radar, ultrasonic sensors and LiDAR. AD domain controllers are essential to the successful operation of autonomous driving solutions. All information collected from various sensors is aggregated and analyzed by the AD domain controller, which then generates a complete model of the operating environment, makes driving decisions, triggers actuators, such as engine or motor, braking and steering, and provides interactive information to drivers through HMI in the vehicles. By using algorithms embedded in the AD domain controller, autonomous driving solutions can provide users with a number of autonomous driving functions. The following diagram sets forth the basic components in an autonomous driving solution, using iDC Mid, one of our self-developed autonomous driving solutions, as an example:



During the development of autonomous driving solutions, we determine the specification of sensors used in our autonomous driving solutions as well as their layout and positioning. We connect different sensors to our AD domain controller products and create a centralized architecture through rounds of testing and developments in order to achieve autonomous driving functions. Additionally, we are responsible for integrating our autonomous driving solutions with other subsystems in the vehicle.

Due to the fact that other vehicle subsystems are developed by different suppliers or OEMs, extensive work and technology are required to ensure seamless interactions among all vehicle subsystems, which primarily include:

- *Verifying that our products and all the sensors that constitute our solutions are physically well integrated within vehicle environment.* We collaborate with OEMs in determining the mounting position for our products, checking that it complies with standards for heat dissipation, waterproofness, dustproofness, vibration, and electromagnetic compatibility, among others. We also check whether it will interfere with nearby components. For sensors, we must also determine the mounting position according to the required height and angle, and examine whether the view will be obstructed or influenced by other components or glare caused by light sources.
- *Making sure that our products are electrically connected to the vehicle network and partner controllers in the vehicle.* We have to ascertain the communication protocols and signal interactions between AD domain controllers with other controllers in the vehicles, as well as the accuracy and effectiveness of the sensor data transmission to the AD domain controller.
- *Ensuring that our products meet the OEM customer's functional requirements.* We verify that the partner controllers react appropriately to signals received from the AD domain controller. For instance, if a collision hazard is detected and the AD domain controller sends an AEB trigger signal, it is necessary to verify that (i) the seat belt is automatically fastened, (ii) the vehicle sends visible and audible warnings, and (iii) the brakes are properly applied.

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The following table sets for a breakdown of our revenue generated from autonomous driving solutions and products by product line for the periods indicated.

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2020	2021	2022	2022	2023
	<i>(RMB in thousands)</i>				
	<i>(Unaudited)</i>				
Autonomous driving solutions and products					
— SuperVision™	—	86,010	1,248,795	335,959	510,225
— iDC Mid	—	—	441	—	2,573
— iFC 2.0	440	144	3,115	796	5,321
— Others ⁽¹⁾	—	—	598	—	2,737
Total	440	86,154	1,252,949	336,755	520,856

Note:

- (1) Representing sales of complementary products alongside the main products, and materials unrelated to a specific vehicle model.

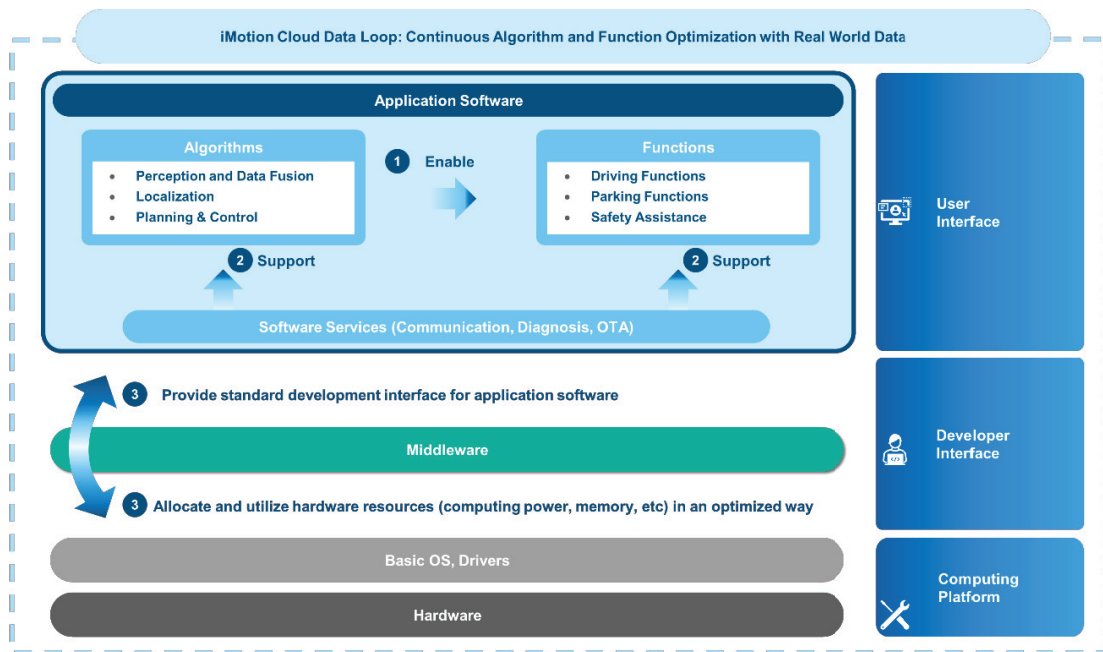
Our Autonomous Driving Solution and Product Offerings

We offer various autonomous driving solutions and products, which include AD domain controllers and iFC products. With respect to AD domain controllers, we generated a significant portion of revenue from SuperVision™ during the Track Record Period, which were based on Mobileye's technology and the base version of AD domain controllers. We acquire the base version of AD domain controllers from Mobileye, and then integrate the licensed software developed by Mobileye, with the hardware components, resulting in a fully-functional AD domain controller customized to meet the specific requirements of each vehicle model. In addition, we also supplied our self-developed iDC series to OEM customers. We provide automotive manufacturers (OEMs) with various AD domain controllers adapted to their different costs and technical requirements. Our autonomous driving solutions typically include (i) an AD domain controller; (ii) associated sensors, which we procure from third-party suppliers and integrate into our solutions; (iii) the integrated hardware, software, and algorithm solutions; and (iv) relevant services such as sensor implementation, vehicle systems integration, and function testing and validation. Our customers may procure sensors themselves. In such case we do not provide sensor implementation or integration services and instead we only provide a limited number of services focusing on autonomous driving function testing and validation. An AD domain controller functions as the brain in autonomous driving solutions, fusing and processing data from sensors to make driving decisions and trigger actuators in the vehicles.

BUSINESS


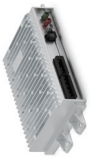



We also offer iFC products to OEMs based on our core algorithms on a stand-alone basis without providing relevant implementation and installation services. Our iFC product, which incorporates a controller supported by a SoC and a camera, is able to independently realize level 2 autonomous driving functions. The iFC products can also be used as a smart sensor in an autonomous driving solution powered by an AD domain controller, such as the iDC Mid solution, in order to provide more autonomous driving functions.

We integrate both hardware and software into our autonomous driving solutions and products. Leveraging our superior software-hardware co-design capabilities, we develop proprietary middleware that can be used as a bridge to connect software with the underlying hardware. We develop algorithms to enable different autonomous driving functions and provide OEMs with comprehensive services such as system diagnosis and OTA updates. The following chart indicates the structure and components of our autonomous driving solutions and products.



- 1 Our different algorithms enables our functions respectively
- 2 We provide services such as diagnosis to continually monitor system status, and upgrade our functions through OTA
- 3 Our middleware acts as a bridge between software and basic software/hardware, allocate and utilize hardware resources (computer power, memory, etc) in an optimized way, and also provides standard development interfaces for application software, which helps our engineers focus on software development and deployment without considering the details of different hardware and operating systems.


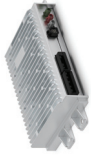



Certain characteristics of our primary autonomous driving solutions and products are presented in the table below:

		AD Domain Controllers			iFC products	
		SuperVision™	iDC Mid	iDC High	iFC 2.0	iFC 3.0
Start of Production		 October 2021	 January 2023	 2024 (Expected)	 August 2021	 2024 (Expected)
Target Market		Premium vehicle models	Mid- to high- end vehicle models		Entry-level vehicle model	
SoCs		Two Mobileye EyeQ®5H	Texas Instruments TDA4	Renesas Electronics V4H	Mobileye EyeQ®4M	Mobileye EyeQ®6L (Expected)
Sensors		<ul style="list-style-type: none"> • 11 cameras: <ul style="list-style-type: none"> – Two 8-megapixel front cameras; – Four 8-megapixel 100-degree side cameras (two front-facing and two rear-facing); – One 8-megapixel rear camera; and – Four 3-megapixel fisheye cameras • 12 ultrasonic sensors • One front millimeter wave radar 	<ul style="list-style-type: none"> • Five cameras: <ul style="list-style-type: none"> – One 2-megapixel front camera – Four 3-megapixel fisheye cameras • 12 ultrasonic sensors • Up to five millimeter wave radar 	<ul style="list-style-type: none"> • Six cameras: <ul style="list-style-type: none"> – One 8-megapixel front camera – Four 3-megapixel fisheye cameras – One 3-megapixel rear camera • 12 ultrasonic sensors • Up to five millimeter wave radar (optional) 	<ul style="list-style-type: none"> • One 1.7-megapixel camera • Up to two millimeter wave radar 	<ul style="list-style-type: none"> • One 8-megapixel camera • Up to five millimeter wave radar

AD Domain Controllers				iFC products	
	SuperVision™	iDC Mid	iDC High	iFC 2.0	iFC 3.0
Main Features	<p>SuperVision™ is a full operational point-to-point assisted driving navigation⁽¹⁾ solution and includes cloud-based enhancements. Furthermore, in addition to supervised point-to-point assisted driving, SuperVision™ is able to provide OEM customers with autonomous driving functions, including Urban NoA, Highway NoA, HPA, RPA and APA, among others for a designated ODD.</p>	<p>iDC Mid is a cost-effective solution that integrates high-speed driving⁽²⁾ functions and low-speed parking functions into one SoC only. iDC Mid is able to integrate driving functions such as highway navigate on autopilot (Highway NoA) and parking functions such as home-zone parking assistance (HPA).</p>	<p>iDC High is an enhanced version of iDC Mid. iDC High will include all autonomous driving functions of iDC Mid. In addition, it will include more advanced autonomous driving functions, including urban navigate on autopilot (Urban NoA), and more advanced parking functions to cover more scenarios.</p>	<p>iFC 2.0 is a budget solution for level 2 autonomous driving that includes both comforting functions (such as lane centering control (LCC) and adaptive cruise control (ACC)) and safety assistance functions (such as emergency lane keeping (ELK) and automatic emergency braking (AEB)).</p>	<p>As an upgraded version of iFC 2.0, iFC 3.0 will include all functions of iFC 2.0 and provide more advanced autonomous driving functions such as ESS benefiting from its more advanced perception capability. It is expected to meet future C-NCAP and EURO-NCAP 5-star safety standards.⁽³⁾</p>


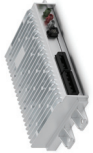



Notes:

- (1) Point-to-point assisted driving navigation represents navigation assistance while driving from one location to another, including entering and exiting highways, ring roads, complex urban roads, country roads, and parking areas. As a result, it has autonomous driving functions for both high-speed driving and low-speed parking scenarios.
- (2) High-speed driving scenarios primarily include highways, ring roads, complex urban roads, country roads and do not include parking areas.
- (3) iFC 3.0 is expected to meet the 5-star requirements of C-NCAP2024 ADAS categories (AEB Car-to-car Rear Collision, Lane Keeping Assistance, ELK, LDW) and AEB Vulnerable-Road-User Protection categories, and can also meet the 5-star requirements of EURO-NCAP2026 SA categories (AEB Car-to-car Rear Collision, AEB Head-on, Lane Support System) and AEB Vulnerable-Road-User Protection categories. As C-NCAP2024 and EURO-NCAP2026 have not been officially released, the testing is based on the draft version requirements.

	AD Domain Controllers			iFC products	
	SuperVision™ 	iDC Mid 	iDC High 	iFC 2.0 	iFC 3.0 
Key Functions					
Driving					
Urban Navigate on Autopilot ⁽¹⁾ (Urban NoA)	✓	—	✓	—	—
Highway Navigate on Autopilot ⁽¹⁾ (Highway NoA)	✓	✓	✓	—	—
Lane Centering Control (LCC)			✓		
Adaptive Cruise Control (ACC)			✓		
Parking					
Home-zone Parking Assist (HPA)	✓	✓	✓	—	—
Remote Parking Assistance (RPA)	✓	✓	✓	—	—
Automatic Parking Assistance (APA)	✓	✓	✓	—	—
Surround View 3D Display (SV3D)	✓	✓	✓	—	—

Note:

(1) Compared to iDC series, SuperVision™ has a greater quantity and higher precision of sensors, which allows for earlier and more accurate recognition of surrounding traffic conditions, benefiting the efficiency of decision-making algorithms. In addition, SuperVision™ is based on crowd-sourced mapping technology. This allows for faster map updates than high-precision maps, quickly reflecting changes in road conditions, and enhancing the availability of the NoA functions.

	AD Domain Controllers			iFC products	
	SuperVision™ 	iDC Mid 	iDC High 	iFC 2.0 	iFC 3.0 
Safety Assistance					
Forward Collision Warning (FCW)		✓	✓		
Automatic Emergency Braking (AEB)		✓	✓		
Lane Departure Warning (LDW)		✓	✓		
Traffic Sign Recognition (TSR)		✓	✓		
Emergency Lane Keeping (ELK)		✓	✓		
Glare-free High Beam (GFHB)		✓	✓		
Emergency Steering Assistance (ESS)	✓	—	✓	—	✓

AD Domain Controllers

We provide two AD domain controller product lines covering a wide price range of vehicles. We act as the system integrator in SuperVision™ projects, which is based on Mobileye's technology including the base version of AD domain controllers acquired from Mobileye. We also provide self-designed and self-developed iDC series which includes iDC Mid and iDC High.

SuperVision™

SuperVision™, targeting the premium vehicle market, is a fully operational point-to-point assisted driving navigation solution on various road types and includes cloud-based enhancements and supports OTA updates for a designated operational domain design (ODD). It has superior visual perception capabilities and offers one of the most comprehensive autonomous driving functions covering various driving scenarios for a designated ODD. Powered by two Mobileye's EyeQ®5H SoCs, SuperVision™ supports 360-degree surround sensing with 11 cameras. The 11 cameras consist of (i) one 8-megapixel 120-degree and one 28-degree cameras in the front, (ii) four 8-megapixel 100-degree wings cameras (two front-facing and two rear-facing), (iii) four wide-view 195-degree parking cameras mounted on the side mirrors, front and rear bumpers, and (iv) an 8-megapixel 60-degree rear camera. SuperVision™ is able to provide OEM customers with autonomous driving functions, including Urban NoA, Highway NoA, HPA, RPA and APA, among others for a designated ODD.

We acquire the base version of AD domain controllers from Mobileye, and act as the system integrator for SuperVision™ supplied to our OEM customers, our responsibilities in series production stage primarily include (i) software flashing of the base version of AD domain controllers, (ii) functional testing, (iii) packaging, and (iv) delivery. We integrate the licensed software developed by Mobileye, with the hardware components, resulting in a fully-functional AD domain controller customized to meet the specific requirements of each vehicle model. Thorough assessments are then conducted to ensure the accuracy and completeness of the flashed software. Each unit undergoes comprehensive testing to maintain our high-quality standards before being delivered to our OEM customers. Furthermore, we carry out bench and on-vehicle tests for each software version to be released in order to facilitate subsequent OTA updates.

Our first SuperVision™ project in collaboration with Mobileye commenced series production in 2021 as Geely Group launched ZEEKR 001 premium electric vehicle which was equipped with SuperVision™ as a standard feature. Following ZEEKR 001, the second vehicle model from Geely Group's premium electric vehicle brand that started series production in January 2023, ZEEKR 009, has also been equipped with SuperVision™ as a standard feature. In total, we have delivered approximately 130 thousand units of SuperVision™ as of June 30, 2023. Additionally, we are expanding our collaboration with Geely Group. Two additional brands under Geely Group, Polestar and Smart, are expected to launch SuperVision™ globally in their electric vehicle models, beginning in 2023. In January 2023, we entered into a

framework contract with an affiliate of Geely Group in connection with a project to supply SuperVision™ in Polestar 4 (極星4). Series production of such vehicle model of Polestar began in November 2023, and its export to the EU and the US is anticipated to begin as early as 2024. In June 2023, we received a letter of nomination associated with another luxury brand under Geely Group for the development of autonomous driving solutions in an upcoming vehicle model. For details of our collaboration with Mobileye, please refer to “— Suppliers — our relationship with Mobileye.”

In addition to Geely Group, we are also exploring cooperation opportunities with major domestic OEMs for adoption of SuperVision™ as an advanced driving solution across multiple vehicle models.

iDC Series

The iDC series is our self-developed AD domain controller product line, which consists of (i) iDC Mid, which started series production in January 2023, and (ii) iDC High, of which we expect the series production to start in 2024. Autonomous driving products are typically partitioned into various chips, and these chips connect sensors to actuators through interfaces and high-performance electronic controller units (ECUs). Compared to the typical architecture that includes both SoC and microcontroller (MCU), we creatively developed an advanced software architecture for iDC series that integrates high-speed driving functions and low-speed parking functions into one SoC only, enabling product cost reduction and system efficiency enhancement.

For iDC series, our work is primarily focused on the following aspects: (i) we are in charge of the hardware design and development, which includes the design of the housing, camera module, circuit diagram, PCB layout, and hardware architecture of the autonomous driving solutions and products; (ii) we develop the underlying base software and the middleware that acts as a bridge to connect underlying software with the hardware; (iii) we develop perception, fusion, localization, planning and control algorithms that enable various autonomous driving functions; (iv) we provide system integration, testing and validation services to make sure our solutions and products are well integrated within the vehicle and provide high performance and quality functions according to customer requirements; (v) we procure components and assemble autonomous driving products in-house, leveraging our self-owned production lines; (vi) we provide quality assurance and aftermarket services after the series production; and (vii) we use OTA technologies to continuously enhance the performance of our solutions and provide users with up-to-date autonomous driving functions.

A. iDC Mid

Our iDC Mid is a cost-effective solution to provide autonomous driving functions targeting the mid- to high- end vehicle market that can achieve level 2+ autonomous driving. Powered by a TDA4 SoC of Texas Instruments, iDC Mid can support up to five cameras, including one front camera and four parking cameras, as well as up to five millimeter wave radar sensors and 12 ultrasonic sensors to provide full surround coverage.

We design and develop all key hardware and software for our iDC Mid. Empowered by our flexible system architecture, iDC Mid offers exceptional adaptability, allowing it to be used on a variety of vehicle models of our OEM customers. In addition, our self-developed middleware also makes it possible for the iDC Mid to switch seamlessly between running environments and operating systems, including Linux, TI RTOS, and AUTOSAR. Using our proprietary algorithms, iDC Mid is able to integrate driving functions such as Highway NoA, LCC, ACC, and parking functions such as HPA, RPA, APA and SV3D, and safety assistance functions. In addition, we are able to add more autonomous driving functions to the iDC Mid through OTA updates.

In January 2023 and July 2023, we series-produced and delivered iDC Mid to Chery for installation on EXEED Lanyue (星途攬月) and EXEED Lingyun (星途凌雲), respectively, as a standard feature in high-end versions. Both Chery's vehicle models are expected to be exported overseas. Furthermore, we received two letters of nomination from Chery in June and August 2023, respectively, for the development of autonomous driving solutions on its upcoming vehicle models. We are also collaborating with Dongfeng Liuzhou to launch iDC Mid on their Fengxing M6 (風行M6) vehicle model. As of the Latest Practicable Date, we had received six letters of nomination from different OEMs with respect to our iDC Mid.

B. iDC High

We expect the series production of iDC High, the enhanced version of iDC Mid designed for mid- to high- end vehicles, to start in 2024. Powered by the V4H SoC of Renesas Electronics, iDC High is expected to have high computing power and support a full-scenario intelligent driving experience. Furthermore, we can further develop iDC High to work with SoCs from other vendors by leveraging our advanced software and middleware. The architecture of iDC High is designed for arithmetic iterative development and series production reliability. Benefiting from the high quality and safety standard of iDC High, we can support customers to achieve required ASIL level for corresponding functions.

iDC High will include all autonomous driving functions of iDC Mid. In addition, it will support more advanced autonomous functions, such as Urban NoA, and more advanced parking functions to cover more scenarios, benefiting from its higher computing power and enhanced sensor configuration, compared to iDC Mid. iDC High will adopt a strong visual perception solution that comprehensively enhances perception range and accuracy as compared to iDC Mid. In particular, iDC High is designed to support six cameras, including one 8-megapixel front camera with a 120-degree field of view, four 3-megapixel fisheye cameras and one 3-megapixel rear camera with a 100-degree field of view. Although iDC High will be able to support up to five radar sensors, we can also develop camera-only solutions based on iDC High to meet the cost requirements of OEM customers.

iFC Products

Since cameras are considered the most cost-efficient and versatile sensors powering the evolution of autonomous driving solutions, we launched iFC products that support level 2 autonomous driving functions. Our iFC series includes both comforting functions (such as lane centering control (LCC) and adaptive cruise control (ACC)) and safety assistance functions (such as emergency lane keeping (ELK) and automatic emergency braking (AEB)). Our iFC products are scalable from single-camera solutions to multi-sensor fusion solutions. We can connect multiple millimeter wave radar sensors to our iFC products to provide more advanced autonomous driving functions. For example, by adding four corner radar sensors, our iFC products can provide a lane change assistance function. In addition, iFC products can also be used as intelligent sensors in an autonomous driving solution, which provide visual perception outputs and transmit them to the AD domain controllers.

The works involved in the development and production of our iFC products are carried out in a similar manner for our iDC products, which primarily include: (i) hardware design and development; (ii) development of autonomous driving software and algorithms; (iii) procurement of components and assembly of autonomous driving products in-house; and (iv) quality assurance and after-market services after the series production. We had launched iFC 2.0 on the market in August 2021. Going forward, we plan to launch the next generation iFC product, iFC 3.0, in 2024.

iFC 2.0

iFC 2.0 is a budget solution for level 2 autonomous driving targeting the entry-level vehicle market that integrates our proprietary autonomous driving algorithms and advanced hardware. It is a single-camera vision product that can be customized to the needs of each OEM customer. Powered by the EyeQ[®]4 SoC of Mobileye, iFC 2.0 is equipped with a 1.7-megapixel camera with a 100-degree field of view. Through 3D perception and dynamic auto calibration, iFC 2.0 offers high accuracy in distance and location measurements. As a result of our high quality and safety standards, iFC 2.0 can meet C-NCAP and EURO-NCAP 2023 5-star safety standards as well as GSR regulatory standards.

BUSINESS

The series production of iFC 2.0 first occurred in August 2021. We also launched iFC 2.0 on the Jiaji L (嘉際L) and Haoyue L (豪越L) models of Geely Group as a standard feature in high-end versions, respectively. In addition, we are cooperating with Great Wall Motor and Dongfeng and expect to launch iFC 2.0 in their upcoming vehicle models.

iFC 3.0

We expect the series production of the next generation iFC, iFC 3.0, to start in 2024. As an upgraded version of iFC 2.0, iFC 3.0 will include all functions of iFC 2.0 and provide more advanced autonomous driving functions such as ESS benefiting from its more advanced perception capability. The iFC 3.0 is going to integrate Mobileye's next generation EyeQ®6L SoCs. It is expected to be equipped with an 8-megapixel 120-degree camera. We will maintain high quality in the design and manufacturing of iFC 3.0, ensuring that it will meet future C-NCAP and EURO-NCAP 5-star safety standards.

Compared to iFC 2.0, iFC 3.0 is expected to be 20% smaller in size, making it more conducive to vehicle integration. To provide more autonomous functions, iFC 3.0 is expected to have more powerful function expansion capabilities that supports Ethernet interface and optional driver monitoring system or a rear-view camera. Due to its enhanced perception capabilities, more compact size, and enhanced function extension capabilities, our iFC 3.0 is expected to meet the upgrading needs of our OEM customers.

BUSINESS

The table below sets forth the revenue, gross profit margin and sales volume of our key products during the Track Record Period.

Product	For the Year Ended December 31,					For the Six Months Ended June 30,									
	2020		2021		2022		2022		2023						
	Revenue	Gross profit margin	Sales volume	Revenue	Gross profit margin	Revenue	Gross profit margin	Revenue	Gross profit margin	Sales volume					
	RMB'000	%	Unit	RMB'000	%	Unit	RMB'000	%	RMB'000	Unit					
SuperVision™	-	-	-	86,010	5.3	5,796	1,248,795	7.4	79,589	335,959	6.3	21,272	510,225	7.2	40,628
iDC Mid	-	-	-	-	-	-	441	77.0 ⁽¹⁾	101	-	-	-	2,573	15.1	1,480
iFC 2.0	440	48.1	4 ⁽²⁾	144	52.0 ⁽³⁾	71	3,115	15.5	3,956	796	(7.7)	878	5,321	(11.4)	7,707

(Unaudited)

Notes:

- (1) Calculated based on the sale of sample products in 2022, which is expected to differ after the series production of iDC Mid in 2023.
- (2) Represents the sample products sold to our customers prior to the series production of iFC 2.0.
- (3) Primarily because we generated a significant portion of revenue from sales of sample products prior to the series production of iFC 2.0 in August 2021, which generally had a relatively higher gross profit margin.

BUSINESS

Our Autonomous Driving Projects Under Development

The table below sets forth details of our projects under development, all of which were in the project development stage, i.e., we had received letters of nomination but not yet started series production as of the Latest Practicable Date.

OEMs	Vehicle Models	Products Under Development	Date of Letter of Nomination	Current Stage in Project Development ¹	Current Status
OEM A, an automaker in the PRC of both ICE vehicles and NEVs	A PHEV MPV model	iFC 2.0 and iDC Mid	August 2022	<ul style="list-style-type: none"> • Product development 	<ul style="list-style-type: none"> • Delivered hardware and completed the development of the initial version of full-featured software • Expect to commence series production by January 2024
OEM B, an automaker in the PRC of both ICE vehicles and NEVs	ICE and NEV SUV models	iFC 2.0	November 2022	<ul style="list-style-type: none"> • Product development 	<ul style="list-style-type: none"> • In the process of negotiation for technology development agreement • Expect to commence series production in March 2024
OEM C, an automaker of NEVs in the PRC	An NEV Crossover model	iFC 2.0	March 2023	<ul style="list-style-type: none"> • Product development 	<ul style="list-style-type: none"> • Delivered small batch of samples • Expect to commence series production in March 2024
OEM D, an automaker in the PRC of both ICE vehicles and NEVs	ICE and NEV SUV models	iDC Mid	June 2023	<ul style="list-style-type: none"> • Product development 	<ul style="list-style-type: none"> • Received letter of nomination in June 2023 • Expect to commence series production in February 2024
OEM D, an automaker in the PRC of both ICE vehicles and NEVs	ICE and NEV SUV models	iDC Mid	August 2023	<ul style="list-style-type: none"> • Product development 	<ul style="list-style-type: none"> • Received letter of nomination in August 2023 • Expect to commence series production in March 2024
OEM E, an international automaker of both ICE vehicles and NEVs	An NEV SUV model	SuperVision™	September 2021	<ul style="list-style-type: none"> • Product validation 	<ul style="list-style-type: none"> • Commenced production in small scale in May 2023 • Expect to commence series production in December 2023

BUSINESS

OEMs	Vehicle Models	Products Under Development	Date of Letter of Nomination	Current Stage in Project Development ¹	Current Status
OEM F, an international automaker in of both ICE vehicles and NEVs	An NEV MPV model	SuperVision™	June 2023	<ul style="list-style-type: none"> Product development 	<ul style="list-style-type: none"> Received letter of nomination entered into with an affiliate of OEM H in June 2023 Expect to commence series production in March 2024
	An HEV Pickup model	A customized version of iDC Mid	December 2021	<ul style="list-style-type: none"> Joint acceptance 	<ul style="list-style-type: none"> In the process of validation before series production Completed the pilot installation for production purpose Expect to commence series production by January 2024
OEM G, an automaker in the PRC of both ICE vehicles and NEVs	An ICE SUV model	iFC 2.0	February 2022	<ul style="list-style-type: none"> Joint acceptance 	<ul style="list-style-type: none"> Completed pilot installation in April 2023 Completed second pilot installation in November 2023 Expect to commence series production in December 2023
	An NEV SUV model	iFC 2.0	May 2023	<ul style="list-style-type: none"> Product development 	<ul style="list-style-type: none"> Received letter of nomination in May 2023 Expect to commence series production in March 2024
	ICE and NEV SUV models	iFC 2.0	August 2023	<ul style="list-style-type: none"> Product development 	<ul style="list-style-type: none"> Received letter of nomination in August 2023 Expect to commence series production in March 2024
	ICE and NEV SUV models	iFC 2.0	August 2023	<ul style="list-style-type: none"> Product development 	<ul style="list-style-type: none"> Received letter of nomination in August 2023 Expect to commence series production in March 2024
	ICE and NEV Pickup models	iFC 2.0	August 2023	<ul style="list-style-type: none"> Product development 	<ul style="list-style-type: none"> Received letter of nomination in August 2023 Expect to commence series production in March 2024

BUSINESS

OEMs	Vehicle Models	Products Under Development	Date of Letter of Nomination	Current Stage in Project Development ¹	Current Status
OEM H, an international automaker of both ICE vehicles and NEVs	An NEV VAN model	iFC 2.0	June 2022	• Product development	<ul style="list-style-type: none"> • Finished medium-term acceptance in August 2023 • Expect to commence series production in June 2024
	An NEV VAN model	iFC 2.0	August 2023	• Product development	<ul style="list-style-type: none"> • Received letter of nomination in August 2023 • Expect to commence series production in December 2023
	An NEV VAN model	iFC 2.0	September 2023	• Customer requirement	<ul style="list-style-type: none"> • Received letter of nomination in September 2023 • Expect to commence series production in December 2024
OEM I, an automaker in the PRC of NEVs	An NEV Sedan model	iFC 2.0	October 2023	• Customer requirement	<ul style="list-style-type: none"> • Received letter of nomination in October 2023 • Expect to commence series production in February 2025

Note:

- (1) The project development stage of a project is divided into four distinct phases, namely customer requirement, product development, product validation phase and joint acceptance. In the customer requirement phase, we work in close collaboration with OEM customers (or in respect of certain vehicle models, an affiliate of the relevant OEM) to gain a comprehensive understanding of their specific requirements. In the product development phase, we endeavor to create a solution that effectively meets the specific needs of the OEMs. During the product validation phase, various processes such as testing, verification, customization, and integration with other subsystems of the vehicle are carried out. The joint acceptance phase represents that the solution or product is jointly accepted by both the OEM customer and us. For details, see “— Our Customers.”

BUSINESS

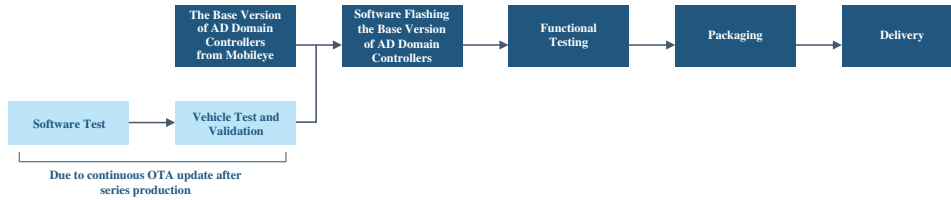
Our Autonomous Driving Projects in Series Production

The table below sets forth details of our projects that were in the series production stage as of the Latest Practicable Date.

OEMs	Vehicle Models	Products in Series Production	Whether Products are Standard Fit	Date of Letter of Nomination
Dongfeng Liuzhou	Fengxing M4 (風行M4)	iFC 2.0	Standard feature in mid- and high-end versions	January 2022
	Fengxing SX5G (風行SX5G)	iFC 2.0	Standard feature in mid- and high-end versions	January 2022
Dongfeng	Aeolus M57 (風神M57)	iFC 2.0	Standard feature in high-end versions	September 2022
Chery	EXEED Lanyue (星途攬月)	iDC Mid	Standard feature in high-end versions	January 2022
	EXEED Lingyun (星途凌雲)	iDC Mid	Standard feature in high-end versions	January 2022
ZEEKR	ZEEKR 001 (European version) (極氪001 歐版)	SuperVision™	Standard feature in all versions	March 2023
	ZEEKR 001 FR (極氪001 FR)	SuperVision™	Standard feature in all versions	March 2023
	ZEEKR 001 (極氪001)	SuperVision™	Standard feature in all versions	October 2020
	ZEEKR 009 (極氪009)	SuperVision™	Standard feature in all versions	November 2022
Geely Group	Jiaji L (嘉際L)	iFC 2.0	Standard feature in high-end versions	December 2021
	Haoyue L (豪越L)	iFC 2.0	Standard feature in high-end versions	December 2021
	Haoyue (Right-hand Drive) (豪越(右舵))	iFC 2.0	Standard feature in high-end versions	December 2021
Polestar	Polestar 4 (極星4)	SuperVision™	Standard feature in all versions	January 2023

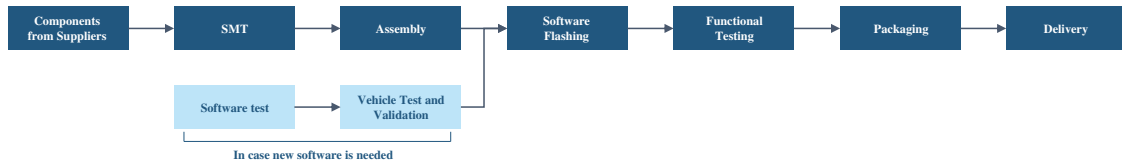
BUSINESS

The diagram below illustrates the workflow in SuperVision™ projects once they enter into the series production stage.



For SuperVision™ supplied to our OEM customers and OEM end customers, we acquire the base version of AD domain controllers from Mobileye, and then act as the system integrator. After the commencement of sales, our work in the SuperVision™ projects is primarily focused on (i) software flashing of the base version of AD domain controllers, (ii) functional testing, (iii) packaging, and (iv) delivery. We integrate licensed software developed by Mobileye, which is not based on our proprietary algorithm, with the hardware parts, transforming the base version of AD domain controllers procured from Mobileye into a fully-functional AD domain controller tailored to the unique requirements of a vehicle model. For the base version of AD domain controllers within the same batch or production run, the software remains the same for each unit. From time to time, we provide assistance to customers in updating autonomous driving software for deployment on a new batch of vehicles. Subsequently, we undertake a comprehensive assessment to ensure the correctness and completeness of the flashed software. Comprehensive tests on each units of these products will be conducted to ensure the high quality standards. For the subsequent OTA updates of the SuperVision™ projects, Mobileye develops the new version of software, which we then utilize for conducting bench testing and validation. We undertake two crucial tasks to ensure the quality and functionality of new software versions. Firstly, a comprehensive bench test is conducted on the software to assess its performance and identify any potential issues or bugs. This meticulous testing process helps to validate the software's behavior and functionality in a controlled environment. Secondly, we perform rigorous on-vehicle tests to further validate and verify the new software. By deploying the software in real-world driving scenarios, we can assess its performance and compatibility with various vehicle systems and components. These tests allow for the identification and resolution of any issues that may arise when the software is integrated into the actual operating environment.

The diagram below illustrates the workflow in iDC and iFC projects once they enter into the series production stage.



Regarding our self-developed iDC and iFC series, our role extends beyond being a system integrator. We take on various responsibilities after entering the series production stage. We handle the procurement of raw materials and components based on our designs. Using our two SMT lines, we mount various electronic components, such as SoCs and resistors, on the PCB in accordance with product specifications. We then put together the necessary components, such as PCBA, camera modules, connectors, and other mechanical parts, to form the core body of our autonomous driving products. Furthermore, we undertake similar tasks related to software testing and programming, functional testing, packaging, and delivery as we do for the SuperVision™ projects. Notably, for the iDC and iFC series, our proprietary autonomous driving software is installed onto the hardware.

Our Product Functions

Built on our proprietary algorithms and based on different computing platforms, our autonomous driving solutions and products can provide a wide range of autonomous driving functions, which can be classified into three categories, namely driving functions, parking functions and safety assistance functions.

Driving Functions

Driving functions are typically activated in high-speed driving scenarios. Our driving functions primarily include navigate on autopilot (NoA), lane centering control (LCC) and adaptive cruise control (ACC).

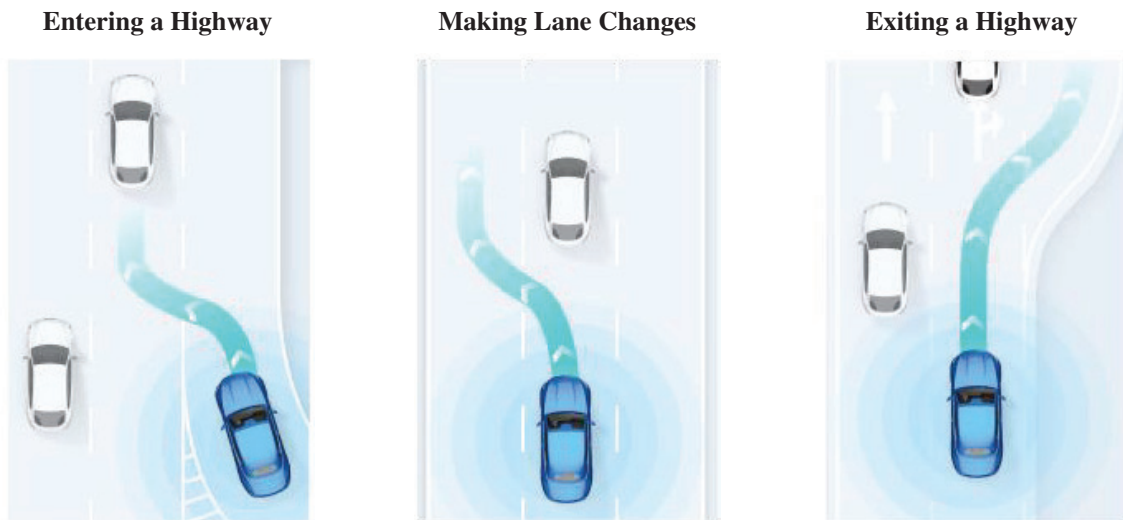
NoA

NoA is an active guidance function that conducts automatic navigation-assisted driving based on the navigation route set by the driver. NoA is one of the most advanced driver assistance functions commercialized in the automotive industry. NoA is designed to be activated in operational design domains, which primarily include highways and urban areas.

BUSINESS

Our proprietary NoA algorithms provide a user-friendly driving experience in high-frequency driving scenarios. When using NoA on highways, it guides a vehicle from a highway's on-ramp to off-ramp, including suggesting and making lane changes, navigating highway interchanges, and taking exits. When using NoA in urban areas, the vehicle itself can perform virtually the full range of driving tasks, such as detecting and reacting to traffic lights, making lane change decisions, taking turns and navigating through intersections, roundabouts and viaducts, as well as avoiding obstructions like construction, pedestrians, and cyclists.

NoA



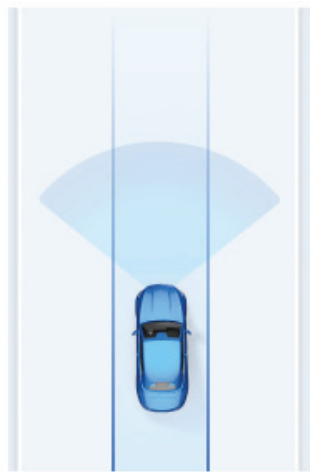
LCC

LCC helps drivers keep the vehicle in the center of a lane. As part of our LCC, a front camera is used to detect and compare lane markings in front of the vehicle with the position of the vehicle within the lane. Connected to the steering control actuator, LCC can provide gentle but perceptible steering corrections to keep the vehicle in the center of the lane. At any time, the driver can override the function and remain in control of the vehicle. By actuating the turn signal indicator, the driver can override any intervention by LCC that would otherwise have taken place upon approaching the corresponding road marking.

ACC

ACC is a system designed to help a vehicle maintain a safe following distance and stay within the speed limit set by the driver. Our ACC can continuously monitor the traffic ahead using a single camera to measure the distance to vehicles in front. When the driver sets a preferred speed, our ACC system takes control of the driver's vehicle and helps the vehicle adapt to the traffic flow, by maintaining speed while monitoring the following distance.

LCC



ACC



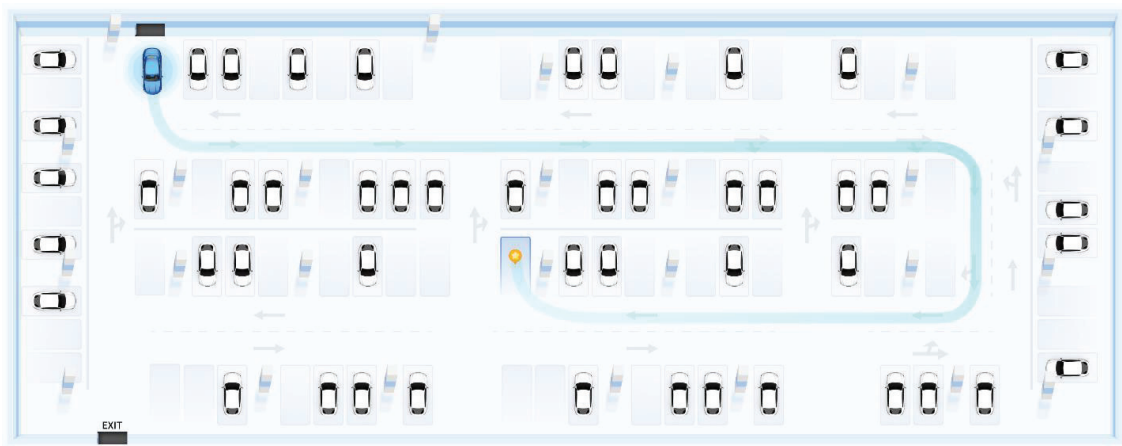
Parking Functions

Parking functions are typically activated in low-speed parking scenarios. Our parking functions primarily include home-zone parking assistance (HPA), remote parking assistance (RPA), automatic parking assistance (APA), and surround view 3D display (SV3D).

HPA

With HPA, drivers can simplify the daily ritual of entering and exiting their parking spaces at home or at the office. For the first time, the driver teaches the system the exact path to the desired parking space by driving the route manually. Next time, when the vehicle reaches the start position again and the driver activates the system, the vehicle will automatically move according to the learned route and parks itself in the target parking slot.

HPA



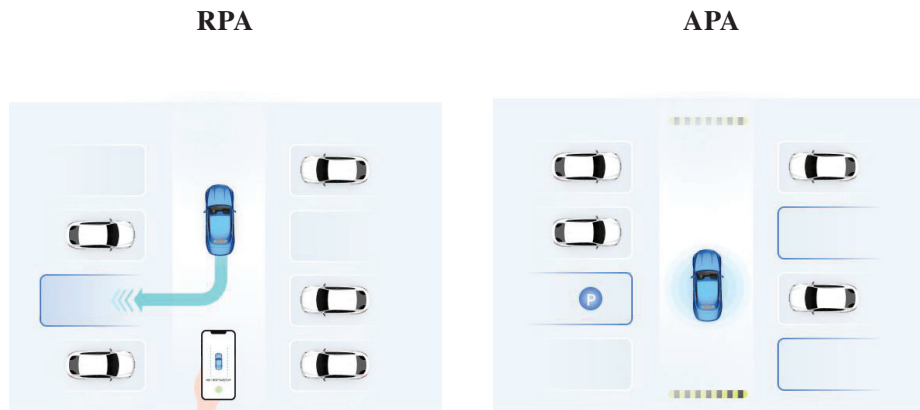
In addition, we have developed a method for calculating distance with high precision based on information obtained from existing sensors, which has a minor deviation of up to 0.2%. The system is based on surround view and deep learning to allow accurate target recognition and vehicle localization. It is particularly adaptive to sudden changes in light and scene. Using our accurate visual scale recovery algorithms and vehicle localization algorithms, our HPA can support long-distance memory parking up to two kilometers in underground garages.

RPA

With RPA, drivers can park their vehicles with their smart devices or car keys while still being outside their vehicles. Once a parking space is detected, the driver can begin a remote parking maneuver, and the vehicle then parks itself into the space. The RPA system controls the vehicle's brakes, steering and powertrain. When the car has reached its final parking position, the RPA system turns off the powertrain and applies the parking brake.

APA

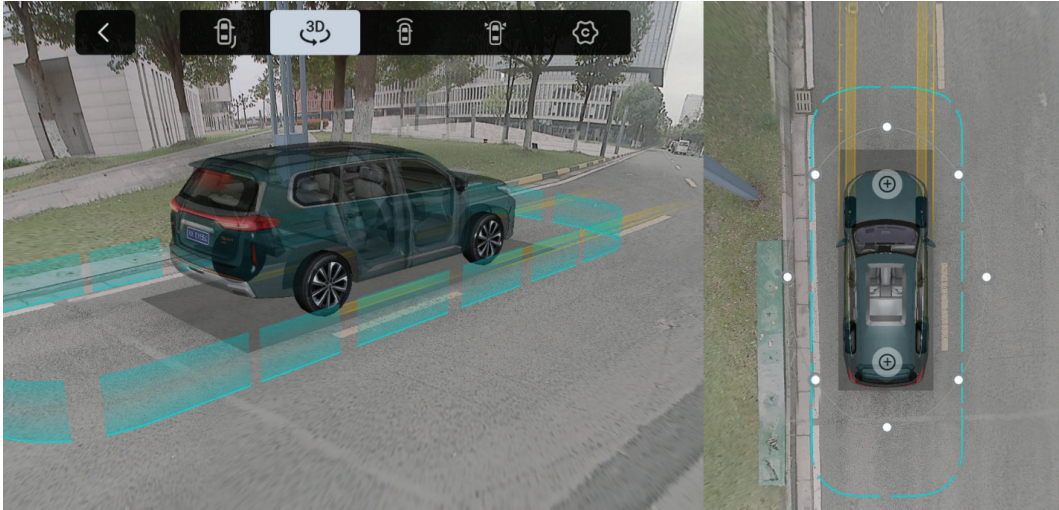
Using cameras and USS sensors, APA can take autonomous control of a specific parking task or the entire parking process, allowing drivers to park their vehicles safely and securely without damaging them or the vehicles around them. Our APA function can support a variety of parking spaces, including parallel, vertical and diagonal parking spaces and provide corresponding path planning strategies. Our APA system is capable of controlling vehicle in a manner similar to a human driver, avoiding sudden turns and braking. Additionally, we provide parking out function and reverse automatic emergency braking function for both static and dynamic obstacles.



SV3D

Our SV3D function provides a real-time 3D surround view of the vehicle and detects nearby obstacles, therefore assisting the driver for parking. A 360° bowl-shaped panoramic image can be created using our SV3D software, which automatically identifies, corrects and stitches overlapping parts between adjacent images and adjusts the stitching line position in real-time. In order to achieve a consistent visual effect between different cameras, the SV3D software analyzes the differences in image quality between adjacent cameras and adjusts the brightness and color of the output image of the corresponding cameras. Our SV3D software is also connected to the obstacle detection system. In low-speed operation, when the vehicle is close to an obstacle, the SV3D software automatically switches to a zoomed-in view of the obstacle's side.

The 360° bowl-shaped panoramic image created by our SV3D algorithms



Safety Assistance

We provide a number of safety assistance functions to avoid and mitigate accidents. Our safety assistance functions primarily include:

- forward collision warning (FCW), which warns the driver of a potential collision with a vehicle ahead;
- automatic emergency braking (AEB), which applies brakes automatically if the vehicle detects an imminent collision. In addition to prevent or mitigate forward collisions, AEB can also detect obstacles and apply brakes automatically during reverse maneuvers;
- lane departure warning (LDW), which monitors the vehicle's position within the driving lane and warns the driver when the vehicle approaches or crosses lane markers;
- traffic sign recognition (TSR), which recognizes traffic signs and relays them to drivers via the instrument panel;
- emergency lane keeping (ELK), which intervenes aggressively to prevent the vehicle from running off the road when a critical situation is detected;
- glare-free high beam (GFHB), which detects different light sources and controls the matrix beam to provide long range visibility without glaring other drivers and pedestrians; and
- emergency steering support (ESS), which provides assistance during a critical evasive maneuver by assisting steering torque.



OTA Updates

We are committed to providing drivers with up-to-date autonomous driving functions via continuous OTA updates throughout the lifecycle of their vehicles. We believe our value-added OTA update services can further strengthen the competitive advantages of our autonomous driving solutions and products. Equipped with in-vehicle setup for OTA updates, our autonomous driving solutions and products can work with OEMs' cloud platforms to apply updates to autonomous driving functions. We normally work with OEMs to fix the OTA update schedule and OEMs will send update notifications to end-users accordingly after filings with the relevant authorities. Through our outstanding software-hardware co-design capabilities, we are able to incorporate more autonomous driving functions without adding additional sensors. In the SuperVision™ projects, Mobileye develops the new version of software, which we then utilize for conducting bench testing and validation. Subsequently, in collaboration with the OEMs, we proceed with on-vehicle testing and validation, including OTA pressure testing. Ultimately, it is the responsibility of the OEMs to deploy the relevant software updates to the vehicles, ensuring the successful completion of the entire process.

OUR RESEARCH AND DEVELOPMENT SERVICES

We began offering R&D services to OEMs in July 2017. Our R&D services are primarily focused on three aspects: (i) the development of software and hardware for autonomous driving; (ii) the development of algorithms and functions for autonomous driving; and (iii) functional safety consulting and validation.

Our autonomous driving-related R&D services are primarily focused on two areas

- (i) *Proof-of-concept projects.* In these projects, OEMs engage us to conduct concept validation for new technology. Leveraging our comprehensive R&D capabilities and utilizing advanced technology, we develop and provide prototypes to OEMs within a short time to conduct concept validation, including proof-of-concept projects involving level 3 or level 4 autonomous driving. Since 2017, we have completed a total of five R&D projects in relation to level 3 and level 4 autonomous driving, including two level 4 autonomous driving R&D projects. In the first instance, we created a prototype that can realize level 4 autonomous driving in predetermined urban areas. Additionally, we helped an OEM customer build an autonomous driving logistic vehicle model that can automatically travel between the OEM's manufacturing facilities and warehouse. These proof-of-concept projects help us demonstrate technical competence and we may be granted letter of nomination and selected as a supplier of autonomous driving solutions. Our R&D capabilities on level 3 and level 4 autonomous driving are also demonstrated by the number of our issued patents and patent applications. As of the Latest Practicable Date, we had 18 issued patents and eight patent applications related to level 3 and level 4 autonomous driving.

- (ii) *R&D services in relation to the supply of our autonomous driving solutions.* After receiving the letter of nomination, we start providing R&D services to customers, which primarily include R&D of hardware, software, algorithms and autonomous driving functions, as well as implementation, integration, verification and testing services. Prior to the delivery of sample products, we recognize revenue from such services as revenue related to autonomous driving-related R&D services. These R&D activities are critical to our sales of autonomous driving solutions and products because they enable us to identify system vulnerabilities and satisfy the OEMs' customized requirements.

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We believe that our R&D services can complement our core business of providing autonomous driving solutions and products and benefit us in two ways. Firstly, we are able to expand our customer base and source of income. It provides us with the opportunity to showcase our R&D and engineering capabilities to OEMs, which we believe would pave the way for deeper cooperation with OEMs in the field of autonomous driving. Secondly, we can also gain insights into requirements and product specifications of OEMs. For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, revenue generated from rendering of autonomous driving-related R&D services amounted to RMB4.8 million, RMB34.5 million, RMB38.0 million, RMB5.5 million and RMB12.1 million, respectively, accounting for 10.1%, 19.4%, 2.9%, 1.5% and 2.2% of our total revenue for the same periods, respectively.

SALES OF PCBA PRODUCTS

We were engaged in manufacturing and sales of PCBA products to third parties during the Track Record Period. Using our two surface mount technology (SMT) lines, we mount different electronic components on the PCB, such as SoCs, resistors, capacitors, and transmitters to prepare fully usable PCBA based on our customers' specifications.

During the Track Record Period, our customers for PCBA product sales primarily included Chinese electronic product manufacturers. We do not consider sales of PCBA products our core business. For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, sales revenue from PCBA products amounted to RMB42.4 million, RMB57.6 million, RMB35.0 million, RMB17.0 million and RMB10.3 million, respectively. Our sales revenue of PCBA products, as a percentage of total revenue, decreased from 89.0% in 2020 to 32.3% in 2021 and further to 2.6% in 2022, and from 4.7% for the six months ended June 30, 2022 to 1.9% for the six months ended June 30, 2023. Going forward, as we expect to focus on providing autonomous driving solutions and products to OEM customers, we plan to gradually wind down our sales of PCBA products to third parties over the next five years. However, we will continue to use our SMT lines to produce PCBA products as components of our own autonomous driving solutions and products.

OUR CORE TECHNOLOGIES

Our comprehensive R&D capabilities are the bedrock of our success in the development and commercialization of autonomous driving solutions and products, as highlighted by our (i) core algorithms, (ii) flexible middleware, and (iii) data loop and cloud platform.

Our Comprehensive R&D Capabilities

We possess industry-leading software-hardware co-design techniques, enabling us to provide comprehensive autonomous driving solutions and products to OEMs.

- *Hardware.* The experience we have in designing and series producing AD domain controllers and iFC products gives us a better understanding of how autonomous driving software and hardware work together. As we design solutions and products, we choose options that are best suited to our software architecture and core algorithms, which maximizes effectiveness and reduces costs.
- *Middleware.* Middleware acts as a bridge connecting software with the underlying hardware. Using our reliable and effective middleware, we can achieve seamless integration of our algorithms with a variety of different models of SoCs. By utilizing our middleware, we can install our autonomous driving systems on different vehicle models without incurring massive costs.
- *Core algorithms.* Algorithms are critical to the performance of autonomous driving solutions and products. With our autonomous driving algorithms, the AD domain controller can efficiently process sensor data, providing reliable fusion, localization, planning and control functions.
- *Testing and integration of the system.* We can organically integrate an AD domain controller, algorithms, and thoroughly tested sensors into a well-functioning autonomous driving solution customized for different OEMs and their vehicle models. Prior to the delivery of our autonomous driving solutions and products, we work closely with OEMs on function testing and validation.

Our Core Algorithms

We have developed a set of algorithms for autonomous driving, as highlighted by our perception and vehicle localization algorithms.

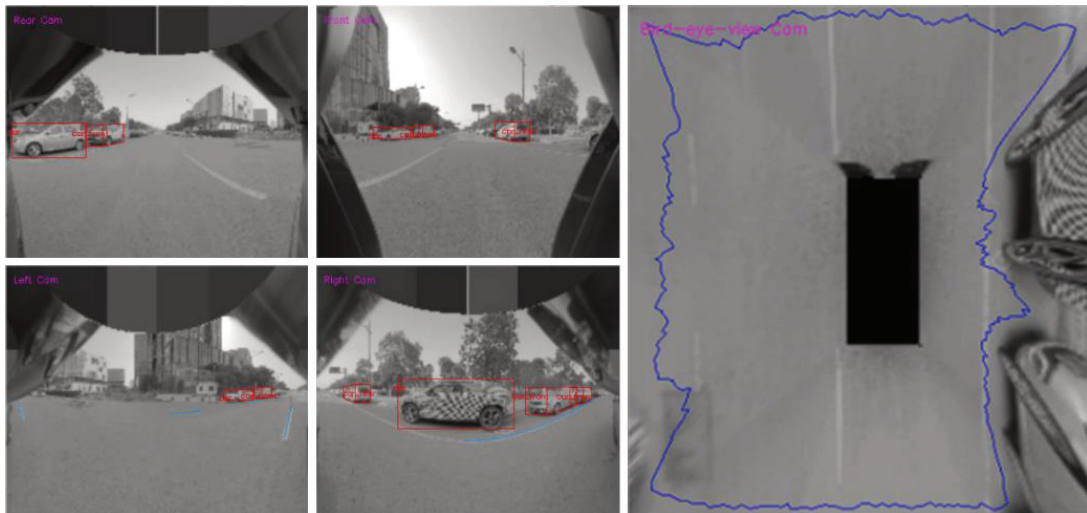
Perception Algorithms

Perception of the environment is a crucial task to be accomplished. In order to achieve level 2 and higher-level autonomous driving functions, granular and efficient perception is essential. As one of the most complex subsystems, perception requires specialized data infrastructure as well as expertise in machine learning and high-performance computing. Our perception stack is based on a modular sensor fusion pipeline that runs on a low compute footprint and can be customized in accordance with application requirements. We have developed two sets of perception algorithms based on different types of sensors, namely visual perception algorithms and USS perception algorithms.

A. Visual Perception Algorithms

We use a multi-level data fusion approach in the development of visual perception algorithms. Our visual perception algorithms can automatically label data and filter out incorrectly labeled data for further studies and automatic correction. We employ CNN technologies to complete the scene understanding tasks, and also use the pre-processing and post-processing algorithms with high robustness for scene tracking, thus ensuring the overall system stability. Meanwhile, we have implemented Transformer-based Bird-Eye View perception algorithms in our autonomous driving products, which are capable of performing real-time Bird-Eye View perception on the automotive-grade chips. Transformer-based perception algorithms hold great potential for performance improvement. By employing continuous data feedback loops, these algorithms can effectively handle more complex autonomous driving scenarios, including urban areas. Furthermore, we are working with our business partners to customize the hardware acceleration framework for our own system so as to further improve the efficiency of our algorithms.

Our visual perception algorithms can detect objects, parking spaces, and free spaces



Among our proprietary visual perception algorithms, fisheye perception algorithms are good example worth highlighting. A fisheye camera is used to capture images with extremely wide angles, typically around 200 degrees. Our fisheye perception algorithm provides reliable detection of close objects and can be used for NoA function to compensate for millimeter wave radar’s shortcomings in the following areas:

Advantages of Our Proprietary Perception Algorithms



Clearly identify vehicles in other lanes, avoiding lateral detection errors caused by millimeter wave radar that misidentify vehicles in multiple lanes as in the adjacent lane.



Detect high-speed vehicles that may not be detected by millimeter wave radar due to a lack of reflection information.



Accurately classify targets, allowing the HMI software to classify and display trucks and sedans.



Identify and distinguish stationary vehicles from the roadside, which addresses the issue faced by millimeter wave radar.



Distinguish between vehicles that have already moved out of a lane and roadside obstacles, which addresses the issue faced by millimeter wave radar.

B. USS Perception Algorithms

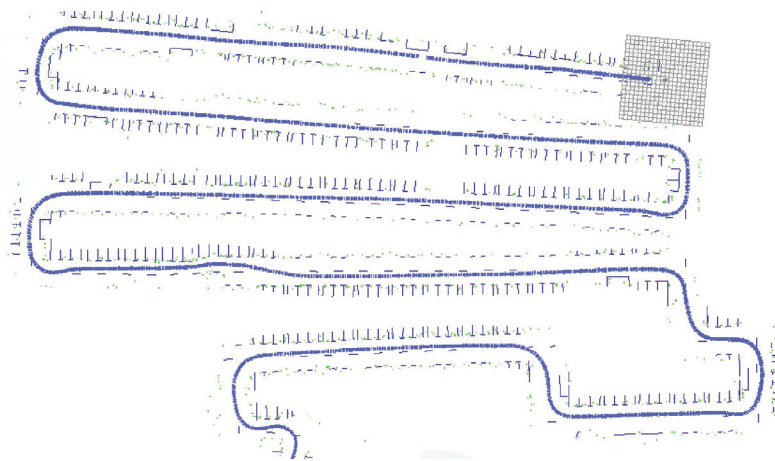
Ultrasonic sensors, which use high-frequency sound waves to measure the distance between objects in close distance, can be used in conjunction with other vehicle sensors to provide a complete picture of a vehicle’s surroundings. USS can be engaged to enhance parking functions as they can provide high-accuracy perception in low visibility situations, such as inclement weather condition. Our USS perception algorithms can help detect obstacles at a close distance at low speed. Our USS perception algorithms have been designed to be compatible with both the cost-effective AK1 ultrasonic sensors and the high-performance AK2 ultrasonic sensors, in order to meet different cost and performance requirements of OEMs. Our USS perception algorithms are designed to be compatible with mainstream sensor types and are already compatible with the latest generation of ultrasonic probe models. Additionally, we have the capability to continually iterate our USS perception algorithm to meet specific functional requirements and enhance the overall driving experience.

We integrate USS perception algorithms into the SoCs of domain controllers. Our USS perception algorithms are designed to be more compatible, supporting dynamic filtering, multiple amplitude measurements, and impedance detection. Running on RTOS, our USS perception algorithms can respond in real-time, reducing the time lag associated with other systems.

Vehicle Localization Algorithms

We have designed our vehicle localization algorithms to work on both open roads and in closed areas. On open roads, our vehicle localization algorithms utilize the feature point matching system and the inertial navigation system to provide a reliable localization output. Such localization algorithm does not rely on a high-precision integrated navigation system, so that it can reduce the overall cost of vehicles. For low-speed driving in closed areas, we have developed a set of simultaneous localization and mapping algorithms based on the fusion of semantic information and image features, which does not rely on navigation systems or inertial measurement units while still producing accurate vehicle localization output. Using our accurate visual scale recovery algorithms and vehicle localization algorithms, our HPA can support long-distance memory parking up to two kilometers in underground garages. We are also developing simultaneous localization and mapping algorithms for open roads, aiming to resolve the limited and outdated map coverage issue of high-definition maps.

Simultaneous localization and mapping algorithms applied in underground garages



Flexible Middleware

In essence, middleware is a set of software frameworks between the upper-layer application and the underlying system. It is a platform for managing, allocating and scheduling software and hardware resources. It provides the environment required for the development and operation of upper-layer application software, which is convenient for developers to develop and integrate autonomous driving software quickly, efficiently and flexibly. Developed in accordance with the trend of software-hardware decoupling, our advanced middleware improves the adaptability of autonomous driving solutions to different vehicle models by allowing developers to transplant the solutions to new computing platforms with minimal effort.

Our self-developed middleware does not rely on any open-source framework and removes the communication barrier between embedded MCUs and SoCs, allowing zero-copy data sharing in heterogeneous systems which improves the performance of systems by eliminating intermediate buffers when transferring data. Through our self-developed middleware, we can deploy our software on different computing platforms and operating systems, enabling us to quickly adapt to the hardware of various OEMs, reducing the time and cost of system development and improving the adaptability and iterability of our solutions and products.

Leveraging our vision middleware, we can develop visual perception algorithms that are compatible with different computing platforms. It is optimized for time-consuming operations such as image exposure, image transformation, deep learning, and video rendering, therefore ensuring high performance in real-time image processing and reducing the system's resource consumption.

Data Loop and the Cloud Platform

During the development process of our solutions and products, we partner with a top-tier third-party map maker in China who provides data collection, desensitization and anonymization services. This map maker specializes in creating high-precision, high definition maps that are specifically designed to support the needs of autonomous driving vehicles. To the best knowledge of our Company, except for such services provided by the third-party map maker, there were no other past or present relationships (including family, employment, shareholding, trust, financing, sharing of personnel, premises or other resources, or otherwise) between the third-party map maker and our Company or our subsidiaries, their directors, shareholders or senior management, or any of their respective associates, during the Track Record Period and up to the Latest Practicable Date. The processed data are stored on our cloud platform for development and test purposes.

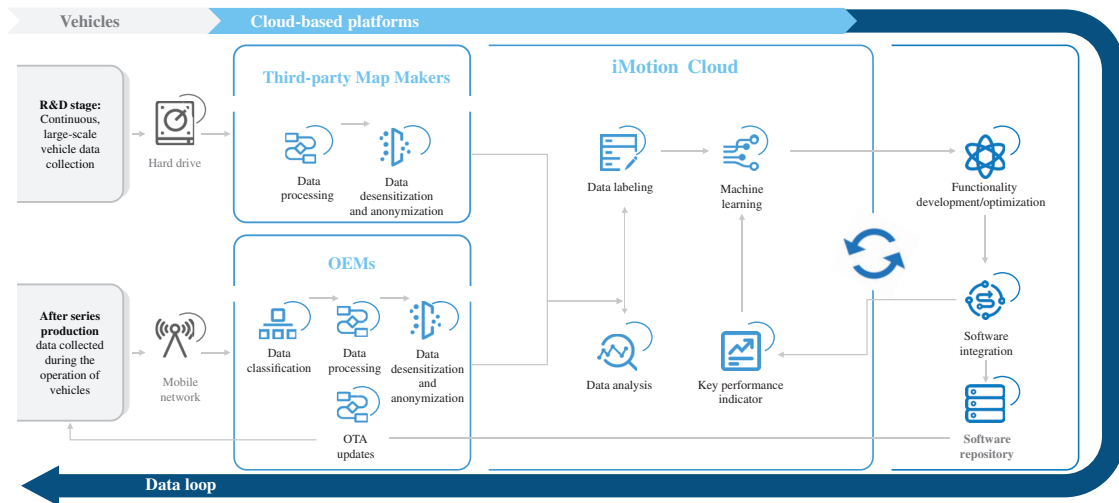
In the SuperVision™ projects, both Mobileye and our Company have access to specific desensitized and anonymized data for the purpose of software updates. After the launch of vehicles with our iDC Mid, we plan to proactively partner with OEM customers in obtaining real-world data, and have our OEM customers store the data on their selected platforms and for us to have access to only the desensitized and anonymized data for software update purposes. Based on the rich repository of real-world data, we can monitor performance and capture opportunities to enhance the performance and functionality of our autonomous driving solutions and products. In particular, we can continuously update our autonomous driving algorithms and achieve a relatively short iteration cycle.

Upon receiving data from the third-party map maker and OEMs, desensitized and anonymized data, such as images and videos, is first identified and labeled, to provide context for the machine learning model. We then apply machine learning and artificial intelligence techniques to find patterns within the database and pinpoint areas for algorithm optimization. With such insights, we can further refine the functionality of our autonomous driving solutions and products and integrate various new functions into a single software. Subsequently, we

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evaluate the performance of these new functions using key performance indicators and further optimize our algorithms leveraging our advanced machine learning techniques. We store the software in a repository after completing the algorithm iteration process and send it to OEMs for subsequent OTA updates.

The following diagram illustrates details of our cloud platform:



SCALABLE MANUFACTURING PROCESS

Our self-developed AD domain controllers and iFC products are assembled in our own manufacturing facility from a variety of raw materials and components, some of which, including mechanical parts, automotive-grade chips, cameras, and electrical parts, are procured from reputable third-party suppliers. Our in-house manufacturing and testing capabilities and strict quality control measures enable us to ensure the high performance and reliability of our products.

Our Production Plants

Our current manufacturing facility, which commenced production in July 2018, is located in Suzhou, Jiangsu Province, neighboring the hub of OEMs and automotive suppliers in China.

Our manufacturing facility is managed by our business operation department to further improve the performance of our autonomous driving products, control the cost of series production, and further automate the production of components. Our business operations department is divided into four teams based on their different responsibilities: supply chain management team, manufacturing team, facility maintenance team, and quality control team. Our manufacturing team strictly follows the production schedule set by the supply chain management team based on order status. Our quality control department supervises the entire production process, regularly inspecting raw materials, work in progress and final products to

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ensure that our products are of high quality. The facility maintenance team is responsible for improving manufacturing processes for new projects as well as improving the operating efficiency of our manufacturing facility.

Assembly Lines for Autonomous Driving Products

We installed a semi-automatic iFC assembly line in 2020 and an automatic iDC assembly line in 2022, in response to the increasing sales volumes of our autonomous driving solutions and to meet the OEM customers' requirements on suppliers' manufacturing capabilities. In some cases, OEM customers only choose suppliers for autonomous driving solutions and products who have their own manufacturing facility. The estimated annual production capacity of our iFC assembly line and iDC assembly line is approximately 129 thousand units and 212 thousand units, respectively, based on one shift with 11 working hours per day and 250 working days per year. During the Track Record Period, our iFC assembly line manufactured a total of 24,986 units and our iDC assembly line manufactured a total of 3,844 units. We do not believe that the utilization rate of our assembly lines for autonomous driving products during the Track Record Period can accurately reflect our production efficiency, primarily because (i) prior to the series production of iFC 2.0 and iDC Mid, we mainly produced sample products for limited OEM customers and our assembly lines did not operate at full capacity; and (ii) we were in the early stages of commercializing our autonomous driving solutions and products, and there was a ramp-up period for the sales of iFC 2.0 after its series production, during which we only supplied a limited number of iFC products to certain OEM customers.

In anticipation of the rapid growth in sales of our iFC products, we plan to set up a new automatic assembly line for iFC products by the end of 2023, which will have an annual production capacity of approximately 1,000,000 units. Our new iFC assembly line is expected to be highly automated, therefore reducing the amount of labor required for production.

SMT Lines

Our SMT lines manufactured PCBA products used as components of our own autonomous driving products and solutions. We mount various electronic components on the PCB in accordance with product specifications to create a finished PCBA product that is an essential component in all autonomous driving products. In addition, during the Track Record Period, our SMT lines manufactured PCBA products for sales to third-party customers. We do not consider the sales of PCBA products to third parties as our core business and plan to gradually wind down sales of PCBA products to third parties over the next five years. However, we will continue to use our SMT lines to produce PCBA products as components of our own autonomous driving products and solutions. Our two SMT lines have an estimated annual production capacity of approximately 1,168 thousand units in aggregate, based on two shifts with 22 working hours per day and 26 working days per month. For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, the production volume of our SMT lines was approximately 616 thousand, 501 thousand, 516 thousand, and 388 thousand units, respectively. We do not believe that the utilization rate of our SMT lines during the Track Record Period can accurately reflect our production efficiency, primarily because our

SMT lines manufactured different types of PCBA products on a project-by-project basis, resulting in significant variation in production cycle time. We are actively exploring the possibility to install a new SMT line in 2023 to meet the heightened requirements for our own autonomous driving products. With the support of new-generation manufacturing equipment, we expect the new SMT line to have an annual production capacity of approximately 600 thousand to 700 thousand units, which will be equivalent to our current level of production capacity, and we also expect the new SMT line to be capable of making PCBA with more printed electronic components and more sophisticated designs.

Our Production Process

The principal steps of the production process generally applicable to our self-developed iDC and iFC series include:

- *SMT.* In general, we begin the production process of our autonomous driving solutions and products, including iDC and iFC products at the current stage, by first preparing PCBA. Using our two SMT lines, we mount various electronic components, such as SoCs and resistors, on the PCB in accordance with product specifications. The finished PCBA contains all of the necessary electronic components for the board to function in an autonomous driving product as needed.
- *Assembly.* We then put together the necessary components, such as PCBA, camera modules, connectors, and other mechanical parts, to form the core body of our autonomous driving products. We may perform component functionality tests from time to time.
- *Software flashing.* Different autonomous driving software is installed on the hardware based on product specifications of our OEM customers.
- *Testing.* After the software installation, we carry out multiple tests to ensure that the autonomous driving products function properly. In particular, we conduct end-of-line tests on our products before they are rolled off the production line. End-of-line tests primarily focus on testing the overall functionality of our products using test systems that simulate all possible driving conditions, while also measuring the responses of the products being tested simultaneously.
- *Packaging.* The finished autonomous driving products are packaged together and transported to the warehouses for storage.

We have invested significant time in streamlining and automating our production process and systematically optimize our production process by designing automated assembly and testing processes. Every autonomous driving product assembled on our manufacturing line goes through our automated testing stations to verify the reliability of our products. These automated assembly and testing processes improve not only quality control, but also

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production efficiency and our ability to scale production. After packaging and delivering by us to our OEM customers, OEM customers are responsible for installing our products on their vehicles at the final assembly stage.

Logistics and Warehouse

We mainly rely on qualified third-party logistics service providers for the transportation of our products. We leased our warehouse in Suzhou, Jiangsu Province, which is within our leased production plants, to store our finished autonomous driving products. Products that have passed quality inspections are delivered to the warehouse, where we implement strict inventory management and control measures, and are ultimately transported to locations specified by our OEM customers.

PRODUCTION QUALITY CONTROL

Facing customers with world-class standards, we are committed to providing our customers with high-performance products with consistent quality and reliability. With our history of pioneering autonomous driving products, we have cultivated in-house high-precision manufacturing and testing capabilities to maintain our high-quality control standards, optimize our manufacturing cost structure, speed up the iteration of our product development cycle, and increase the robustness of our supply chain. As of June 30, 2023, our quality control team consisted of 12 personnel with rich experience in production and quality control.

We impose rigorous quality control standards at various stages of our manufacturing process. Materials and components are systematically tested at different stages of our manufacturing process to ensure that they meet our technical specifications. Our commercialized autonomous driving products undergo a number of stringent reliability tests following OEM standards, including mechanical shock, high temperature degradation, thermal shock and salt spray. These tests help ensure excellent and stable performance of our autonomous driving products in harsh environments. We also set key metrics to control the operation of our production line. Our current manufacturing facility in Suzhou, Jiangsu Province is ISO/TS 16949 and ISO 14001 certified. In terms of suppliers, our supply chain team and research and development team cooperate with each other during the selection process to evaluate suppliers' capabilities based on factors such as quality, volume delivery, pricing, timeline, and the ability to adapt, among others. With our strict quality control measures, we are able to produce high-quality autonomous driving products in-house.

SALES AND MARKETING

We have a dedicated business development team in each of the business areas in charge of the marketing of our autonomous driving solutions and products to prospective OEM customers. As of June 30, 2023, our business development team, led by Mr. ZHU Qinghua who has over 12 years of sales experience, consisted of four sales personnel with deep knowledge about China's autonomous driving industry. As an integral part of our marketing strategy, we attend large technology conferences and industry expositions to showcase our solutions,

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products, and our technology. We also focus our marketing efforts on generating word-of-mouth referrals and creating content for marketing on media platforms with the goal of increasing our product exposure and building our reputation. Our marketing content includes high-quality articles and videos developed in-house, which elaborate on our product specifications and technologies to communicate, deliver, and enhance our brand and value in the target market. We believe that the combination of our high-quality content and the optimization of our marketing channels, in addition to the strong word-of-mouth referrals of our OEM customers enables us to achieve continued brand exposure and attract high-quality potential OEM customers efficiently.

We sell our autonomous driving solutions and products through direct sales. Our website showcases our products for potential customers with insightful product descriptions and reaches OEMs globally. We have a dedicated team of salespersons, divided by regions in China, to pursue and maintain relationships with domestic OEMs. We believe that sales of our products will be enhanced by knowledgeable salespersons who can convey the value of our technologies and high performance of our products. Many of our salespersons have previously worked at renowned technology companies and have years of sales experience and a foundation of technological knowledge to support their sales activities.

Order placement process

Before 2023, in response to the global chip shortage, some of our major customers placed orders with us one year in advance. Since 2023, with the ease of the global chip shortage, our customers normally provide demand forecast to us four weeks to three months in advance and place orders one month in advance. For some vehicle models, our products are installed on every vehicle; while for others, our products are provided as an optional add-in.

Pricing strategies

Depending on the market acceptance of our products, we adopt different pricing strategies. In setting our selling price, we take a variety of factors into consideration, including, but not limited to raw material costs, our investment on business expansion, customers' demands and expected level of sales. We closely monitor market trends and adjust our prices based on the competitive landscape in the industry. We also reduce the selling price for our autonomous driving solutions and products annually, which is in line with the industry norm, according to Frost & Sullivan.

In addition, we adjust our selling prices dynamically based on the customer profile and the sales forecast for their vehicles. We usually negotiate with customers in the first half of each year for the pricing of our products sold during the year.

OUR CUSTOMERS

Our customers primarily consist of OEMs that install our autonomous driving solutions and products on their vehicles. Substantially all of our revenue is generated within the PRC. Some OEMs may purchase our autonomous driving solutions through the OEM's affiliate. For example, the sales to Polestar were made through an affiliate of Geely Group. For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, our revenue generated from the five largest customers in each period in aggregate accounted for 84.2%, 92.1%, 99.4% and 99.0% of our total revenue, respectively, and revenue generated from our largest customer in the relevant periods accounted for 63.0%, 53.0%, 96.4% and 95.0% of our total revenue, respectively.

Customer engagement is an important aspect of our business, and it typically involves a series of stages. A typical customer engagement process for our autonomous driving solutions can be divided into three stages: project acquisition, project development, and series production.

The first stage is project acquisition, which involves various assessments conducted by OEMs (or in respect of certain vehicle models, an affiliate of the relevant OEM) to ensure that we are capable of delivering the required solutions and products. During this stage, a technology assessment is conducted to examine our capabilities and the resources required to develop autonomous driving solutions. Quality assessment is done to guarantee that our products meet the required standards, while supply chain assessment helps OEM customers (or in respect of certain vehicle models, an affiliate of the relevant OEM) build confidence in our reliable and efficient supply chain. In certain cases, technology and quality assessments are carried out by engaging our Company on specific proof-of-concept projects. OEM customers (or in respect of certain vehicle models, an affiliate of the relevant OEM) typically issue letters of nomination at the end of the first stage, which indicates that we have been selected as a designated supplier for autonomous driving solutions and products and are qualified to join an OEM's supply chains. However, there is no guarantee that our customers will purchase our solutions and products in large quantities or at all and at a price that will be profitable to us even having entered into a letter of nomination. As of the Latest Practicable Date, we were able to carry out vast majority of the projects for which we received the letters of nomination. During the Track Record Period and up to the Latest Practicable Date, we had received a cumulative total of 30 letters of nomination associated with 16 OEM customers for various projects. Among these, three letters of nomination (in relation to three projects) were discontinued. Regarding the remaining letters of nomination, there were a total of 35 projects. Among these, as of the Latest Practicable Date, 16 projects had successfully reached the series production stage, including two projects which discontinued sales after series production, 18 projects were in the project development stage, and one project had been temporarily paused. During the Track Record Period and up to the Latest Practicable Date, we had ceased cooperation with two of our OEM customers who issued a total of three letters of nomination to us. Our collaboration with one OEM customer was ended prior to the project reaching series production stage. To our best knowledge, the cessation of cooperation with this OEM customer was primarily due to the altered vehicle configurations. Regarding another OEM customer who

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issued two letters of nomination for two projects, we terminated our relationship before the start of series production for one project and after the other project had reached the series production stage. We decided to cease cooperation with this OEM customer, primarily considering its shifting business strategies. During that period, this OEM customer encountered significant operational and financial challenges. Consequently, it shifted its primary business focus away from research and development of new vehicle models.

The second stage of customer engagement is project development, which is further divided into four distinct phases. Firstly, the customer requirement phase, wherein our Company works in close collaboration with OEM customers (or in respect of certain vehicle models, an affiliate of the relevant OEM) to gain a comprehensive understanding of their specific requirements. Secondly, the product development phase, during which our Company endeavors to create a solution that effectively meets the specific needs of the OEMs. Thirdly, the product validation phase, where various processes such as testing, verification, customization, and integration with other subsystems of the vehicle are carried out. Lastly, the joint acceptance phase, representing the solution or product is jointly accepted by both the OEM customer (or in respect of certain vehicle models, an affiliate of the relevant OEM), on the one hand, and our Company, on the other hand.

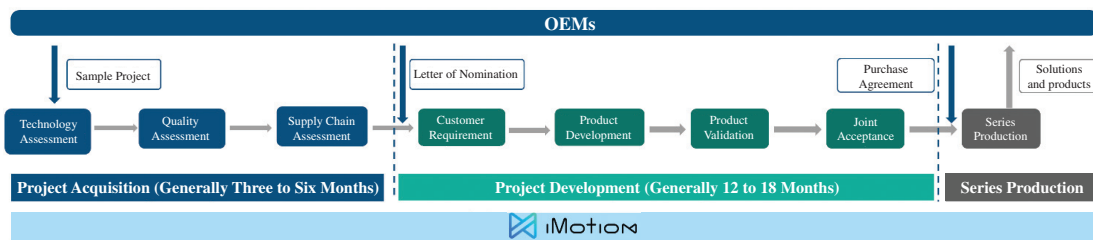
Subsequent to the letter of nomination which is not legally binding, we and OEM customers (or in respect of certain vehicle models, an affiliate of the relevant OEM) may further agree to enter into a purchase agreement and start series production of the autonomous driving solutions and products, which is standard for each vehicle and primarily consists of four steps:

- (i) *Manufacturing and assembly of components.* We manufacture and assemble hardware of our iDC and iFC products. As of the Latest Practicable Date, we were not responsible for the manufacture or assembly of the hardware of SuperVision™.
- (ii) *Software flashing.* We integrate autonomous driving software into each product before delivering to OEMs. For iDC and iFC series, we install our proprietary autonomous driving software onto the hardware. For SuperVision™, we integrate licensed software developed by Mobileye with the hardware parts, transforming the base version of AD domain controllers acquired from Mobileye into a fully-functional AD domain controller tailored to the unique requirements of a vehicle model. For each software version to be released, we conduct bench and on-vehicle tests before delivering AD domain controllers to OEM customers (or in respect of certain vehicle models, an affiliate of the relevant OEM). Additionally, following the integration of the software into the hardware, we undertake a comprehensive assessment to ensure the correctness and completeness of the flashed software.

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- (iii) *Product functionality testing.* Comprehensive tests on units of our products will be conducted to ensure the high quality standards.
- (iv) *Packaging and delivery.* Once our solutions and products have successfully undergone testing and meet the required qualifications, we proceed with the packaging and prompt delivery to our OEM customers (or in respect of certain vehicle models, an affiliate of the relevant OEM).
- (v) *Subsequent OTA updates.* We normally work with OEMs to fix the OTA update schedule and OEMs will send update notifications to end-users accordingly after filings with the relevant authorities.

The following chart illustrates the major steps from initial customer engagement to series production of our autonomous driving solutions:



The customer engagement process for our research and development services is as follows:

- *Proof-of-concept projects.* Our customers typically engage us on proof-of-concept projects to assess our technology capabilities and product quality before engaging us as a Tier-1 supplier for autonomous driving solutions in their vehicles. Our customers enter into formal contracts with us after determining that we have the necessary capabilities and resources to carry out series production projects.
- *R&D services in relation to the supply of our autonomous driving solutions.* Our customers for such services are those who engage us to provide autonomous driving solutions in their vehicles. We recognize revenue from these customers prior to the delivery of sample products (i.e. at the project development stage) as revenue related to autonomous driving-related R&D services.

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The following table sets forth details of our five largest customers in each year/period during the Track Record Period:

Customer	Revenue <i>(RMB'000)</i>	% of total revenue in same year	Services/ goods provided	Credit terms	Commencement of business relationship	Background of the customer
<i>For the year ended December 31, 2020</i>						
Customer A	30,009	63.0%	LED module boards	60 days after invoice date	2019	A Group with an entity in Ontario, Canada and an entity located in Hong Kong. Their principal businesses are sale of LCD and digital projectors
Customer B	3,558	7.5%	PCBA	90 days after invoice date	2019	A company located in Suzhou, Jiangsu, China. Its principal business is production of power lines, cable lines, aircraft lines and wires
Customer C	2,317	4.9%	PCBA	30 days after invoice date	2020	A company located in Suzhou, Jiangsu, China. Its principal business is assembly and testing of integrated circuits and electronic devices
Customer D	2,237	4.7%	Autonomous driving related R&D services	Within 60 days after invoice date	2017	A company located in Shanghai, China and listed on the Shanghai Stock Exchange. Its principal business is automobiles, motorcycles, and other vehicles production
Customer E	1,973	4.1%	Autonomous driving solutions and products	30 days after invoice date	2020	A company located in Suzhou, Jiangsu, China. Its principal business is research and development of Internet of Things technology, and Internet of Things equipment manufacturing
Total	40,093	84.2%				

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Customer	Revenue	% of total revenue in same year	Services/ goods provided	Credit terms	Commencement of business relationship	Background of the customer
<i>(RMB'000)</i>						
<i>For the year ended December 31, 2021</i>						
Geely Group	94,523	53.0%	Autonomous driving solutions and products and autonomous driving related R&D services	30 days after invoice date for autonomous driving-related R&D services or 75 days after invoices are recorded into Geely Group's account for series-produced products	2020	A company incorporated in the Cayman Islands and listed on the Stock Exchange, together with its subsidiaries and joint ventures under its control. Their principal businesses are automotive components, accessories and vehicle manufacturing
Customer A	40,409	22.7%	LED module boards	60 days after invoice date	2019	A Group with an entity in Ontario, Canada and an entity located in Hong Kong. Their principal businesses are sale of LCD and digital projectors
Customer F	17,019	9.5%	Autonomous driving solutions and products and autonomous driving related R&D services	30 days after invoice date	2020	A company located in Shanghai, China. Its principal business is NEV technical design, research development and manufacturing
Customer D	6,465	3.6%	Autonomous driving related R&D services	Within 60 days after invoice date	2017	A company located in Shanghai, China and listed on the Shanghai Stock Exchange. Its principal business is automobiles, motorcycles, and other vehicles production
Customer E	5,897	3.3%	Autonomous driving solutions and products	30 days after invoice date	2020	A company located in Suzhou, Jiangsu, China. Its principal business is research and development of Internet of Things technology; Internet of Things equipment manufacturing
Total	164,313	92.1%				

BUSINESS

Customer	Revenue	% of total revenue in same year	Services/ goods provided	Credit terms	Commencement of business relationship	Background of the customer
<i>(RMB'000)</i>						
<i>For the year ended December 31, 2022</i>						
Geely Group	1,277,489	96.4%	Autonomous driving solutions and products and autonomous driving related R&D services	30 days after invoice date for autonomous driving-related R&D services or 75 days after invoices are recorded into Geely Group's account for series-produced products	2020	A company incorporated in the Cayman Islands and listed on the Stock Exchange, together with its subsidiaries and joint ventures under its control. Their principal businesses are automotive components, accessories and vehicle manufacturing
Customer A	25,732	1.9%	LED module boards	60 days after invoice date	2019	A Group with an entity in Ontario, Canada and an entity located in Hong Kong. Their principal businesses are sale of LCD and digital projectors
Mobileye	6,628	0.5%	Components of autonomous driving solutions	60 days after invoice date	2022	A company listed on NASDAQ and headquartered in Jerusalem, Israel. Its principal business is deployment of ADAS and AD technologies and solutions
Customer G	3,720	0.3%	Autonomous driving solutions and products and autonomous driving related R&D services	45 working days after invoice date	2019	A company located in Wuhan, Hubei, China and listed on the Stock Exchange. Its principal business is research and development, design and manufacture of automobiles
Customer H	3,623	0.3%	PCBA	30 to 60 days after invoice date	2019	A company located in Suzhou, Jiangsu, China. Its principal business is research and development and manufacture of communication cables and accessories
Total	1,317,191	99.4%				

BUSINESS

Customer	Revenue	% of total revenue in same year	Services/ goods provided	Credit terms	Commencement of business relationship	Background of the customer
<i>(RMB'000)</i>						
<i>For the six months ended June 30, 2023</i>						
Geely Group	516,042	95.0%	Autonomous driving solutions and products and autonomous driving related R&D services	30 days after invoice date for autonomous driving-related R&D services or 75 days after invoices are recorded into Geely Group's account for series-produced products	2020	A company incorporated in the Cayman Islands and listed on the Stock Exchange, together with its subsidiaries and joint ventures under its control. Their principal businesses are automotive components, accessories and vehicle manufacturing
Customer A	7,803	1.4%	LED module boards	45 days after invoice date	2019	A Group with an entity in Ontario, Canada and an entity located in Hong Kong. Their principal businesses are sale of LCD and digital projectors
Customer G	5,239	1.0%	Autonomous driving solutions and products and autonomous driving related R&D services	45 working days after invoice date	2019	A company located in Wuhan, Hubei, China and listed on the Stock Exchange. Its principal business is research and development, design and manufacture of automobiles
Customer I	5,088	0.9%	Autonomous driving related R&D services	7 working days after invoice date	2022	A company located in Shenzhen, Guangdong, China. Its principal business is production and sales of automotive products
Customer J	3,710	0.7%	Autonomous driving solutions and products and autonomous driving related R&D services	90 days after invoice date	2022	A company located in Wuhu, Anhui, China. Its principal business is production and sales of automotive products
Total	537,881	99.0%				

BUSINESS

To the best of our knowledge, all of our five largest customers in each period during the Track Record Period are independent third parties. None of our Directors, their respective associates or any shareholder who, to the knowledge of our Directors, owned more than 5% of our issued share capital as of the Latest Practicable Date, had any interest in any of our five largest customers in each period during the Track Record Period.

Our Relationship with Geely Group

In 2021 and 2022 and for the six months ended June 30, 2023, Geely Group was our largest customer. For the years ended December 31, 2021 and 2022 and the six months ended June 30, 2023, our revenue from Geely Group was RMB94.5 million, RMB1,277.5 million and RMB516.0 million, respectively, which accounted for 53.0%, 96.4% and 95.0% of our total revenue during the same periods. Geely Group is a leading multinational automotive conglomerate principally engaged in the R&D, manufacturing and trading of automobiles, automobile parts and related automobile components. During the Track Record Period and up to the Latest Practicable Date, we maintained a stable relationship with Geely Group and there was no material interruption or dispute in respect of our cooperation with Geely Group. However, we cannot guarantee that Geely Group will continue to partner with us or will not reduce its business with us. In recent years, Geely Group has started developing its various in-house autonomous driving capabilities for its vehicle models, and it is also collaborating with other suppliers to develop autonomous driving solutions. Furthermore, to our knowledge based on discussion with Mobileye, Polestar may collaborate with another system integrator to incorporate Mobileye's next-generation autonomous driving solutions, including Chauffeur™, into a particular vehicle model that we have agreed to work on. As of the Latest Practicable Date, our participation in the new project remained unconfirmed and discussions pertaining to the project were still in their preliminary stages. Given our substantial revenue concentration on Geely Group, if Geely Group decides to terminate or decrease the level of its cooperation with us in the future, it may result in a material and adverse effect on our business, financial condition and results of operations. For details, see "Risk Factors — Risks Relating to Our Business and Industry — We are subject to concentration risk of deriving a substantial portion of revenue from our sales to Geely Group and from SuperVision™ based on the base version of AD domain controllers supplied by Mobileye and the loss of, or a significant reduction in, revenue from such customers or products could materially and adversely affect our results of operations."

The following table below sets forth a breakdown of our revenue from Geely Group by product for the periods indicated.

	For the Year Ended December 31,						For the Six Months Ended June 30,	
	2020		2021		2022		2023	
	<i>(RMB in thousands, except for percentages)</i>							
Sales of SuperVision™	–	–	86,009	91.0%	1,241,908	97.2%	508,790	98.6%
Sales of iFC	–	–	–	–	2,083	0.2%	4,919	1.0%
Provision of R&D services	–	–	8,514	9.0%	33,498	2.6%	2,333	0.4%
Total	–	–	94,523	100.0%	1,277,489	100.0%	516,042	100.0%

BUSINESS

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, save as disclosed above, to the best knowledge of our Company, there had been no past or present relationship (family, employment, shareholding, trust, financing, sharing of personnel, premises or other resources, or otherwise) between us, including our subsidiaries, their directors, shareholders, senior management and any of their respective associates, with Geely Group.

Key Terms of The Framework Purchasing Agreement for SuperVision™

Set out below is a summary of our framework purchasing agreement with Geely Group for SuperVision™ solution in ZEEKR 001 and certain other projects with Geely Group are subject to the similar provisions:

- *Product specifications.* We are engaged by Geely Group as a non-exclusive supplier to develop a level 2+ autonomous driving solution following the product specifications listed in the agreement.
- *Indemnification.* We are obligated to indemnify Geely Group for any loss or damage suffered by the Geely Group as a result of our breach of the framework purchasing agreement and/or any purchase orders.
- *Payment for R&D services.* We agreed to collect service fees from Geely Group and pay on behalf of Geely Group to Mobileye, who provides R&D services for the development of software utilized in SuperVision™.
- *Amendments.* Amendments can be made upon written agreement between Geely Group and us.
- *Termination.* Geely Group is entitled to termination upon written notice in accordance with the general purchasing terms and conditions mutually determined by both parties. The framework purchasing agreement does not provide for specific provisions regarding its duration or renewal.

In the event that we breach the framework purchasing agreement and/or any purchase orders (for example, if we fail to deliver products or to complete the project on time), the indemnification clause in our agreement with Geely Group would be triggered. During the Track Record Period and up to the Latest Practicable Date, there was no incident that could have triggered the indemnification clause under our agreement with Geely Group.

In addition, if an end consumer suffers personal or property damage due to the quality problems of our products, Geely Group and the end consumer shall have the right to request us to assume the corresponding product liability. To be more specific, according to the PRC Civil Code (《中華人民共和國民法典》), if a product has defects that cause damage to others, the manufacturer shall bear the liability for infringement, and the infringer may request compensation from the manufacturer of the product or from the seller of the product. Where a defect is caused by the manufacturer, the seller who has paid compensation has the right to indemnification against the manufacturer. And according to the PRC Product Quality Law

(《中華人民共和國產品質量法》), if a product has defects that cause personal injury or property damage other than the defective product, the manufacturer shall be liable for compensation. See “Regulation — Regulations on Project Liability.”

As a result, we are legally obligated to assume the product liability in the event of any quality defects in our products that result in personal or property damage. If such claims arise from product defects in components we procure from our suppliers, we may have the right to request them to assume the corresponding product liability. However, we may be subject to a higher product liability towards Geely Group due to two key factors. Firstly, our warranty period for Geely Group (three to five years) may be longer compared to the warranty period provided by our suppliers. Secondly, there may be limitations on the liability provided by our suppliers. For example, Mobileye’s cumulative liability towards us is limited to a maximum of US\$40.0 million.

See “Risk Factors — Our business may suffer from claims relating to, among other things, actual or alleged defects in our solutions and products, or if our solutions and products actually or allegedly fail to perform as expected, and publicity related to these claims could harm our reputation and decrease demand for our solutions and products or increase regulatory scrutiny of our solutions and products.”

Reasons for Our Customer Concentration on Geely Group

We believe that the high customer concentration on Geely Group for the years ended December 31, 2021 and 2022 and the six months ended June 30, 2023 is attributable to the following factors:

- Close cooperation between OEMs and autonomous driving solution providers whereby both parties are committed to establishing a stable supply relationship is an industry norm. According to Frost & Sullivan, to ensure the stability of the supply of autonomous driving solutions and products, OEMs often maintain stable and long-term cooperative relationships with its autonomous driving solution providers with respect to a specific vehicle model, and *vice versa*. According to the same source, it is also an industry norm for autonomous driving solution providers to derive a substantial portion of its revenue from its major customer(s), especially in the early stage of such companies, when they have relatively limited product categories due to limited resources and capability devoted to R&D and market expansion.
- The revenue generated from our sales of autonomous driving solutions and products was positively correlated with the unit price of our product sold to the OEMs and the sales volume of vehicle models on which our solutions and products are installed. As compared to other vehicle models of our customers where our solutions and products are installed during the Track Record Period, ZEEKR 001 was a premium BEV model recorded with significant sales volume, which contributed to our customer concentration on Geely Group.

BUSINESS

- Customer concentration at early stage of our commercialization could maximize the production and operating efficiency of our Company, laying a solid foundation for our further growth. In light of the relatively limited product categories of us at the beginning of its commercialization, we adopted a key customer strategy to devote our R&D and personnel resources to certain key customer to demonstrate our technology development capabilities and build track record for providing autonomous driving solution and products.
- SuperVision™ focuses on the premium BEV market where the number of OEMs was relatively limited. When we started to cooperate with Geely Group on the development of advanced driving solution in October 2020, the number of OEMs which launched premium BEV models was relatively limited among the entire vehicle market, according to Frost & Sullivan, which partially led to the customer concentration on Geely Group after series production of ZEEKR 001.

Our Directors believe that our Group's business model is sustainable despite our customer concentration due to the following factors:

- Our relationship with Geely Group is based on mutual achievements and win-win collaboration.
 - (i) We can well understand Geely Group's needs and work towards achieving the desired results in a more efficient and cost-effective manner. Compared to our competitors who focus on either hardware or software in autonomous driving technology, we have the R&D, commercialization and production capabilities to provide comprehensive autonomous driving solutions and products with the integration of the hardware and software, which is welcomed by Geely Group.
 - (ii) The mutual achievement and win-win collaboration with Geely Group are also directly reflected in the rapid growth of sales volume of ZEEKR 001. According to Frost & Sullivan, ZEEKR 001 ranked the second in premium electric vehicles in China in terms of sales volume in 2022 and is the only Chinese premium pure electric model in the monthly 10k units sales club. Having been recognized by Geely Group for our superior autonomous driving solutions and products, we were selected as the supplier of autonomous driving solution for ZEEKR 009, which started series production in January 2023. Such mutually beneficial cooperation helps ZEEKR establish its position in the NEV market and further increase its market share in the NEV industry, which in turn enhances our Group's reputation, strengthens brand awareness and solidifies the track record required to collaborate with other OEMs.

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- (iii) As we were the sole autonomous driving solution supplier of ZEEKR 001 and ZEEKR 009 for their AD domain controller during the Track Record Period and up to the Latest Practicable Date, and such arrangement is expected to remain the same thereafter, with the continuous growth in sales volume of ZEEKR 001 and the commencement of series production of ZEEKR 009, the potential demand for our autonomous driving solutions and products will continue growing, which in turn will generate sustainable revenue for us in the near future. In addition, through the installment of our autonomous driving solutions and products on ZEEKR vehicles, along with the achievement of the series production of ZEEKR 001 and ZEEKR 009, we have also been able to keep accumulating know-how in autonomous driving solutions and products, which in turn will further strengthen our leading position and competitiveness in the industry.
- (iv) As of the Latest Practicable Date, we were one of the important collaboration partners among all overseas and domestic collaboration partners of Mobileye in the PRC and were an important collaboration partner of Mobileye on the SuperVision™ solution in the PRC. Therefore, Geely Group may benefit from our relationships with Mobileye and there is little likelihood that Geely Group will procure SuperVision™ from Mobileye directly or from another collaboration partner of Mobileye. For details, see “— Likelihood of Geely Group Directly Procuring SuperVision™ from Mobileye” and “— Likelihood of Geely Group Procuring SuperVision™ from Another Collaboration Partner of Mobileye.”
- According to Frost & Sullivan, the typical lifecycle of a vehicle model (from the launch date to the discontinuation of sales) ranges from approximately five to six years, based on its sales performance. Considering the high costs and barriers for replacing Tier-1 AD domain controller suppliers, it is an industry practice that, during the lifecycle of an existing vehicle model, unless there are major quality defects, or major disputes between the OEMs and such suppliers, the existing Tier-1 AD domain controller suppliers of a specific model will generally not be replaced by the OEMs. A switch in Tier-1 AD domain controller suppliers incurs potential risks in production interruption for existing models and thus such switch is rare.

In recent years, Geely Group has also started developing its various in-house autonomous driving capabilities for its vehicle models. However, we believe that our relationship with Geely Group is not likely to be terminated or otherwise materially adversely affected. We, on the one hand, will continue developing our autonomous driving technology to meet the evolving technical requirements and standards of Geely Group to solidify our leading market position, and on the other hand, have been actively seeking opportunities to work with other OEMs to diversify our customer base and develop new vehicle models.

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- Leveraging the expanding NEV market, our increasing marketing efforts and well-rounded capabilities, we are able to seize the growing opportunities in autonomous driving solution market and have been continuously expanding our customer base in terms of breadth and depth. As of the Latest Practicable Date, we obtained letters of nomination associated with 16 renowned OEM customers, such as Geely, Great Wall Motor, Chery and Dongfeng, among others. In particular, we have established business relationships with the following OEMs:
 - (i) *Chery*. We are the supplier for autonomous driving solutions of Chery's EXEED Lanyue (星途攬月) and EXEED Lingyun (星途凌雲) models, which have our iDC Mid integrated. Both Chery's vehicle models are expected to be exported overseas. Furthermore, we received two letters of nomination from Chery in June and August 2023, respectively, for the development of autonomous driving solutions on its upcoming vehicle models.
 - (ii) *Great Wall Motor*. We started to provide R&D services to Great Wall Motor in 2021, whereby we agreed to develop AD domain controller for Great Wall Motor. We are cooperating with Great Wall Motor and expect to launch iFC 2.0 in its upcoming vehicle models.
 - (iii) *Dongfeng Liuzhou*. We are also collaborating with Dongfeng Liuzhou to launch iDC Mid on their Fengxing M6 (風行M6) vehicle model and we are the supplier of Dongfeng Liuzhou's Fengxing M4 (風行M4) and Fengxing SX5G (風行SX5G).

Likelihood of Geely Group Directly Procuring SuperVision™ from Mobileye

Our Directors believe that there is little likelihood that Geely Group will procure SuperVision™ from Mobileye directly due to the following factors:

- It is in line with Mobileye's business strategies to work with collaboration partners, such as our Company, which usually have deep expertise in system integration, testing and validation, and can work closely with OEMs, leveraging their localized marketing resources, to integrate technology into such OEM's vehicle models and sell the integrated solution package to OEMs directly.
- Our relationship with Geely Group is based on mutual achievements and win-win collaboration. We can well understand Geely Group's needs and work towards achieving the desired results in a more efficient and cost-effective manner, and our R&D, commercialization, and production capabilities are welcomed by Geely Group.

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- The providers of OTA updates must have a thorough understanding of not only the autonomous driving solution itself, but also how the autonomous driving domain interacts with other domains in the vehicle. Hence, we believe that we have a competitive advantage over our peers when it comes to delivering consistent OTA updates and maintaining after-sales customer service. This advantage stems from our previous experience in system integration and validation, which enables us to efficiently manage both the cost and time associated with the OTA updates. Furthermore, if Mobileye intends to offer OTA updates directly to OEMs, it may necessitate a substantial investment in developing a customized set of testing equipment from scratch. Consequently, partnering with us for consistent OTA updates and after-sales customer services may prove to be a cost-effective solution for both Mobileye and the OEMs. We currently provide after-sale OTA updates and related customer services for ZEEKR 001 to Geely Group, which substantiates Geely Group's need to continue engaging us for the autonomous driving solution on ZEEKR for a longer period of time.

Likelihood of Geely Group Procuring SuperVision™ from Another Collaboration Partner of Mobileye

Our Directors are of the view that the likelihood that Geely Group will procure SuperVision™ from another collaboration partner of Mobileye is relatively low, due to the following factors:

- There will be significant costs and barriers to replacing us as the provider of autonomous driving solutions. A switch in autonomous driving solution providers incurs potential risks of production interruption for existing vehicle models. Changing a collaboration partner for an autonomous driving solution would be less cost effective for OEMs.
- As of the Latest Practicable Date, we were one of the important collaboration partners among all overseas and domestic collaboration partners of Mobileye in the PRC and were an important collaboration partner of Mobileye on the SuperVision™ solution in the PRC. Our extensive knowledge of both the technical requirements of Geely Group and the hardware and software developed by Mobileye creates a significant competitive advantage over our competitors. Therefore, it may be difficult for Geely Group to find an alternative partner in a timely manner or at all without interrupting the manufacturing and sales of the existing vehicle models.

BUSINESS

- Autonomous driving solution development and production usually involve a relatively long R&D and validation cycle and a high cost. To the best of our knowledge, if Geely Group intends to replace us with another Tier-1 supplier for our ongoing projects, it would require a substantial time investment for the new supplier to become acquainted with the entire system and products, even if there is no requirement for them to go through the entire R&D and validation cycle. This process involves preparing development and testing tools, establishing a suitable testing environment, and enhancing their expertise in failure analysis. It is estimated that approximately six months of lead time would be necessary in this process. Furthermore, if Geely Group plans to collaborate with a new Tier-1 supplier for the SuperVision™ system in developing new vehicle models, they would need to undergo a thorough product validation process. The aforementioned factors represent significant time and cost commitments OEMs need to incur to change their autonomous driving solution providers.
- Switching between autonomous driving solutions and autonomous driving solution providers may raise safety concerns if the replacing autonomous driving solution providers have not collaborated with the OEMs on such specific vehicle models when they first entered series production. Therefore, it is an industry practice that, during the lifecycle of an existing vehicle model, unless there are major quality defects or major disputes between the OEMs and autonomous driving solution providers, the existing autonomous driving solution providers of a specific model, such as our Company, will generally not be replaced by the OEMs, according to Frost & Sullivan. During the Track Record Period and up to the Latest Practicable Date, we maintained a stable relationship with Geely Group and there was no material interruption or dispute in respect of our cooperation with Geely Group.
- We have on-going projects with Geely Group following the series production of ZEEKR 001 and 009. Two additional brands under Geely Group, Polestar and Smart, are expected to launch SuperVision™ globally in one of their electric vehicle models, beginning in 2023. In June 2023, we also received a letter of nomination associated with another luxury brand under Geely Group for the development of autonomous driving solutions in an upcoming vehicle model.

As a result, OEMs are generally cautious about switching their autonomous driving solution providers, and the likelihood that Geely Group procures SuperVision™ from Mobileye directly or from another collaboration partner of Mobileye is low.

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Likelihood of Geely Group replacing SuperVision™ with alternative autonomous driving solutions

Our Directors are of the view that the likelihood of the Geely Group replacing SuperVision™ with alternative autonomous driving solutions in vehicles already equipped with it is low, which is primarily based on the following reasons:

First, SuperVision™ is recognized as a well-established autonomous driving solution at the level 2+ level autonomous driving. The technology behind SuperVision™ has achieved a high level of maturity, having undergone extensive safety validations across various vehicle models and maintaining a strong safety record. Secondly, the SuperVision™ system is among the few advanced autonomous driving systems available in the market, making it challenging for OEMs to swiftly identify and adopt alternative solutions without affecting the delivery of current vehicle models. Thirdly, OEMs generally avoid replacing autonomous driving solutions in existing vehicle models. As mentioned previously, it is an industry practice that, during the lifecycle of an existing vehicle model, unless there are major quality defects or major disputes between the OEMs and autonomous driving solution providers, the existing autonomous driving solution providers of a specific model, such as our Company, will generally not be replaced by the OEMs, according to Frost & Sullivan.

Admittedly, as autonomous driving technology continues to evolve, OEMs will consider gradually adopting more advanced solutions. However, the selection of a specific solution is driven by market forces, presenting both opportunities and challenges for our Company in a competitive market. Firstly, when OEMs make decisions regarding transitioning to a new autonomous driving solution, they consider a range of factors. It is common for OEMs to continue their collaborations with existing Tier-1 suppliers, considering their past successful partnerships and collective experience in implementing autonomous driving solutions. Our successful partnership with Geely Group over the past years establishes a solid foundation for future development. Secondly, as technology iterates, there may be more advanced solutions available, but we are actively engaged in close communication with our upstream suppliers, striving to establish new collaboration in upcoming projects. Thirdly, while market competition intensifies with technological advancements, our self-developed iDC High solution is expected to provide OEMs with a cost-effective choice, offering the opportunity to capture a substantial market share.

OUR SUPPLIERS

Our suppliers primarily consist of raw materials and components suppliers, including suppliers for automotive-grade chips, mechanical parts, optical components, and electrical parts. For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, purchases from our five largest suppliers in each period in aggregate accounted for 53.4%, 78.9%, 96.0% and 95.0% of our total purchases, respectively, and purchases from our largest supplier in the relevant periods accounted for 23.2%, 54.6%, 69.2% and 90.3% of our total purchases, respectively.

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The following table sets forth details of our five largest suppliers in each year/period during the Track Record Period:

Supplier	Purchase (RMB'000)	% of total purchases in same year	Services/ goods purchased	Credit terms	Commencement of business relationship	Background of the supplier
<i>For the year ended December 31, 2020</i>						
Supplier A	9,752	23.2%	LED lights	60 days after invoice date	2018	A company located in Yancheng, Jiangsu, China. Its principal business is manufacturing and sale of PCBA and NEV components
Mobileye	5,722	13.6%	The base version of AD domain controllers, SoC and research and development services	30 days from the date of invoice	2018	A company listed on NASDAQ and headquartered in Jerusalem, Israel. Its principal business is deployment of ADAS and AD technologies and solutions
Supplier B	2,495	5.9%	Research and development services	Prepayment	2020	A company located in Shanghai, China. Its principal business is technical development and consultation in the fields of automotive technology
Supplier C	2,312	5.5%	PCB	30 days after invoice date	2019	A company located in Meizhou, Guangdong, China and listed on the Shanghai Stock Exchange. Its principal business is manufacturing, design and sale of PCB electromechanical equipment, semiconductor and components
Supplier D	2,177	5.2%	PCB	30 days after invoice date	2019	A company located in Suzhou, Jiangsu, China. Its principal business is research and development and sale of electronic products
Total	22,458	53.4%				

BUSINESS

<u>Supplier</u>	<u>Purchase</u> <i>(RMB'000)</i>	<u>% of total purchases in same year</u>	<u>Services/ goods purchased</u>	<u>Credit terms</u>	<u>Commencement of business relationship</u>	<u>Background of the supplier</u>
<i>For the year ended December 31, 2021</i>						
Mobileye	78,371	54.6%	The base version of AD domain controllers, SoC and research and development services	30 days from the date of invoice	2018	A company listed on NASDAQ and headquartered in Jerusalem, Israel. Its principal business is deployment of ADAS and AD technologies and solutions
Supplier A	11,554	8.1%	LED lights	60 days after invoice date	2018	A company located in Yancheng, Jiangsu, China. Its principal business is manufacturing and sale of PCBA and NEV components
Supplier E	11,450	8.0%	Cameras	60 days after invoice date	2020	A company located in Yuyao, Zhejiang, China. Its principal business is design, research and development, manufacturing and sale of optical and optical-related products
Supplier F	8,148	5.7%	Cameras and sensors	60 days after invoice date	2021	A company located in Shenzhen, Guangdong, China and listed on the Shenzhen Stock Exchange. Its principal business is manufacturing and sale of optical products
Supplier G	3,607	2.5%	Integrated circuits	30 days after invoice date	2020	A company located in Shijiazhuang, Hebei, China. Its principal business is research and development of computer software, electronic products and electronic components
Total	<u>113,130</u>	<u>78.9%</u>				

BUSINESS

<u>Supplier</u>	<u>Purchase</u> <i>(RMB'000)</i>	<u>% of total purchases in same year</u>	<u>Services/ goods purchased</u>	<u>Credit terms</u>	<u>Commencement of business relationship</u>	<u>Background of the supplier</u>
<i>For the year ended December 31, 2022</i>						
Mobileye	921,701	69.2%	The base version of AD domain controllers, SoC and research and development services	30 days from the date of invoice	2018	A company listed on NASDAQ and headquartered in Jerusalem, Israel. Its principal business is deployment of ADAS and AD technologies and solutions
Supplier E	196,748	14.8%	Cameras	60 days after invoice date	2020	A company located in Yuyao, Zhejiang, China. Its principal business is design, research and development, manufacturing and sale of optical and optical-related products
Supplier F	144,620	10.9%	Cameras and sensors	60 days after invoice date	2021	A company located in Shenzhen, Guangdong, China and listed on the Shenzhen Stock Exchange. Its principal business is manufacturing and sale of optical products
Supplier A	8,196	0.6%	LED lights	60 days after invoice date	2018	A company located in Yancheng, Jiangsu, China. Its principal business is manufacturing and sale of PCBA and NEV components
Supplier H	7,386	0.6%	SoC	30 days after invoice date	2018	A company located in Shanghai, China. Its principal business is sale of electronic products, computers and semiconductors
Total	<u>1,278,651</u>	<u>96.0%</u>				

BUSINESS

<u>Supplier</u>	<u>Purchase</u> <i>(RMB'000)</i>	<u>% of total purchases in same year</u>	<u>Services/ goods purchased</u>	<u>Credit terms</u>	<u>Commencement of business relationship</u>	<u>Background of the supplier</u>
<i>For the six months ended June 30, 2023</i>						
Mobileye	324,244	90.3%	The base version of AD domain controllers, SoC and research and development services	30 days after invoice date	2018	A company listed on NASDAQ and headquartered in Jerusalem, Israel. Its principal business is deployment of ADAS and AD technologies and solutions
Supplier J	5,801	1.6%	Optical components	60 days after invoice date	2021	A company located in Nanchang, Jiangxi, China. Its principal business is manufacturing and sale of optical products
Supplier I	4,351	1.2%	IC	30 days after invoice date	2021	A company located in Shanghai, China. Its principal business is sale of electronic products, vehicle components and semiconductors
Supplier F	4,296	1.2%	Cameras and sensors	60 days after invoice date	2021	A company located in Shenzhen, Guangdong, China and listed on the Shenzhen Stock Exchange. Its principal business is manufacturing and sale of optical products
Supplier K	2,545	0.7%	Data annotation service	30 days after invoice date	2022	A company located in Baoding, Hebei Province, China. Its principal business is providing information system integration services
Total	<u>341,237</u>	<u>95.0%</u>				

One of the member companies of supplier B, Shanghai Yingxue Automotive Technology Co., Ltd. (上海應雪汽車科技有限公司) (“**Shanghai Yingxue**”) was established in the PRC on January 4, 2018. Upon its establishment, Shanghai Yingxue was wholly-owned by our Company. In December 2019, our Company disposed of all interests in Shanghai Yingxue to an Independent Third Party. Shanghai Yingxue has ceased to be our subsidiary since then. For details, see “History and Corporate Structure — Our Subsidiaries — Disposal of Shanghai Yingxue.”

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Except for Shanghai Yingxue, to the best of our knowledge, all of our five largest suppliers in each period during the Track Record Period are independent third parties and none of our Directors, their respective associates or any shareholder who, to the knowledge of such Directors, owned more than 5% of our issued share capital as of the Latest Practicable Date, has any interest in any of our top five suppliers in each period during the Track Record Period.

Supply of Raw Materials and Components

We generally have two kinds of procurement needs. One is from our product teams based on their respective production plan, and the other is for our strategic reserves in the future. We have a dedicated team to procure components and raw materials to meet the specific requirements of our autonomous driving products. The main raw materials used in the production of our autonomous driving products include mechanical parts, fasteners, packaging materials and consumables, and the key components used in the production of our autonomous driving products include automotive-grade chips, electronic units, and PCB. The raw materials and key components of our autonomous driving products are generally available from multiple suppliers in China and overseas at varying costs. In general, we intend to pass on increases in cost of raw materials to our customers if such increases affect our business operation and profit margin. We also actively monitor the inventory levels of our raw materials and we will adjust our stock quantities accordingly to mitigate potential risks in raw material price fluctuations. Although most raw materials and key components essential to our products are generally available from multiple sources, a few components, such as automotive-grade chips, may at times be subject to industry-wide shortage, significant pricing fluctuations and long supply cycles. For example, following the supply chain disruptions to semiconductor manufacturers due to the COVID-19 pandemic and associated restrictions, there was a global chip shortage in 2021. Due to the industry-wide chip shortages, Mobileye applied a non-cancellable non-refundable policy to the procurement of the base version of AD domain controllers and required us to provide a binding forecast of our procurement. See “— Our Suppliers — Our Relationship with Mobileye — Key Terms of the Product Sales Agreement for the Base Version of AD Domain Controllers with Mobileye” and “Risk Factors — We rely on third-party suppliers, including, in particular Mobileye in relation to SuperVision™, and because some of the raw materials and key components in our products come from single or limited source of suppliers, we are susceptible to supply shortages, long lead times for components, and supply changes, any of which could disrupt our supply chain and could delay deliveries of our products to customers.”

We seek to work with key material and component suppliers directly to foster long-term and in-depth cooperation. We have arrangements with some of our suppliers for our key raw materials and components, pursuant to which we may negotiate certain customized needs with such suppliers. In general, pursuant to such arrangements, we make separate purchase orders and negotiate the prices and volume of each purchase order. To reduce the risk of obsolete inventory, we normally make purchase orders on a rolling basis. We firstly receive the demand forecasts from OEMs, and then we normally provide our suppliers with a non-binding purchasing forecast for the following six months based on customers’ demand forecasts, and place purchase orders on a monthly basis to reflect customers’ actual demand. When there is

a change in customers' procurement forecast that affects our order placement with suppliers, we will require customers to join our negotiations with such suppliers to update our procurement forecast and, as a result, lower our inventory risk by leveraging our joint bargaining efforts. See "Risk Factors — If we fail to manage our inventory effectively as a result, our business, financial condition, results of operations and liquidity may be materially and adversely affected." In the event of quality issues with raw materials, we generally have the right to exchange or return the goods. For some types of raw materials, the supplier will bear all the related costs. The agreements typically have a term of 12 months, which may be extended for five years if not terminated in writing by either party.

We believe we have sufficient alternative suppliers for raw materials and components that can provide us with substitutes of comparable quality and prices. During the Track Record Period, we did not experience any disruption to our business as a result of any significant shortage or delay in supply of the products we sourced from our suppliers.

Our Relationship with Mobileye

Mobileye is our key supplier for our autonomous driving solutions and products. SuperVision™ is based on Mobileye's technology including the base version of AD domain controllers. Mobileye outsources the manufacturing of the base version of AD domain controllers to a third-party manufacturer. As of the Latest Practicable Date, we were not responsible for the manufacture or assembly of the hardware of SuperVision™. For SuperVision™ solution supplied to our customers, we act as the system integrator. We acquire the base version of AD domain controllers from Mobileye and provide technical expertise in the area of system, mechanical and optical engineering in tailoring and enhancing the system architecture of SuperVision™ for each different vehicle models according to the requirements of OEMs. We are responsible for vehicle integration, testing and validation, and in some projects, we also provide associated sensors procured from third-party suppliers. We provide technical advice for system architecture enhancement, with particular emphasis on optimizing the image chain to reduce latency and seamlessly integrating the parking functions with the entire system. Mobileye is also supplying SuperVision™ to other OEMs in collaboration with other Tier 1 suppliers. In 2021, 2022 and the six months ended June 30, 2023, our revenue generated from the sales of SuperVision™ amounted to RMB86.0 million, RMB1,248.8 million and RMB510.2 million, respectively, which accounted for 48.3%, 94.2% and 93.9% of our total revenue during the same periods, respectively. The intellectual property rights of SuperVision™, including its trademark and technology, belong to Mobileye. In connection with providing SuperVision™ to our customers as an advanced driving solution, we primarily provide the following services:

- *Sensor implementation.* In order to support 360-degree surround sensing, SuperVision™ is supported by a vision system consisting of 11 high-resolution cameras. The 11 cameras consist of (i) one 8-megapixel 120-degree and one 28-degree cameras in the front, (ii) four 8-megapixel 100-degree wings cameras

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(two front-facing and two rear-facing), (iii) four wide-view 195-degree parking cameras mounted on the side mirrors, front and rear bumpers, and (iv) an 8-megapixel 60-degree rear camera.

We provide our insights on the sensor layout, integrate tailor-made sensors with the base version of AD domain controllers, and install them in vehicles. We verify the optical, electrical, and mechanical specifications of the cameras and carefully source key components, such as image sensors, lenses, and connector types, to meet both technical and cost requirements of OEMs. Prior to integrating cameras into vehicles, we conduct various optical, electrical, electromagnetic compatibility, and environmental tests to ensure that they are of high performance.

- *Vehicle systems integration.* We define and verify the communication protocols among the base version of AD domain controllers, complementary ECUs, sensors and cameras based on function requirements. In addition, we perform bench tests to ensure that the system specifications are strictly satisfied and that all signals are transmitting properly. Moreover, we also assure and verify the transmitted data format between the base version of AD domain controllers and the cameras, and we ensure the consistent transmission of high-quality images and the stable status of the sensors. Our team examines the installation locations carefully, performs a variety of optical tests in vehicle environments under varying lighting conditions, and also examines the entire image transmission chain to ensure that image quality does not degrade during transmission.
- *Function testing and validation.* To ensure that SuperVision™ is properly integrated into the specific vehicle model, and that the performance of the system is of the highest quality, we develop and conduct comprehensive tests that cover a wide variety of driving scenarios, traffic situations, and weather conditions, both on test tracks and on open roads. Testing autonomous driving solutions involves exposing the vehicle to situations that trigger the system to intervene, then determining whether the system performs as designed. We evaluate whether the system can provide warnings, steering, accelerating, decelerating and appropriate emergency braking when necessary. When issues or areas of improvement are identified, we work with OEMs and partners to resolve the issues and to identify solutions to improve performance.

Mobileye was our largest supplier in 2021 and 2022 and for the six months ended June 30, 2023. During the Track Record Period, we primarily procured from Mobileye (i) the the base version of AD domain controllers for the SuperVision™ solution; and (ii) EyeQ® series SoCs for our iFC products. As of the Latest Practicable Date, SuperVision™ was equipped in five series-produced vehicle models from Geely Group's premium electric vehicle brands, namely ZEEKR 001, ZEEKR 009, ZEEKR 001 (European version), ZEEKR 001 FR and Polestar 4. For each potential project, we provide a quotation document to Mobileye, which specifies detailed information about vehicle models, required features, target markets, estimated sales volumes and production time frame. Based on such information, Mobileye provides us with a price quotation. The final price is determined and agreed by both parties after arm's length

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negotiations based on the information provided in the quotation documents. The final purchasing price of the products we purchase from Mobileye will be taken into consideration as one of the most important factors when we provide quotation to customers. A tiered pricing structure has been adopted for the base version of AD domain controllers, and the purchase price is dynamically adjusted based on the sales volume. The pricing mechanism is typically negotiated prior to the project initiation, and remains unchanged during the entire lifecycle of the vehicle. We intend to pass on any increases in purchase price to our customers if they affect our business operation and profit margin. The selling prices of our products are usually renegotiated on an annual basis throughout the vehicle's lifecycle. While the pricing mechanism for a specific vehicle model remains unchanged between us and the supplier during the lifecycle of the vehicle model, we generally adopt a tiered pricing approach where prices vary with the sales volume. As a result of our tiered pricing strategy, we expect a reduction in the per-unit purchase price with increasing sales volume. This allows us to benefit from economies of scale, effectively mitigating the effects of the industry's customary annual price reduction. Additionally, during our annual negotiation process with the customers, the predicted overall procurement cost for the next year based on the previous year's price fluctuations will become one of the key factors considered when negotiating specific annual price reduction percentages. For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, our purchase from Mobileye was RMB5.7 million, RMB78.4 million, RMB921.7 million and RMB324.2 million, respectively, which accounted for 13.6%, 54.6%, 69.2% and 90.3% of our total purchases during the same periods. The following table below sets forth a breakdown of our purchases from Mobileye by product for the periods indicated.

	For the Year Ended December 31,						For the Six Months Ended June 30,	
	2020		2021		2022		2023	
	<i>(RMB in thousands, except for percentages)</i>							
The base version of AD domain controllers	–	–	71,085	90.7%	893,121	96.9%	306,592	94.6%
EyeQ® series SoCs	1,486	26.0%	–	–	9,789	1.1%	14,486	4.4%
Others ⁽¹⁾	4,236	74.0%	7,286	9.3%	18,791	2.0%	3,166	1.0%
Total	5,722	100.0%	78,371	100.0%	921,701	100.0%	324,244	100.0%

Note:

(1) Primarily include R&D services and consumables used in R&D activities.

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Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, save as disclosed above, to the best knowledge of our Company, there had been no past or present relationship (family, employment, shareholding, trust, financing, sharing of personnel, premises or other resources, or otherwise) between us, including our subsidiaries, their directors, shareholders, senior management and any of their respective associates, with Mobileye.

Mobileye is also supplying SuperVision™ to other OEMs in collaboration with other Tier 1 suppliers. If there is any discontinuation, or loss of business with respect to our cooperation with Mobileye, our business, results of operations and financial condition could be materially and adversely affected. For instance, to our knowledge based on discussion with Mobileye, Mobileye and Polestar may collaborate with another system integrator to incorporate Mobileye's next-generation autonomous driving solutions, including Chauffeur™, into a particular vehicle model of Polestar that we have agreed to work on. As of the Latest Practicable Date, our participation in the new project remained unconfirmed and discussions pertaining to the project were still in their preliminary stages. See "Risk Factors — We rely on third-party suppliers, including, in particular Mobileye in relation to SuperVision™, and because some of the raw materials and key components in our products come from single or limited source of suppliers, we are susceptible to supply shortages, long lead times for components, and supply changes, any of which could disrupt our supply chain and could delay deliveries of our products to customers."

Key Terms of the Product Sales Agreement for the Base Version of AD Domain Controllers with Mobileye

Set out below is a summary of our product sales agreement for the base version of AD domain controllers with Mobileye for SuperVision™ solution that is generally applied to all SuperVision™ projects with Mobileye:

- *Scope of the agreement.* The agreement applies to all sales made by Mobileye, pursuant to all purchase orders submitted by us and accepted by Mobileye, for (i) the manufacture, sale and supply of the base version of AD domain controllers of SuperVision™, with Mobileye's SoC embedded, (ii) licenses to Mobileye software, and (iii) provision of customization and technical support services from Mobileye for the Geely Group SuperVision™ project.
- *Terms and termination.* The agreement has a term of five years, with the expiration expected to occur in 2026. Each party may terminate the agreement in the event of a material breach of the agreement which is left uncured for a period of 30 days from written notice of the breach, or providing a 90 day prior written notice to the other party. Each party may also terminate the agreement immediately upon filing of a petition in bankruptcy, insolvency or reorganization against the other party, where such petition is not dismissed within 30 days. The agreement does not include specific renewal clause.

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- *The non-cancellable non-refundable policy.* As a result of the global shortage of semiconductor chips, we were required to provide a binding forecast of our overall purchase volumes of the base version of AD domain controllers product starting from the effective date of the agreement and until December 31, 2022 (the “Binding Forecast”). Additional binding forecasts were to be provided upon Mobileye’s requests. Orders and binding forecasts for products are firm and may not be cancelled, amended, returned, or rescheduled without Mobileye’s prior written approval.
- *Rolling order forecast.* Other than any binding forecasts, during the first week of each month, we are required to provide Mobileye a 24-month rolling order forecast.
- *Payment settlement.* Payments should be made by us to Mobileye net 30 days from the date of invoice except as otherwise agreed in writing.
- *Warranty.* Mobileye offers a warranty period of 36 months, ensuring that, on delivery, the base version of AD domain controllers, of SuperVision™, would be free from material manufacturing defects in material and workmanship and would materially conform to Mobileye’s technical specifications.
- *Pricing.* Billing for products and services is at the prices agreed between both parties. The Company is responsible for all applicable levies, customs and duties, or taxes imposed by any governmental authority pertaining to the purchase of products and services.
- *Remedies.* If we make a valid warranty claim, Mobileye will (i) at its option and expense, within a reasonable period from its receipt of the defective product either: (a) repair the defect; (b) replace the nonconforming product with product of equal functional performance; or (c) refund or credit to us the purchase price paid by us; and (ii) reimburse us reasonable return shipping costs of the product as long as we have complied with Mobileye’s return instructions. The cumulative liability of Mobileye to us is up to a limit of US\$40.0 million. During the Track Record Period and up to the Latest Practicable Date, there was no incident, including those involving defective or nonconforming products, that could have given rise to a warranty claim to Mobileye. Therefore, during the same period, the unclaimed balance of the warranty liability provided by Mobileye remained at US\$40.0 million.
- *Intellectual Property.* Software provided by Mobileye remains the property of Mobileye or its licensors. Mobileye grants us a non-exclusive license to use the software only in SuperVision™ provided to Geely Group. Subject to certain pre-conditions (including, for example, our payment of relevant license fees), Mobileye also provides us with OTA software updates for our testing and validation, prior to deployment in Geely Group vehicles.

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Given the fact that we were required to provide the Binding Forecast to Mobileye, we may be subject to risks relating to obsolete inventory. For details, see “Risk Factors — Risks Relating to Our Business and Industry — If we do not maintain sufficient inventory or if we do not adequately manage our inventory, we could lose sales or incur higher inventory-related expenses, which could negatively affect our results of operations.” With respect to the non-cancellable non-refundable policy, other than the Binding Forecast, Mobileye had not requested additional binding forecasts of the purchase volume of the base version of AD domain controllers during the Track Record Period and up to the Latest Practicable Date. Our agreement with Mobileye does not provide for any specific legal consequences to our Company in the event if Mobileye requests us to provide a binding forecast and we fail to procure in accordance with the forecasted numbers in the future. During the same period, we did not have any disputes with Mobileye, or receive any penalties, arising from the discrepancy between forecasted and actual procurement.

Reasons for Our Supplier Concentration on Mobileye

The high supplier concentration on Mobileye in 2021, 2022 and the six months ended June 30, 2023 primarily resulted from the following:

- According to Frost & Sullivan, due to the early development of autonomous driving technology, there are a limited number of autonomous driving SoC providers in the market, thus the autonomous driving SoC market is highly concentrated. We had chosen to enter into cooperation with Mobileye taking into account its proven track record and strong market position in the autonomous driving SoC industry.
- With Mobileye, we offer SuperVision™ to Geely Group for its ZEEKR 001 model. Resulting from the series production of ZEEKR 001, Geely Group was our largest customer in 2021, 2022 and the six months ended June 30, 2023. Considering the relatively high unit price of the base version of AD domain controllers, and the significant sales volume of ZEEKR 001, the purchase amount of base version of AD domain controllers we procure from Mobileye out-numbered those we purchased from other suppliers.
- We also procured EyeQ® series SoCs from Mobileye to integrate into our iFC products. We procure EyeQ® series SoCs after a thorough evaluation of Mobileye’s world-level advanced technology in the SoCs and its integration with related autonomous driving functions. Compared to other major world-renowned SoC suppliers, we considered that EyeQ® series SoCs have advantages in cost and packaging convenience, and suit us the most at our early development stage.

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Our Directors believe that our Group's business model is sustainable although the total purchase from Mobileye accounted for a majority portion of our purchase in 2021, 2022 and the six months ended June 30, 2023:

- The relationship between our Group and Mobileye is of a mutually beneficial and complementary nature:
 - (i) According to Frost & Sullivan, the autonomous driving sector is a technology-intensive industry, in which only suppliers with strong R&D capabilities, accumulated know-how and experience can capture market share among fierce competition. These technological advantages are established after a long period of collaboration and practice, and it is difficult for new entrants to overcome such barriers in a short time. Therefore, at the early stage for commercialization, our strategy is to work with leading suppliers like Mobileye to secure SoCs which are of high performance with lower power consumption to provide quality autonomous driving solutions and products to customers in a cost-effective manner. In addition, it also aligns with our Group's key customer strategy with a business focus on providing autonomous driving solutions and products to leading OEMs as leading OEMs require the base version of AD domain controllers and SoCs incorporated in our solutions and products to be procured from suppliers with recognized market reputation and proven safety and performance records.
 - (ii) it is in line with Mobileye's business strategies to work with collaboration partners, such as our Company, which usually have deep expertise in system integration, testing and validation and can work closely with OEMs, leveraging their localized marketing resources, to integrate Mobileye technology into such OEM's vehicle models and sell the integrated solution package to OEMs directly. Therefore, under such circumstances, collaboration partners, such as our Company, are generally deemed to play an important role in the supply and integration of autonomous driving solutions and are highly valued by the upstream companies, including Mobileye.
 - (iii) our collaboration with Mobileye allows the supply of SoCs from Mobileye to our Group. Due to our deep understanding of the autonomous driving industry in China and proven track record for commercialization of autonomous driving solutions and products, we have been able to establish a close business relationship with Mobileye in China. As of the Latest Practicable Date, to our best knowledge, we were one of the important overseas collaboration partners of Mobileye in the PRC and were an important collaboration partner of Mobileye on the SuperVision™ solution in the PRC.
 - (iv) During the Track Record Period and up to the Latest Practicable Date, there was no interruption or material dispute or shortage of supply under the purchase orders in respect of our procurement from Mobileye.

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- We did not enter into any exclusive arrangement with Mobileye or any other existing suppliers for SoC or for SuperVision™ procurement, which provides flexibility for us to select different SoC supplier base on assessment of the products and customers' actual needs. We are capable of developing autonomous driving solutions and products based on SoCs sourced from suppliers other than Mobileye and have been offering such solutions and products to our customers or are in the process of developing such solutions and products. For example, for the SoC for AD domain controllers, we chose to partner with Texas Instruments to procure the SoCs (i.e., TI TDA4) for iDC Mid, and to partner with Renesas to procure its SoCs (i.e., Renesas V4H) for iDC High.
- We also actively conduct R&D and testing continuously to identify cost-effective yet quality SoCs from other international or domestic SoC suppliers for our autonomous driving solutions and products and will also consider purchasing from other SoCs suppliers with suitable products offerings as it continues to enrich its solution portfolio. We believe such other suppliers are also able to provide stable supply and we do not expect any capacity constraint in this respect.

Our Directors are of the view that the risk of Mobileye ceasing to supply to us because of cannibalization between SuperVision™ and iDC series is relatively low, considering that:

- Due to the different parameters and targeting markets, there is no direct competition between SuperVision™ and iDC series. SuperVision™ and iDC series have been designed with specific features and functionalities, appealing to different segments of the market. In particular, SuperVision™ is targeted at the premium vehicles while iDC series has a target market of mid- to high-end vehicle models. As reflected in their distinct pricing strategies, SuperVision™ and iDC series cater to different customer needs and preferences.
- Mobileye has already become aware of our ongoing development of iDC series and has gained a preliminary understanding of the iDC series' general parameters and target market. Despite this, as of the Latest Practicable Date, Mobileye had not ceased, nor have they notified us of any intention to cease, the supply to us. As of the same date, there were not any indications that our relationship with Mobileye are likely to be terminated or otherwise materially change.

However, if there is any discontinuation, or loss of business with respect to our cooperation with Mobileye, our business, results of operations and financial condition could be materially and adversely affected. For instance, to our knowledge based on discussion with Mobileye, Mobileye and Polestar may collaborate with another system integrator to incorporate Mobileye's next-generation autonomous driving solutions, including Chauffeur™, into a particular vehicle model of Polestar that we have agreed to work on. For details, see "Risk Factors — We rely on third-party suppliers, including, in particular Mobileye in relation to SuperVision™, and because some of the raw materials and key components in our products come from single or limited source of suppliers, we are susceptible to supply shortages, long lead times for components, supply changes, and changes in business relationship, any of which could disrupt our supply chain and could delay deliveries of our products to customers."

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Overlapping of Customers and Suppliers

In 2022, Mobileye was also one of our top five customers. We provided Mobileye with cameras and ECUs so they could set up the test bench for SuperVision™. For the year ended December 31, 2022, our revenue generated from Mobileye amounted to RMB6.6 million, accounting for 0.5% of our total revenue.

Except for Mobileye, for the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, none of our five largest suppliers in each period was also our top five customer in the same period.

Our Directors confirmed that all of our sales to Mobileye and purchases from Mobileye were conducted in the ordinary course of business under normal commercial terms and on arm's length basis.

THE LINKAGE BETWEEN MOBILEYE AND GEELY GROUP

For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, nil, 91.0%, 97.2% and 98.6% of our revenue generated from Geely Group relates to SuperVision™, respectively, which is based on the base version of AD domain controllers supplied by Mobileye. As of the Latest Practicable Date, we, in collaboration with Mobileye, supplied SuperVision™ for five series-produced vehicle models from Geely Group's premium electric vehicle brands, namely ZEEKR 001, ZEEKR 009, ZEEKR 001 (European version), ZEEKR 001 FR and Polestar 4. The AD domain controller solution we provided for ZEEKR contributed to nil, 48.2%, 93.6% and 93.5% of our total revenue for the years ended December 31, 2020, 2021 and 2022 and six months ended June 30, 2023, respectively.

Our initial cooperation with Geely Group dates back to October 2020 when both parties started cooperation in R&D of level 2+ autonomous driving solutions. In July 2020, we engaged in initial discussions with Mobileye regarding the manufacturing and commercialization of SuperVision™. Subsequently, in August 2020, upon becoming aware of the new vehicle model planned for launch by Geely Group, further discussions took place between us and Mobileye concerning potential collaboration and work allocations for the integration of SuperVision™ on ZEEKR 001. In September 2020, we had preliminary discussion with Geely Group for the autonomous driving solution to be equipped on ZEEKR 001 and we proposed SuperVision™ as we believed it would meet the needs of Geely Group. After evaluating our engineering capabilities and features of SuperVision™, Geely Group chose SuperVision™ as the winning bid and recognized and nominated us as the supplier for the autonomous driving solutions. In October 2020, we received the letter of nomination for SuperVision™ and since then, we have become one of the key suppliers of autonomous driving solutions and products for Geely Group, especially under its ZEEKR brand.

In relation to the supply of SuperVision™, in 2021 and 2022, tripartite product waivers have been entered into among Geely Group, our Company and Mobileye, pursuant to which, (i) Mobileye did not offer a warranty for the base version of AD domain controllers of SuperVision™ acquired in 2021 and 2022. Instead, any costs and expenses related to the repair or replacement of these products due to any failure would be borne by Geely Group, and (ii) Geely Group and our Company shall indemnify, severally and jointly, Mobileye against all

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costs and expenses resulting from product liability claims associated with the utilization of base version of AD domain controllers acquired in 2021 and 2022. In this case, the warranty provided by us to Geely Group concerning SuperVision™ remains in force. However, due to these product waivers in 2021 and 2022, while Geely Group will be responsible for covering all costs and expenses associated with repairing or replacing the base version of AD domain controllers procured, we may not have the right to require Mobileye to assume the corresponding product liability concerning these products. To our knowledge, the reason behind the tripartite product waivers was the potential conflict between Geely Group's priority to launch and deliver ZEEKR 001 on time and our priority to secure a stable supply of the base version of AD domain controllers of SuperVision™, on the one hand, and the need for Mobileye to procure alternative components due to the global shortage of semiconductor chips, on the other hand. To our knowledge, Geely Group decided to enter into the tripartite product waivers for commercial reasons as it viewed the punctual launch and delivery of ZEEKR 001 as priority and agreed to bear the additional risks associated with these alternative components. We agreed to enter into such product waivers to ensure a stable supply of SuperVision™. No waiver was signed for 2023, which, to our knowledge, was because the global supply of semiconductor chips has returned to normal and Mobileye was not expected to experience any further shortage of components of the base version of AD domain controllers in the foreseeable future. As a result, for the base version of AD domain controllers procured in 2023, we may have the right to seek reimbursement or indemnification from Mobileye arising from product liability claims or because of product defects, but if the costs and expenses exceed the limitation of liability provided by Mobileye, we may be responsible for covering those additional costs.

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In 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, we recorded an adjusted loss (Non-IFRS Accounting Standards measure) of RMB35.7 million, RMB34.1 million, RMB16.9 million, RMB33.6 million and RMB46.2 million, respectively. In 2020, 2021 and 2022, we also recorded a net operating cash outflow of RMB23.8 million, RMB62.9 million and RMB65.6 million, respectively. Our losses during the Track Record Period were primarily because:

- *Operating in an emerging market.* The autonomous driving industry is still at its early stage of development. In particular, the penetration rate of AD domain controllers for passenger vehicles was only 4.5% in 2022. To further reinforce our presence and competitiveness in the emerging autonomous driving market, we have been focusing on R&D, product development and expansion of customer base, rather than seeking short-term return or profitability.
- *Economies of scale have not yet fully materialized.* SuperVision™ has become our main source of revenue. In 2021 and 2022 and for the six months ended June 30, 2022 and 2023, the gross profit margin of our AD domain controller solutions was 5.3%, 7.4%, 6.3% and 7.2%, respectively, which was relatively low as compared to other business segments. Although the increase in gross profit margin of AD domain controller solutions indicated that we gradually achieved stronger economies of scale and had increasing bargaining power against suppliers, the yet-to-be-fully-materialized economies of scale contributed to our losses during the Track Record Period; and

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- *We continually invest in the R&D of new products and autonomous driving technologies.* To pave the way for a long-term success in the new industry and fast-growing market, we have been focusing on developing our R&D capabilities, rather than seeking immediate financial returns or profitability. During the Track Record Period, our R&D expenses increased from RMB44.1 million in 2020 to RMB54.9 million in 2021 and further to RMB104.0 million in 2022, accounting for 92.6%, 30.8% and 7.8% of our revenue in 2020, 2021 and 2022, respectively, and increased from RMB46.4 million for the six months ended June 30, 2022 to RMB104.0 million for the six months ended June 30, 2023, accounting for 12.9% and 19.1% of our revenue for the same periods, respectively. Our continuing investments in the R&D led to the series production of several new autonomous driving solutions and products. In particular, the series production of iFC 2.0, our first SuperVision™ project in collaboration with Mobileye and iDC Mid started in August 2021, October 2021 and January 2023, respectively.

Despite that we have been loss-making since 2020 and we expect to incur net loss and net operating cash outflow in 2023, which is primarily due to the expected increase in R&D expenses for new autonomous driving solutions, share-based payments and listing expenses in 2023, we have achieved a steady growth in terms of revenue and sales volume. Our revenue grew by 274.1% from RMB47.7 million in 2020 to RMB178.3 million in 2021, and further by 643.8% to RMB1,325.9 million in 2022, and grew by 51.2% from RMB359.2 million for the six months ended June 30, 2022 to RMB543.2 million for the six months ended June 30, 2023. The sales volume of our AD domain controller solution during the Track Record Period, increased from 5,796 units in 2021 to 79,589 units in 2022, and from 21,272 units for the six months ended June 30, 2022 to 42,108 units for the six months ended June 30, 2023. In addition, along with our business growth, we have demonstrated a clear trajectory of profitability improvement. Our adjusted loss (Non-IFRS Accounting Standards measure) decreased from RMB35.7 million in 2020 to RMB34.1 million in 2021 and further to RMB16.9 million in 2022, reflecting our improved operational efficiency with improving economies of scale.

In addition, we have a healthy cash balance to support our operations and future business expansion. As of October 31, 2023, we had cash and cash equivalents of RMB57.6 million, current financial assets at FVTPL of RMB181.0 million and unutilized bank facilities of RMB650.0 million. Taking into account the financial resources available to us, including our cash and cash equivalents on hand, current financial assets at FVTPL, internally generated funds, available facilities and the estimated net proceeds from the Global Offering, our Directors are of the view that we have sufficient working capital to meet our present needs and for the next 12 months from the date of this prospectus.

Despite that we expect a decline in revenue for 2023, we aim to maintain sustainability and achieve profitability in the future through: (i) continuously growing revenue and expanding sales volume; (ii) improving gross margin; and (iii) enhancing operating leverage. With our improved profitability, we also expect our operating cash flow to improve concurrently.

Continuously Growing Revenue and Sales Volume

We have achieved a steady growth in revenue and sales volume during the Track Record Period. We expect that our revenue and sales volume growth will be driven by the following factors:

- *Favorable Market Trend.* Under the trends of vehicle electrification, intelligence and connectivity, the autonomous driving market in China is expected to maintain significant growth momentum in the future. Accordingly, the market for autonomous driving solutions and products is expected to grow rapidly in the future. For details, see “Industry Overview — Overview of the AD Domain Controller Market” and “Industry Overview — Overview of the Intelligent Front Camera Market.” We believe we are well positioned to fully capture the market potential and achieve sustainable significant growth in the future;
- *Improving Solution and Product Offerings.* We mainly provide two AD domain controller product lines, including SuperVision™, which is supplied to our customers through collaboration with Mobileye where we acquire the base version of AD domain controllers from Mobileye and then act as the system integrator, and self-designed iDC series. Apart from AD domain controllers, we also provide iFC series products. SuperVision™ for which we collaborated with Mobileye in supplies to our customers has experienced a significant increase in sales volume from 5,796 units in 2021 to 79,589 units in 2022, and from 21,272 units for the six months ended June 30, 2022 to 40,628 units for the six months ended June 30, 2023. Furthermore, the series production of iDC Mid began in January 2023. We expect that the sales volume of iDC Mid to grow robustly, primarily due to the expected rapid growth of sales volume of existing and new vehicle models which adopt our autonomous driving solutions, as well as our efforts to apply iDC products to additional vehicle models of both existing and new customers. In addition, we expect to launch more autonomous driving solutions in the future, for example, we expect to launch and deliver both iDC High and iFC 3.0 in 2024. We expect that our continuous investment in enhancing our solution and product offerings will increase our sales volume and improve our profitability; and
- *Customer Retention and Expansion.* We expect to deepen our relationships with existing customers and expand our customer base in terms of breadth and depth. We have established stable collaborations with top-tier domestic and international OEMs. In particular, as a core supplier of AD domain controllers, we have established a close partnership with Geely Group since 2020. Leveraging the expanding NEV market, our increasing marketing efforts, well-rounded capabilities and proven track record, we have been, and will be continuously expanding our customer base in terms of breadth and depth. As of the Latest Practicable Date, we obtained letters of nomination associated with 16 renowned OEM customers, such as Geely, Great Wall Motor, Chery and Dongfeng, among others.

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We intend to use the net proceeds from the Global Offering to grow our revenue. We expect to use net proceeds from the Global Offering to, among others, (i) enhance our research and development of our autonomous driving solutions and products; (ii) invest in our R&D headquarters, manufacturing premises and new production lines; and (iii) expand our sales and service network. For details, see “Future Plans and Use of Proceeds.”

Improving Gross Margin

Our ability to manage and control our costs is critical to the success of our business and profitability. Driven by our rapid revenue growth, our gross profit increased significantly from RMB9.6 million in 2020 to RMB36.8 million in 2021, and further to RMB110.6 million in 2022, and from RMB23.1 million for the six months ended June 30, 2022 to RMB41.0 million for the six months ended June 30, 2023. Our gross profit margin remained relatively stable at 20.1% in 2020 and 20.6% in 2021, and decreased to 8.3% in 2022, primarily because we generated a greater portion of revenue from sales of AD domain controller solutions following the series production of the SuperVision™ project in collaboration with Mobileye starting from October 2021, which had a lower gross profit margin as compared to other business segments. Our gross profit margin increased from 6.4% for the six months ended June 30, 2022 to 7.6% for the six months ended June 30, 2023, primarily because we gradually achieved stronger economies of scale and had increasing bargaining power against suppliers following the series production of our products. We believe that we are able to continue to improve our gross profit margin, primarily due to the following factors:

- *Better product mix with higher margins.* We intend to improve our gross profit margin by launching additional autonomous driving solutions and products with higher margins. The series production of iDC Mid began in January 2023, which recorded a significantly higher gross profit margin than existing AD domain controller solution. We also expect the series production of iDC High to start in 2024, and launch of iFC 3.0 in 2024 as well. As we endeavor to apply iDC Mid, iDC High and iFC 3.0 to additional vehicle models of both our existing and new OEM customers, sales of these solutions and products are expected to contribute to a larger proportion of total sales, resulting in higher overall gross profit margin.
- *Improving production capabilities and expanding production capacity.* We intend to improve our production capabilities and the level of automation of our production lines with our internally generated funds and net proceeds from the Global Offering. In particular, we plan to further upgrade our newly-added test line, which can be used to assemble AD domain controllers and is expected to have an annual production capacity of approximately 300,000 units (based on one shift with 11 working hours per day and 250 working days per year). Although such investments may result in an increase in our capital expenditure in short term, we believe the in-house production of our products will allow us to simplify the supply chain and maintain a high-level of cost efficiency, and in turn improve our profitability ultimately.

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- *Stronger bargaining power as achieving increasing economies of scale.* The decreases in our gross profit margin from 2021 to 2022 were primarily because we generated a greater portion of revenue from sales of AD domain controller solutions in 2022 which had a lower gross profit margin as compared to other business segments. However, our gross profit margin increased from 6.4% for the six months ended June 30, 2022 to 7.6% for the six months ended June 30, 2023 and our gross profit margin of AD domain controller solutions increased from 5.3% in 2021 to 7.4% in 2022, indicating that we gradually achieved stronger economies of scale and had increasing bargaining power against suppliers following the series production of our first SuperVision™ project in collaboration with Mobileye in October 2021. In the future, with the expected increasing sales volume of SuperVision™ and the series production of iDC Mid, we expect to benefit from the increasing economies of scale and further improve our profitability.

Enhancing Operating Leverage

During the Track Record Period, we incurred significant operating expenses, including R&D expenses, administrative expenses and selling expenses, to develop, manage and promote new autonomous driving solutions. In the future, we will continue to invest in our R&D activities as well as sales and service network expansion.

During the Track Record Period, we dedicated significant resources to R&D and in developing our full-suite of R&D capabilities to launch new autonomous driving solutions and products, and maintain our market leading position. Our R&D expenses increased from RMB44.1 million in 2020 to RMB54.9 million in 2021 and further to RMB104.0 million in 2022, and from RMB46.4 million for the six months ended June 30, 2022 to RMB104.0 million for the six months ended June 30, 2023. Looking forward, our R&D expenses in absolute amounts are expected to increase alongside the development of our autonomous driving technologies and the expansion of our product portfolio in the future. Due to planned research and development-related investments, we expect that our R&D expenses (excluding share-based payments) as a percentage of revenue will increase in 2023 and 2024 and keep relatively stable going forward. We believe that we are able to enhance our operating leverage, primarily due to our modular approach in product development. Leveraging our self-developed middleware, algorithm, comprehensive product matrix and extensive experience in the development of autonomous driving solutions and products, we adopt a modular approach in product development. This approach enables us to respond quickly to the diverse needs of OEM customers and achieve higher cost efficiency. Furthermore, the know-how we have gained during the development of iDC Mid also allows us to offer OEMs similar products in a relatively short timeframe without incurring massive R&D expenses. A significant portion of our R&D expenses for each year/period of the Track Record Period was related to employee compensation, which does not grow proportionally with sales volume or revenue and therefore can benefit from economies of scale.

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Our administrative expenses amounted to RMB8.6 million, RMB29.7 million, RMB41.5 million, RMB14.2 million and RMB38.4 million, accounting for 18.0%, 16.7%, 3.1%, 4.0% and 7.1% of our revenue in 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, respectively. From 2020 to 2022, our administrative expenses decreased as a percentage of our revenue, primarily due to the significant increase in our revenue and the benefit from economies of scale as a result of our business expansion. Our administrative expenses increased as a percentage of revenue from the six months ended June 30, 2022 to the six months ended June 30, 2023, primarily due to the increase in listing expenses, share-based payments and employee benefit expenses. We expect our administrative expenses in the absolute amount to increase alongside our business expansion in the future, but our administrative expenses (excluding share-based payments and listing expenses) as a percentage of revenue will keep relatively stable. We also plan to make continuous improvement to our administrative efficiency.

Our selling expenses amounted to RMB3.0 million, RMB9.4 million, RMB27.7 million, RMB16.1 million and RMB13.6 million, accounting for 6.4%, 5.3%, 2.1%, 4.5% and 2.5% of our revenue in 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, respectively. During the Track Record Period, our selling expenses as a percentage of revenue remained at a relatively low level. We expect our selling expenses in the absolute amount to increase alongside our business and service network expansion in the future. We expect our selling expenses (excluding share-based payments) as a percentage of revenue will slightly increase in 2023 due to the increase in warranty, and keep relatively stable going forward. We also plan to make continuous improvement to our sales and promotion efficiency.

RESEARCH AND DEVELOPMENT OF OUR SOLUTIONS AND PRODUCTS

Our deep passion for innovation coupled with our strong R&D capabilities have allowed us to compete in the industry. Our team of engineers forms the foundation for our competitiveness. As of June 30, 2023, we had 250 R&D personnel, representing 74.2% of our total employees. We incurred research and development expenses of RMB44.1 million, RMB54.9 million, RMB104.0 million, RMB46.4 million and RMB104.0 million for the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, respectively.

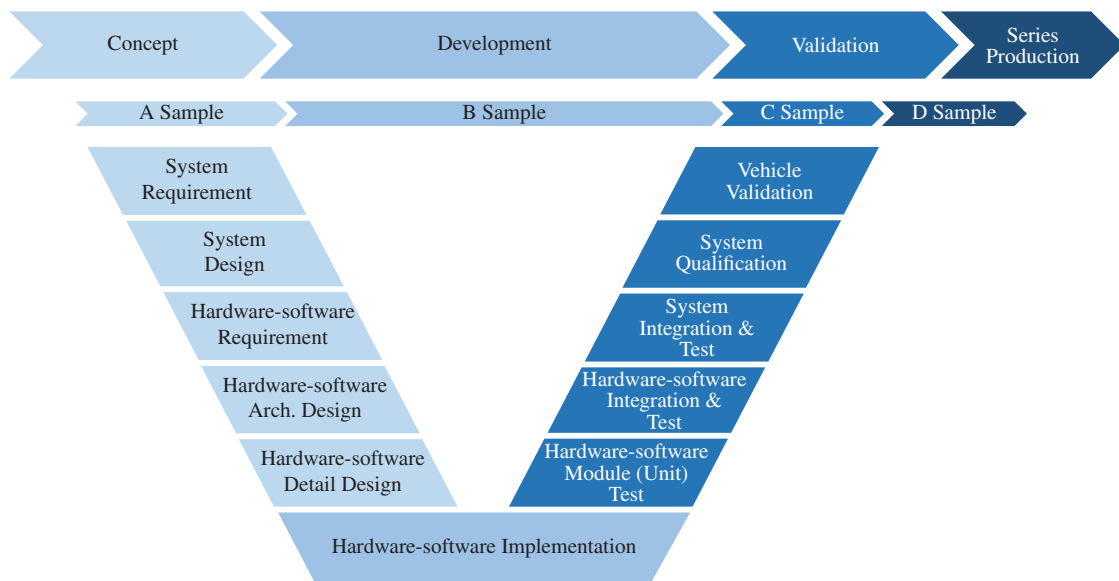
We recruit our engineers in China and place strong emphasis on the recruitment of technology specialists and senior engineers with extensive experience in the industry. We offer rewards to those who have made scientific and technological innovations and achievements, and provide share incentives for our core engineers. We have established various training programs to keep our engineers abreast of the most advanced technologies in the relevant fields.

Our most important products that are currently developing are iDC High and iFC 3.0. For details, please refer to “— Our Autonomous Driving Solutions and Products — Our Autonomous Driving Solution and Product Offerings — AD Domain Controllers — iDC High” and “— Our Autonomous Driving Solutions and Products — Our Autonomous Driving

Solution and Product Offerings — iFC Products — iFC 3.0.” We also focus on further improving our perception, localization, decision and control algorithms and developing more level 2+ autonomous driving functions, such as Urban NoA and more advanced parking functions, for our solutions and products.

R&D Process

We have adopted a V-model for the R&D of our autonomous driving products. In the V-Model, the entire R&D process is divided into two arms. The left arm of the V focuses on requirements analysis, function design, and product development, while the right arm concentrates on verification and validation activities. We work closely with OEMs during the entire R&D process. The following diagram illustrates the V-model for our R&D process.



We further divide the entire R&D process into three stages before series production: concept stage, development stage, and validation stage.

- *Concept stage.* At the first stage, we primarily focus on product research, such as developing proof-of-concept prototypes and exploring the feasibility of new concept autonomous driving products beyond our current product lines. We also work closely with our OEM customers to further develop our design, and they conduct supplier evaluation process simultaneously. Upon completion of the evaluation process, generally, OEMs (or in respect of certain vehicle models, an affiliate of the relevant OEM) issue letters of nomination to us as a commitment to form a formal cooperative relationship.
- *Development stage.* At the second stage, our R&D team works with our business development team to understand customers’ needs and optimize the autonomous driving products according to the desired specifications, ensuring that our products

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are able to satisfy our customers' requirements. At this stage, our goal is not only to support functions required by customers, but also to design and develop solutions and products of high quality with good performance.

- *Validation stage.* At the last stage, our emphasis is on the verification and validation of our products, to test the reliability of our products and prepare for series production. In order to ensure that our products function correctly, we test them in various simulation environment and real-world scenarios.

After the development of each product, we summarize the experience and know-how we accumulate during the process into our core technologies, which help expedite the development of our next autonomous driving product.

SEASONALITY

In general, we experienced increased demand for our autonomous driving solutions and products during the second half of the calendar year, compared to the first half of the year, which is consistent with the practice of the automobile industry, according to Frost & Sullivan. The aforementioned industry practice is primarily related to the exhibitions and promotion activities held during September and October which stimulate higher demand in the following months until Chinese New Year. As a result, we expect to record higher revenue generated from sales of autonomous driving solutions for the second half of the year, than the first half. The provision of our autonomous driving-related R&D services and sales of PCBA products does not have significant seasonal or cyclical fluctuations. Due to our limited operating history, the seasonal trends that we have experienced in the past may not fully apply to, or be fully indicative of, our future operating results. See "Risk Factors — Risks Relating to Our Business and Industry — Our business is subject to seasonal fluctuations which could have a material impact on our revenue, cash flow and operating results."

INTELLECTUAL PROPERTY

We regard our patents, trademarks, copyrights, patents, domain names, know-how, proprietary technologies, and similar intellectual property as critical to our success, and we rely on copyright, trademark and patent law and confidentiality, invention assignment and non-compete agreements with our employees and others to protect our proprietary rights. As of the Latest Practicable Date, we had six registered trademarks, six trademark applications, 11 issued patents and seven patent applications in the PRC which we consider to be or may be material to our business. As of the same date, we had one registered domain name. In addition, we had 18 issued patents and eight patent applications related to level 3 and level 4 autonomous driving as of the Latest Practicable Date. As of the same date, we had registered patents for all our core technologies. For details, see "Appendix VI — Statutory and General Information — B. Further Information about Our Business — 2. Intellectual Property Rights."

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We seek to protect our technology and associated intellectual property rights through a combination of know-how, patent, copyright, and trademark laws, as well as internal procedures and policies, and other contractual protections. We enter into confidentiality and non-disclosure agreements with our employees, our suppliers, outsourcing partners, and other business partners to protect our proprietary rights. The agreements we enter into with our employees also provide that all patents, software, inventions, developments, works of authorship, and trade secrets created by them during their employment are our properties. We have employed internal policies, confidentiality agreements, encryptions, and data security measures to protect our proprietary rights. However, there can be no assurance that our efforts will be successful. Even if our efforts are successful, we may incur significant costs in defending our rights. From time to time, third parties may initiate litigation against us alleging infringement of their proprietary rights or declaring their non-infringement of our intellectual property rights. See “Risk Factors — We may be subject to intellectual property infringement claims, which may be time-consuming and would cause us to incur substantial costs.”

During the Track Record Period and up to the Latest Practicable Date, we were not aware of any material infringement (i) by us of any intellectual property rights owned by third parties, or (ii) by any third parties of any intellectual property rights owned by us.

CUSTOMER SERVICE AND WARRANTY

In our ongoing efforts to maintain customer satisfaction and improve our products and services, we have a high-quality after-sales team to provide comprehensive after-sales service. We have a dedicated team in China to provide before- and after-sales services to our customers. They can diagnose issues and identify the solutions and products for the customers’ problems.

We typically offer a standard product warranty to customers of our products. The basic warranty period for our products is typically three to five years or 150,000 kilometers. During the warranty period, for any product quality issue with either our software or hardware which is caused by our fault, we will make repair or replacement free of charge under certain conditions. Warranty services are provided differently based on detailed quality issues. For issues with our software, we will provide on-site or remote update to the software at issue. For issues with our hardware, we will provide one-to-one replacement or repairment of components. For product damage caused by the customer’s own improper operation, we will provide repair services with charge. Apart from monitoring our product quality through the internal control process to minimize the chance of quality issues, we also review and assess our risk bearing ability from time to time. As of the Latest Practicable Date, we were in the process of negotiation with insurance companies to purchase product liability insurance. Such product liability insurance under negotiation is expected to cover standard product liability for our AD domain controllers for ZEEKR models in mainland China, including claims for third parties’ injuries and property damages due to our product defect, relevant litigation expenses, as well as certain claims for expenses incurred in connection with product recall. Limits of indemnity in the draft insurance policies range from USD5.0 million to USD15.0 million for each claim and as annual aggregate, i.e., the maximum amount of indemnity per claim that the insurer bears, represents certain amount between USD5.0 million and USD15.0 million, and the

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maximum amount of indemnity for all claims occurred in one year on an aggregated basis is the same amount. The relevant premium is expected to be between approximately RMB3.0 million and RMB5.4 million per year. Our Directors are of the view that it is commercially feasible to obtain such product liability insurance. Furthermore, our Directors consider the coverage of limits of indemnity is sufficient for our present operations, based on (i) the evaluation of our business scale, (ii) absence of any material product liability claim during the Track Record Period, (iii) our robust internal quality control and risk management measures, and (iv) a thorough assessment of the market practice and the coverage options available based on our consultation with various insurance companies. During the Track Record Period, we had only one product returned in relation to a noise issue. As of December 31, 2020, 2021 and 2022 and June 30, 2023, we had provisions for warranty of nil, RMB0.2 million, RMB2.8 million and RMB7.8 million, respectively.

As advised by our PRC Legal Advisors, according to the PRC Civil Code (《中華人民共和國民法典》), if a product has defects that cause damage to others, the manufacturer shall bear the liability for infringement, and the infringed party may request compensation from the manufacturer of the product or from the seller of the product. Where a defect is caused by the manufacturer, the seller who has paid compensation has the right to indemnification against the manufacturer. And according to the PRC Product Quality Law (《中華人民共和國產品質量法》), if a product has defects that cause personal injury or property damage (other than the damage of defective product itself), the manufacturer shall be liable for compensation. Therefore, if it is proved that a traffic accident occurred due to a defect of our product, causing personal and other property damage, we need to bear compensation responsibility. Moreover, according to the Implementing Measures for the Administrative Regulations on the Recall of Defective Auto Products (Revised in 2020) (《缺陷汽車產品召回管理條例實施辦法(2020年修訂)》), the manufacturers of automobiles and automobile trailers (the “Automobile Manufacturers”) shall be responsible for recalling defective automobiles, and we, as the auto part manufacturer, shall report information concerning defective Automobiles to the SAMR, and notify the Automobile Manufacturers. The SAMR and entrusted provincial market regulatory departments shall have the power to conduct on-the-spot investigation on the premises of auto part manufacturers, and auto part manufacturers shall render assistance during defective automobile investigation and furnish relevant information as required in the investigation. Furthermore, according to the related contract between our Company and relevant customers, our Company shall be liable for any losses caused to customers due to the quality of the products provided by our Company. Meanwhile, if a customer finds any quality problems in the products provided by our Company in such links as the receipt, inspection, use and after-sales, the customer may require our Company to replace, return the goods or repair the product, refuse to pay the purchase price, or claim compensation or other similar treatment according to actual situations.

DATA PRIVACY AND SECURITY**Data Privacy**

During the Track Record Period, we engaged a third-party map maker to record videos and collect data on certain public roads and parking lots in order to train our autonomous driving algorithms. The data was first desensitized and anonymized by the third-party map maker before being provided to us in the form of images. As a result, we had no access to raw data other than those that had been desensitized and anonymized. These data processing tasks were carried out in a test environment.

Our customers own the data collected by them and may transmit to us for OTA updates or product maintenance in the future. We will have the authorization to use desensitized and anonymized data for research and development of our autonomous driving solutions and products. Other than described above, we do not process any personal data of drivers, or any data collected during the operation of vehicles installed with our autonomous driving solutions and products, including the driving behaviors.

We store the data collected and generated in the course of business operations in Chinese mainland. In particular, the desensitized image data collected by us stored in a rented cloud server, with the cloud server node located in Shanghai and using the same city backup function. Our daily business operation data was stored in a local server room located in Suzhou. According to our data storage system, the data storage period is as follows: (i) for data with a minimum storage period specified by law, storage is carried out in accordance with the requirements; and (ii) for data with no storage period specified by law, we determine the storage period in accordance with our business strategy.

During the Track Record Period and up to the Latest Practicable Date, to the best of our knowledge, we had not encountered any material data or personal information leakage, and the data we possessed and stored had not been used in a way in violation with human rights. If the possibility of a threat to human rights subsequently arises, we will take timely measures to fully protect human rights in accordance with relevant laws and regulations and industry best practices.

Data Security

The security and protection of our operational data in accordance with the PRC Cyber Security Law are one of our highest priorities.

We have put in place comprehensive internal policies on protecting data security and have established a chief technology officer-led cyber and data compliance committee. Our internal control system focuses on data security and protection. This includes our policies regarding data security, management of data security, and data classification and categorization. Our internal control protocols cover the full lifecycle of data processing including data collection, data transportation, data storage security, data backup and recovery, data processing and risk analytics, proper use of data, data destruction and disposition.

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Set forth below are the details of the measures we have taken to protect data security.

- *Comprehensive data governance and related internal control measures.* We have achieved complete data desensitization and anonymization at the storage level and put in place a comprehensive employee confidentiality system, and data usage approval procedures to ensure security of our database. We have established an all-round information system in compliance with the proper level data security requirements. Our data protection and privacy policies are focused on ensuring that: (i) our collection of data is conducted in accordance with applicable laws and regulations, and (ii) minimize the risk of data leakage. We maintain strict control over access to data and strict assessment and approval procedures to prohibit invalid or illegitimate uses. We manage access to data based on strict necessity and maintain records of data access. Our policies require new products and services that involve access to or processing of data to be subject to assessment and approval procedures. We store data in accordance with applicable laws and regulations. As the laws and regulations relating to data security evolve, we will adjust our internal policy and procedures with respect to data security protection to ensure compliance.
- *Strict data retention policy, data architecture and encryption measures.* We use various encryption technologies at software and hardware levels to protect the transmission and storage of data, and conduct comprehensive testing and assessment to determine the efficiency of our data processing and management technologies. We have implemented logging and monitoring, data encryption, regular security audits to ensure proper recording of data operation and compliance with national data security standards. We also apply system isolation, hacker blocking and bastion host to prevent system attacks. To minimize the risk of data loss or leakage, we maintain redundancy and conduct regular data backup and data recovery tests. We also leverage our technology infrastructure, cybersecurity expertise and our database to enhance the reliability, stability and security of our data.
- *Strict data access and processing policies and related internal control measures.* We manage access to operational data based on strict necessity and maintain records of data access. Access to and operation of data will be logged and monitored and subject to review. To process data for a particular purpose, such as generating insights for our autonomous driving solutions and products, the related employees in charge of the project are required to submit an application for internal review and obtain an access approval. Further, our policies require access to or processing of certain systems or software to be subject to assessment and approval procedures by our information security committee. We require all our employees to comply with our internal policies and protect data security, and we strictly prohibit unauthorized or improper collection or use of such data.

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- *Strict enforcement of data security policies.* Our information security department will investigate the event in a timely manner and we take appropriate security measures against any abnormal or suspicious requests or behaviors. In addition, we require our employees to acknowledge and sign confidentiality agreements before entering into employment contracts. Our employees have undertaken to be liable for any illegally misuse or leakage of our data or any damage caused to us. We prohibit employees from storing any work-related documents, files or data on personal devices. We also regularly organize presentations and training sessions related to data security to strengthen employees' awareness of data security compliance.
- *Certification and accreditation of our data security management.* Our information security management system, quality management system and information technology service management system have been certified under the ISO standard. For example, we have passed IATF16949 (Automotive Quality Management Systems) and ISO 21434 (Automotive Cybersecurity Standards).
- *Algorithm governance and management.* Our algorithms primarily consist of perception, vehicle localization and controlling algorithms, which are used to support our driving and parking functions based on the fusion of semantic information and image features. During the Track Record Period and up to the Latest Practicable Date, we were not engaged in the provision of internet information services using algorithm recommendation. Therefore, as confirmed by our PRC Legal Advisors, we are not required to conduct any regulatory filing for the applications of our algorithms. We are currently establishing and implementing our internal algorithm governance measures, which include recruiting and training professionals to serve our algorithm applications, implementing technical measures as we expand our algorithm applications, and conducting regular review, evaluation and verification of the functions, models, data and applications of our algorithms.

On July 7, 2022, the CAC promulgated the Measures on Security Assessment of Cross-border Data Transfer (《數據出境安全評估辦法》) which became effective on September 1, 2022. According to the Measures on the Security Assessment of Cross-border Data Transfer, the data processor that providing personal information or important data collected and generated in the course of business operations in the Chinese mainland to overseas recipients, in any of the following circumstances, shall apply for cross-border data transfer (“CBDT”) security assessment. Such data processors include (i) data processors that provide important data abroad (境外); (ii) critical information infrastructure operators (“CIIO”) or the data processors that have processed the personal information of over one million people and provide personal information abroad (境外); (iii) data processors that have provided the personal information of over 100,000 people or the sensitive personal information of over 10,000 people cumulatively since January 1 of the previous year and provide personal information abroad (境外); and (iv) any other circumstance where an application for the security assessment of cross-border data transfer is required by the national cyberspace administration.

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During the Track Record Period and up to the Latest Practicable Date, as advised by our PRC Legal Advisors, considering that we do not have any of the above circumstances, we were not subject to Measures on the Security Assessment of Cross-border Data Transfer.

On November 14, 2021, the Draft Cyber Data Security Regulation (“**Draft Regulations**”) was released by the Cyberspace Administration of China (“**CAC**”). As of the Latest Practicable Date, the “Draft Regulations” was still a draft, and it was not clear when the effective version will be issued. The Draft Regulations cover a wide range of cyber data security issues. Most of the regulatory details under the Draft Regulations have already been embodied in the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》), the Data Security Law of the PRC (《中華人民共和國數據安全法》) and the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》). Most of the new requirements are in relation to filing and security assessment, among others. Even if the “Draft Regulations” is implemented in its current form, the processes will still need to be established by the regulatory authorities.

We adopted comprehensive data compliance measures which cover multiple aspects and multiple processes in our business and services in accordance with relative requirements of laws and regulations related to cybersecurity and data compliance in the PRC. As advised by our PRC Legal Advisors, we are in compliance with the current requirements under the Draft Regulations in all material aspects. Therefore, the implementation of the Draft Regulations in its current form will not have a material adverse impact on our Listing.

In the opinion of our PRC Legal Advisors, during the Track Record Period and up to the Latest Practicable Date, we had complied in material respects with applicable laws and regulations in the PRC on data privacy and security. Given that legislation, law enforcement and justice in the PRC on data privacy and security are still evolving, we will closely monitor further regulatory developments and take appropriate measures in a timely manner.

We have consulted with the China Cybersecurity Review Technology and Certification Center (“**CCRC**”), the organization commissioned by the Cyber Security Review Office of CAC to undertake specific cyber security reviews, of our proposed Listing over the phone, and received an explicit response that our Group does not need to take the initiative to report to the regulatory authorities for cybersecurity review. Given that as of the Latest Practicable Date (i) we did not received any notice or determination from competent PRC government authorities identifying it as a CIIO; (ii) we were not the data processor that possessed personal information of over one million users, and we intended to be listed in Hong Kong, rather than “listed overseas” (國外上市); and (iii) we had not been involved in any investigation on cybersecurity review made by the PRC government authorities or received any inquiry, notice, warning or sanctions from the PRC government authorities, we do not need to take the initiative to apply for cybersecurity review.

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Pursuant to the Draft Regulations, the applicable scope of the cybersecurity review is wider. Pursuant to Article 13 of the Draft Regulations, data processors shall, in accordance with relevant state provisions, apply for cybersecurity review when carrying out the following activities: (i) the merger, restructuring or separation of network platform operators that have acquired a large number of data resources related to national security, economic development or public interests, which affects or could affect national security; (ii) data processors that handle the personal information of more than one million people intend to be listed overseas; (iii) data processors seeking to be listed in Hong Kong that affect or may affect national security; or (iv) other data processing activities that affect or may affect national security.

As of the Latest Practicable Date, given that the Draft Regulations is still a draft, and it is not clear when the effective version will be issued, we cannot assure that we will not be deemed as “affect or may affect national security” in the future, and then be subject to a cybersecurity review initiated by the regulatory authorities.

As advised by our PRC Legal Advisors and to the best knowledge of our Company, we do not need to apply for cybersecurity review under the current regulatory regime, but it cannot be ruled out that the competent PRC government authorities initiate cybersecurity review on us. Due to the data categories and data process activities by our Company, the risk of us being required to undertake cybersecurity review is low.

COMPETITION

The market for autonomous driving solutions and products is rapidly evolving and competitive, with many potential applications under development. As a result, although we believe that we have market-leading autonomous driving technology, we face competition from a range of companies developing autonomous driving solutions and products for these applications, some of which may be similar to ours. Our primary competitors include automotive suppliers who also provide autonomous driving solutions and products.

Moreover, it is an industry practice that, during the lifecycle of an existing vehicle model, unless there are major quality defects, or major disputes between the OEMs and autonomous driving solution providers, the existing autonomous driving solution providers for a specific model will generally not be replaced, according to Frost & Sullivan. Therefore, we primarily compete with other autonomous driving solution suppliers for launching our solutions and products on OEMs’ new vehicle models.

We believe that we are strategically well-positioned in our market, and we compete with others favorably based on our advanced autonomous driving technology that provides superior performance, quality, and cost, automotive grade manufacturing process, and strong research and development capabilities. Additionally, we expect our product costs per unit to continue to decrease over time as production volume expands.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

We believe our continued growth rests on integrating social values into our business. We endeavor to utilize our autonomous driving technology and solutions to offer public welfare resources to everyone. Since the inception of our operations, we have established various environmental, social and governance initiatives to comprehensively improve our corporate governance and benefit society.

Our Board's Commitment

Our Board is responsible for evaluating and managing material ESG issues. Our Company's management is responsible for developing the Company's ESG strategy, policy and reporting, including assessing and managing environmental and climate-related risks, with oversight provided by the Board.

The management of our company is specifically in charge of (i) designating a representative who will be in charge of determining the responsibilities and authority of each department head with regard to ESG matters; (ii) approving our environmental objectives and employee training plans; (iii) making sure there are enough resources available to establish, implement, and maintain the environmental management system; (iv) assessing and mitigating our ESG risks on a regular basis; and (v) taking action in response to potential environmental accidents.

Compliance with Regulations

We are subject to evolving and increasingly stringent environmental, occupational, health and safety laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any significant accident or claim for personal or property damage made by our employees, or, as advised by our PRC Legal Advisors, subject to any material fines or other penalties due to non-compliance in relation to environmental, health or occupational safety laws and regulations, which had materially and adversely affected our financial condition or business operations.

We may be subject to more stringent compliance requirements and may incur additional costs in the future if there is any change to the existing laws or regulations. Please refer to the section headed "Regulatory Overview" and "Risk Factors" in this document for more details.

Occupational, health and safety laws and regulations

We are committed to social responsibilities and high standard of corporate governance. We are subject to various PRC laws and regulations in respect of occupational health and safety, such as the Work Safety Law of the PRC (《中華人民共和國安全生產法》). We are committed to complying with the PRC regulatory requirements to prevent and reduce the hazards and risks associated with our operations and ensuring the health and safety of our

employees and the surrounding communities. As of the Latest Practicable Date, our operations had not experienced any material incidents, nor are we aware of any claims for material personal or property damage relating to health and occupational safety.

Environmental regulation

We are subject to extensive air, water and other environmental laws and regulations in the PRC. For example, we are subject to environmental regulations such as the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》). Government agencies that are charged with enforcing these laws and regulations generally have the authority to inspect our facilities at any time.

We are also dedicated to reducing environmental impact throughout the production process. We implement various environmental protection measures, including installation of activated carbon adsorption devices to appropriately collect and dispose of manufacturing waste. We work with qualified third-party waste disposal service providers for other waste, including waste filters, waste activated carbon, waste oil and waste catalysts, among others.

For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, our expenses of compliance with the applicable environmental protection laws and regulations was approximately RMB28 thousand, RMB24 thousand, RMB20 thousand and RMB24 thousand, respectively. These costs were mainly attributable to waste disposal.

Environmental Protection

Apart from complying with local statutory requirements, we are committed to continuously enhancing our environmental and energy management systems that are certified to international standards ISO 14001: 2015. The effective guidelines and workflow of the said management systems are detailed in the Environmental Management Manual, which is clearly communicated to the employees and effectively implemented in order to improve its environmental practices and energy efficiency.

We annually review the abovementioned manual, and will inform our employees at all levels if there is any revision to the manual. As stated in the Environmental Management Manual, environmental protection is regarded as a management responsibility in which we have a strong commitment to complying with the applicable legal and other requirements. We strive to strike a balance between sustainable development and business growth. We are committed to reducing our resource consumption and production of wastes, and complying with the requirements of the ISO14001:2015 standard and all relevant environmental protection laws and regulations of the countries and regions where we operate.

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Metrics Used to Assess and Reduce Environmental Risks

We closely monitor a number of metrics to reduce the environmental risks during the process of production and operations, which primarily include:

- *Waste discharge (including hazardous waste).* We routinely keep an eye on the way our waste is discharged. In particular, (i) we monitor the recycling of solid waste on a monthly basis with the goal of reaching a 100% recycling rate; and (ii) we monitor the emission of waste gas and water on an annual basis to make sure it complies with applicable laws and regulations.
- *Noise control.* Noise would inevitably be generated due to our business nature. With the aim to minimize noise pollution and potential disturbance to the nearby community, we have implemented the noise control system that includes a number of measures to reduce and control the noise level. Noise level is monitored at least once a year to ensure that the noise level does not exceed the prescribed level under the applicable laws and regulations.
- *Air pollution control.* Relevant measures have been established to ensure that air quality in the manufacturing premises will not pose threats to the neighboring areas. We check our waste gas processing equipment on a daily basis to ensure its functionality is on the right track to eliminate waste gas emissions.
- *Water consumption.* We conduct water consumption analysis every six months. Given the geographical location of the business operations, we did not encounter any problem in sourcing water that was fit for purpose. The total water consumption intensity (m³/revenue) was below 0.0002 throughout the Track Record Period.
- *Electricity consumption.* We conduct electricity consumption analysis monthly. The total electricity consumption intensity (kWh/revenue) was below 0.03 throughout the Track Record Period.

Energy consumption

The main types of our energy we consume during our production on a daily basis include purchased electricity and fresh water. The amount of our energy and resource consumption of our production plants is as follows:

	Unit	For the Year Ended December 31,			For the Six Months
		2020	2021	2022	Ended June 30,
Purchased electricity	kWh	1,268,277	1,507,334	1,192,025	644,447 ⁽⁴⁾
Fresh water	m ³	8,834 ⁽¹⁾	5,875 ⁽²⁾	2,587 ⁽³⁾	370 ⁽⁴⁾

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Notes:

- (1) The number refers to the quantity of fresh water consumed between December 10, 2019 and December 10, 2020 as we only collect such information in the beginning of each month.
- (2) The number refers to the quantity of fresh water consumed between December 10, 2020 and December 13, 2021 as we only collect such information in the beginning of each month.
- (3) The number refers to the quantity of fresh water consumed between December 13, 2021 and December 12, 2022 as we only collect such information in the beginning of each month.
- (4) The number refers to the quantity of purchased electricity and fresh water consumed between December 12, 2022 and June 12, 2023 as we only collect such information in the beginning of each month.

Electricity consumption in our production plants increased from 2020 to 2021, primarily due to the expansion of our business. As we are committed to energy conservation, we have implemented the following measures to reduce our electricity consumption: (i) gradually disposing of all high electricity consumption equipment, such as industrial washing machines; (ii) purchasing equipment with high energy efficiency on the replacement of old equipment. For example, we transitioned to a more energy-saving air compressor model, substantially reducing our electricity consumption; (iii) conducting electricity consumption analysis at our manufacturing premises; (iv) requiring employees to switch off all idle machinery, appliances and unnecessary lighting upon leaving the manufacturing premises and offices; and (v) posting eye-catching reminders near lights switcher as a reminder to employees. As a result, we successfully reduced the electricity consumption in our production plants in 2022, and maintained a relatively stable level in the first half of 2023. Water consumption in our production plants decreased consistently during the Track Record Period, primarily because we gradually disposed of all high water consumption equipment, such as industrial washing machines. Furthermore, we endeavored to enhance our water management and control and implemented several measures to reduce water consumption, including (i) conducting water consumption analysis at our manufacturing facilities, and (ii) posting water-saving banners around our offices and manufacturing facilities.

We intend to continually reduce the level of our energy consumption. We target to gradually reduce the consumptions of production utilities in the following years. We will implement the following measures:

- carrying out capacity improvement, flexible manufacturing, replacement of old equipment and technological transformation;
- reasonably planning administrative vehicles, reducing the use of administrative vehicles, advocating the use of public transport and NEVs, and reducing gasoline consumption;
- clarifying the energy management responsibility system by assigning relevant responsibilities to individuals and setting up an energy management team;

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- monitoring the overall energy consumption of each unit regularly, detecting and analyzing abnormal energy consumption timely, adopting special countermeasures and a reward and punishment system, and realizing scientific management;
- promoting the application of new technologies, processes, and equipment for saving energy, while actively eliminating production lines with high energy consumption and backward production capacity, and taking energy efficiency indicators into consideration in the equipment procurement process;
- evaluating the lighting effect in the production facility and office area scientifically, and replacing the lighting equipment with LED lights or other energy-saving lightings without affecting our production and operation; and
- strengthening the education and training relating to energy emission reduction for all employees.

Biodegradability/recyclability of the materials used in the production of our products

The materials we used in the production of our products include both degradable and non-degradable materials. The degradable materials mainly include paper packaging materials and metal. The other materials such as plastic used in packaging and containers are non-degradable materials. In general, materials used in our products primarily include metal like aluminium alloy, epoxy resin, fiberglass, silicon, paper and plastic. In particular, we do not use any heavy metal materials in our products. We prefer environmental-friendly materials to eliminate the impact of harmful materials from the source. We strive to use recyclable and green materials whenever possible in order to reduce pollution and emissions. We also adopt a variety of processes to reduce residual levels of hazardous materials in production and contracted a qualified third party to dispose of such residual. In addition, we will recycle or reuse the expired unused materials to the extent applicable to avoid causing pollutions.

Waste discharge

Our main non-hazardous wastes are garbage and kitchen waste generated by our offices and the leftovers from our productions. The garbage and kitchen waste are collected and processed by the property management company of the industrial park where our headquarters is located. The amount of hazardous waste we discharged during the Track Record Period are as follows:

Type of discharges	Waste description	Unit	For the Year Ended December 31,			For the Six Months
			2020	2021	2022	Ended June 30, 2023
Hazardous waste	Leftover from production	Ton	0.35	1.28	0.77	0.32

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During the Track Record Period, hazardous waste we discharged primarily represents leftover from production, which includes wasted filters, organic solvent detergents, and empty chemical containers, among others. The volume of hazardous waste we discharged increased from 2020 to 2021, due to the expansion of our business operations. In an effort to improve the production efficiency with an intention to diminish the generation of hazardous waste, we refined our manufacturing procedures and incorporated environmental considerations in our supplier review process. For instance, we prefer suppliers offering materials that can meet the environmental requirements from our customers and/or us and suppliers not having incurred any environmental incidents during the reviewed period. As a result, the quantity of hazardous waste we discharged declined from 2021 to 2022, and further to the first half of 2023 when calculating at the pro rata basis.

We endeavor to reduce the waste and sewage we produce. In particular, we target to reach 100% harmless transfer rate of hazardous wastes and gradually reduce the per unit output value of certain waste consumables in the following years. To this end, we are implementing the following measures:

- disposing hazardous waste regularly by a qualified third-party enterprise, and signing a disposal agreement will be every year;
- adopting measures such as adjusting product structure or production technology so that we may reduce the amount of hazardous waste generated; and
- evaluating and monitoring the concentration of pollutants in the discharged sewage to ensure we meet relevant discharging standards.

Social Responsibility

Product Safety and Continuous Improvement

We are committed to ensuring the safety of our autonomous driving solutions on the road. To accomplish this, our team of engineers works constantly to ensure that our systems are always as secure as possible. And we believe that we cannot work alone to design and build inherently secure systems. We collaborate closely with the OEMs to take advantage of their collective expertise and diversity of thought. OTA updates are carried out in collaboration with OEMs. These updates added new features and functionality, making vehicles equipped with our autonomous driving solutions smarter and safer.

Board and Management Diversity

We have 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 our 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. With

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respect to gender diversity, Ms. XUE, Rui Shirley and Ms. LIU Fang, having extensive experience in their respective field, contribute to gender diversity of our Board and our senior management. While we recognize that gender diversity of our Company can be improved given that one out of nine of our Directors and one out of four of our senior management member are female upon the Listing, we will continue to take steps to promote gender diversity at the Board of our Company. After the Listing, we will strive to achieve gender balance of the Board through certain measures to be implemented by our nomination committee in accordance with our board diversity policy. In particular, we will actively identify female individuals suitably qualified to become our Board members. To further ensure gender diversity in a long run, our Nomination Committee will periodically review our board diversity policy and its implementation to ensure its implementation and monitor its continued effectiveness, and the same will be disclosed in our corporate governance report, including any measurable objectives set for implementing the board diversity policy and the progress on achieving these objectives on an annual basis. When we hire additional personnel in line with our production expansions, we will also take into consideration factors such as gender diversity and gender balance among our workforces.

EMPLOYEES

As of December 31, 2020, 2021 and 2022 and June 30, 2023, we had 145, 204, 331 and 337 full-time employees, respectively, all of whom were based in the PRC. The following table sets forth the numbers of our employees categorized by function as of June 30, 2023:

Function	As of June 30, 2023	
	Number of Employees	% of Total
Research and development	250	74.2%
Business operation	45	13.4%
General and administration	25	7.4%
Sales	10	3.0%
Finance	7	2.1%
Total	337	100.0%

As required by laws and regulations in China, we participate in various employee social security plans that are organized by municipal and provincial governments, including, among other things, pension, medical insurance, unemployment insurance, maternity insurance, on-the-job injury insurance and housing fund plans through a benefit contribution plan. We are required under PRC law to make contributions to employee benefit plans at specified

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percentages of the salaries, bonuses and certain allowances of our staff, up to a maximum amount specified by the local government from time to time. See “Risk Factors — We have not made adequate contributions to the social insurance and housing provident fund, which could subject us to penalties.”

We are committed to establishing a competitive and fair remuneration. In order to effectively motivate our staff, we continually refine our remuneration and incentive policies through market research. We conduct annual performance evaluation for our employees to provide feedback on their performance. Compensation for our staff typically consists of base salary and a performance-based bonus.

We typically enter into standard employment agreements and confidentiality agreements or clauses with our senior management and core personnel. These contracts include a standard non-compete covenant that prohibits the employee from competing with us, directly or indirectly, during his or her employment and for two years after termination of his or her employment. We maintain a good working relationship with our employees, and we have not experienced any material labor disputes.

We continuously invest in the training and career development of young talents. We have always striven to provide our engineers and other employees with comprehensive social benefits, a diverse work environment and a wide range of career development opportunities. We are committed to providing a safe and healthy workplace, which is backed by strict policies, robust team member education and safety recognition awards, along with continued investments in technology. We support the physical and behavioral health and well-being of our team members and their families by providing an array of programs that help our people and their loved ones stay at their best level of health. We believe that everyone deserves respect. We are committed to the education, recruitment, development and advancement of diverse team members nationwide, and are recognized for our commitment to those efforts. We not only focus on the improvement of employees’ professional development, but have made efforts to incentivize our employees to have a “sense of goals” and “sense of fulfillment.” Additionally, we place special emphasis on the building of a talent pipeline and cohesive organizational culture. We have established a comprehensive system for employee training and development, covering leadership, general competencies, professional competencies, and others. Our comprehensive training program includes corporate culture, employee rights and responsibilities, team building, professional behavior, job performance, management skills, leadership, and administrative decision-making.

PROPERTIES

Our corporate headquarters is located in Suzhou, Jiangsu Province. As of the Latest Practicable Date, we owned land use rights with respect to a parcel of land in Suzhou, Jiangsu Province of approximately 17,202.84 square meters with land use rights expiring in 2051, and leased eight properties in the PRC with an aggregate gross floor area of approximately 9,505.77 square meters. Our leased properties in the PRC are primarily used for offices and production facilities. The relevant lease agreements expire between 2024 and 2025. We believe that our

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existing facilities are generally adequate to meet our current needs, but we expect to seek additional space as needed to accommodate future growth, especially as we expand our production facilities and sales network nationwide.

As of the Latest Practicable Date, we had not completed lease registration for eight leased properties in China. For any of our leased buildings with any of the aforementioned defects, we believe we are able to find comparable properties as alternatives at commercially acceptable terms to us if we must stop occupying any of these leased buildings, without any delay, significant costs and interruption to our business. As advised by our PRC Legal Advisors, failure to register lease agreements would not affect the validity and enforceability of such lease agreements. However, if we and the landlords fail to register such lease agreements as required by the relevant competent authorities, we may be subject to a fine of RMB1,000 to RMB10,000 for each of the unregistered lease agreements. As of the Latest Practicable Date, we had not been subject to any administrative penalties by the relevant competent authorities. As advised by our PRC Legal Advisors, the defects of such leased properties would not materially and adversely affect our business. For details, see “Risk Factors — Risks Relating to Our Business and Industry — Legal defects regarding some of our leased properties may adversely affect our business, financial condition and results of operations.”

As of June 30, 2023, none of the properties leased by us had a carrying amount of 15% or more of our combined total assets. 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, this prospectus is exempt from the requirements of section 342(1)(b) of the Companies (Winding up and Miscellaneous Provisions) Ordinance to include all interests in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance.

INSURANCE

We consider our insurance coverage to be adequate as we have in place all the mandatory insurance policies required by Chinese laws and regulations and, according to Frost & Sullivan in accordance with the commercial practices in the industries in which we operate. For social security insurance, our coverage is in line with the market practice as we cover all the mandatory social security insurances required by Chinese laws and regulations. For business interruption insurance, our coverage is consistent with the industry’s practice, considering that certain companies in the same industry do not maintain any business interruption insurance as well. For product liability insurance, as of the Latest Practicable Date, we were in the process of negotiation with insurance companies to purchase product liability insurance. We provide social security insurance, including pension insurance, unemployment insurance, work-related injury insurance, maternity insurance and social health insurance for our employees. We do not maintain any business interruption insurance, which is not mandatory under the relevant laws of the Chinese mainland and we believe it is in line with general market practice. We do not maintain key-man life insurance or insurance policies covering damages to our IT

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infrastructure or information technology systems and we have not engaged in any product liability insurance contract during the Track Record Period. See “Risk Factors — Risks Relating to Our Business and Industry — We may not have sufficient insurance coverage to cover our business risks.”

IMPACT OF THE COVID-19 PANDEMIC

Since December 2019, a novel strain of COVID-19, has severely impacted China and many other countries. However, the outbreak of COVID-19 has not had any material adverse impact on our operations and financial performance during the Track Record Period and up to the Latest Practicable Date, primarily taking into consideration (i) the fact that during the Track Record Period and up to the Latest Practicable Date, there was no cancellation or postponement of contracts/projects because of the COVID-19 pandemic; (ii) the fact that we implemented various measures and managed to navigate through the challenges posed by the global shortage of semiconductor chips; (iii) the fact that we did not experience any material shortage of labor; and (iv) we experienced significant revenue growth during the Track Record Period.

As of the Latest Practicable Date, we were closely monitoring the development of COVID-19. See “Risk factors — Risks related to our business and Industry — We face risks related to natural disasters, health epidemics and other outbreaks beyond our control, which presents challenges to our business.”

IMPACT OF THE GLOBAL SHORTAGE OF SEMICONDUCTOR CHIPS

Historically, we have experienced difficulty in securing sufficient and prompt automotive-grade power management chip supplies for iDC series and iFC series due to disruptions in supply chains and logistics caused by the COVID-19 outbreak. In addition, due to the global shortage of semiconductor chips, Mobileye had to source substitute components to maintain a stable supply. In this regard, tripartite product waivers have been entered into in 2021 and 2022, among Geely Group, our Company and Mobileye. For details, see “— Our Customers — Our Relationship with Geely Group.” Taking into considerations (i) the limited sales volume of iDC and iFC series during the Track Record Period, (ii) the fact that our business operations were not materially affected by the tripartite product waivers, and (iii) the fact that we implemented various measures and managed to navigate through the challenges posed by the global shortage of semiconductor chips, we had not experienced significant constraints on supply chain during the Track Record Period and up to the Latest Practicable Date. We had not experienced significant increases in our procurement costs as a result of the global shortage of semiconductor chips, nor had we experienced any material increase in prices of semiconductor chips or suffered any production suspension due to a disruption in the supply chain during the Track Record Period and up to the Latest Practicable Date. As of the Latest Practicable Date, according to Frost & Sullivan, the global supply of semiconductor chips had returned to normal.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

From time to time, we may be subject to legal proceedings, investigations and claims arising in the ordinary course of our business. During the Track Record Period and up to the Latest Practicable Date, we had not been and were not a party to any material legal, arbitral or administrative proceedings, and we were not aware of any pending or threatened legal, arbitral or administrative proceedings 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.

Compliance

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material noncompliance incidents that have led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material product recall and return.

Compliance with Regulations on the U.S. Chip Export Restrictions

U.S. Chip Export Restrictions and the Interim Final Rule (“IFR”)

The BIS controls exports and reexports of commercial and dual-use products, software and technology (collectively, “**Items**”). These controls are implemented by the EAR. The EAR applies to (i) U.S.-origin Items wherever located, (ii) exports of Items from the United States (irrespective of their origin) to foreign countries, (iii) reexports of U.S.-origin Items from one foreign country to another, and (iv) shipments from one foreign country to another of foreign-made Items that are subject to the EAR either because (a) they incorporate more than de minimis amount of controlled U.S.-origin parts, components or materials, or (b) they are the foreign direct product of certain controlled U.S. technology or software. The export, reexport or transfer (in-country) of Items subject to the jurisdiction of the EAR (as described in (i)-(iv) above) must comply with licensing requirements related to the end-destination, the end-users and the end-use of the Items when applicable.

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On October 7, 2022, BIS issued the IFR amending the EAR as it relates to exports, reexports or transfers (in-country) of U.S. and foreign-made Items to Mainland China and Hong Kong (and later adding Macau), as well as related end uses and the activities of “U.S. persons,” (“U.S. persons” include any individual who is a U.S. Citizen or permanent resident alien, and any entity organized under U.S. Law) in the semiconductor and supercomputer manufacturing industries. These included:

- Adding new export control classification numbers (“ECCN”), 3A090 and 4A090, to control certain high performance integrated circuits (“ICs”), computers, electronic assemblies, and components that are subject to the EAR which are prohibited, without a license, from being exported, reexported or transferred (in-country) to or within Mainland China, Hong Kong SAR, and Macau SAR;
- Adding two new foreign direct product rules (“FDP Rules”) and the expansion of the Entity List FDP Rule, which collectively expanded U.S. export control laws to capture under the jurisdiction of the EAR certain foreign-made Items that are developed from specific U.S. technology or software, or from a plant or equipment (including test equipment) that itself was developed from specific U.S. technology or software. Such foreign-made Items were not subject to the EAR prior to the expansion implemented by the IFR. Foreign-made Items captured by these rules are subject to export licensing requirements when destined for certain end-users (i.e., certain parties designated on BIS’ Entity List) or certain end-uses in the advanced computing and supercomputer industries in Mainland China, Hong Kong SAR or Macau SAR;
- Adding a specific designation (i.e., footnote 4 on the Entity List) to 28 Chinese parties on BIS’ Entity List such that transactions with these parties are subject to the broader EAR jurisdiction, and associated export licensing requirements, imposed by the Entity List FDP Rule and related Entity List restrictions;
- Adding an export license requirement for the export, reexport or transfer (in-country) of (i) certain Items subject to EAR and classified under particular ECCNs, or (ii) certain semiconductor manufacturing end-uses Items subject to the EAR, where the (i) or (ii) items are destined to Mainland China, Hong Kong SAR or Macau SAR for certain supercomputer or for semiconductor manufacturing end-uses; and
- Adding an export license requirement for any U.S. persons (both individuals and legal entities) whose activities support the advanced computing or semiconductor manufacturing end-uses discussed above.

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As summarized above, the IFR implemented a number of key changes, including: (i) the addition of four new ECCNs to the Commerce Control List (“CCL”); (ii) application of new unilateral controls on exports to Mainland China, Hong Kong SAR or Macau SAR of certain advanced computing chips and computers and electronic assemblies incorporating the ICs that are now subject to the EAR; (iii) imposition of new end-use and end-user-based restrictions on exports, reexports, and in-country transfers of Items subject to the EAR that are intended for use in semiconductor fabrication facilities in Mainland China, Hong Kong SAR or Macau SAR or in “supercomputers” located in or destined for Mainland China, Hong Kong SAR or Macau SAR; and (iv) the revision of one and creation of two new FDP Rules designed to capture more foreign-made Items within the scope of the EAR.

The updated section 744.23 of the EAR imposes license requirements where an exporter, reexporter or transferor knows or has reason to know that certain Items subject to the EAR are intended for a “supercomputer” end-use or are intended for semiconductor manufacturing end-uses. No license exceptions are available to overcome these restrictions.

In particular, section 744.23 provides a detailed outline of the circumstances, encompassing the scope of products and end-uses, that require an export license for the purposes of export, reexport, or transfer (in-country), which covers:

- (i) an IC subject to the EAR and specified in ECCNs 3A001 (e.g. radiation hardened integrated circuits, Monolithic Microwave ICs, analog-to-digital and digital-to-analog integrated circuits, and field programmable gate arrays), 3A991 (e.g. storage integrated circuits; field programmable gate arrays, flexible waveguide; integrated circuits having a processing performance of 8 TOPS or more), 4A994 (e.g. computers with extended operating temperature range, hybrid computers, and electronic assemblies), 5A002 (e.g. information security systems/equipment/devices/components, and information security equipment), 5A004 (e.g. information security defeating, weakening or bypassing systems, equipment and components, and cyber hacking systems, equipment and components), or 5A992 (e.g. mass market information security equipment and components, mass market cryptanalytic systems, equipment and components, and mass market cryptographic equipment and components), if there is “knowledge” the Item will be used for the “development,” “production,” “use,” operation, installation (including on-site installation), maintenance (checking), repair, overhaul or refurbishing of a “supercomputer” located in or destined to Mainland China, Hong Kong SAR or Macau SAR;
- (ii) a computer, “electronic assembly” or “component” subject to the EAR and specified in ECCNs 4A003 (e.g. digital computers, signal processing digital computers, and vector processors digital computers), 4A004 (e.g. array processors/assemblies), 4A994, 5A002, 5A004, or 5A992, if there is “knowledge” that such Items will be incorporated into or used in the “development” or “production” of any “component” or “equipment” that will be used in a “supercomputer” located in or destined to Mainland China, Hong Kong SAR or Macau SAR;

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- (iii) any Item subject to the EAR if there is “knowledge” that the Item will be used in the “development” or “production” of ICs at a semiconductor fabrication “facility” located in Mainland China, Hong Kong SAR or Macau SAR that fabricates ICs meeting certain criteria;
- (iv) any Item subject to the EAR and classified in any ECCN in Product Groups B, C, D, or E in Category 3 when there is “knowledge” that the Item will be used in the “development” or “production” of ICs at any semiconductor fabrication “facility” located in Mainland China, Hong Kong SAR or Macau SAR, but one does not know whether such semiconductor fabrication “facility” fabricates ICs that meet certain criteria; and
- (v) any Item subject to the EAR when there is “knowledge” that the Item will be used in the “development” or “production” in Mainland China, Hong Kong SAR or Macau SAR of any “parts,” “components” or “equipment” specified under ECCNs 3B001 (e.g. epitaxial growth equipment, semiconductor device or material manufacturing equipment), 3B002 (e.g. test equipment specially designed for testing finished or unfinished semiconductor devices), 3B090 (e.g. semiconductor manufacturing deposition equipment not described in 3B001), 3B611 (e.g. test, inspection, and production commodities for military electronics), 3B991 (e.g. equipment “specially designed” for the manufacture of semiconductor devices, integrated circuits and electronic assemblies, masks, mask substrates and mask-making equipment), or 3B992 (e.g. electronic components and materials inspection or testing equipment, components and accessories).

Furthermore, section 744.21 of the EAR prohibits the export, reexport or transfer (in-country) of certain Items subject to the EAR if the party has “knowledge,” that the Item is destined for a “military end use” or a “military end user” in Burma, Cambodia, China or Venezuela. Section 744.21 of the EAR also prohibits the export, reexport, or transfer (in-country) of any Item subject to the EAR if the party has “knowledge” that the Item is destined for a “military end use” or “military end user” in Russia or Belarus. Section 744.22 of the EAR prohibits the export, reexport or transfer (in-country) of any Items subject to the EAR if the party has “knowledge” that the Item is intended for a “military-intelligence end use” or “military-intelligence end user” in Belarus, Burma, Cambodia, China, Russia or Venezuela, or certain specified “military intelligence end users,” of such countries, wherever located.

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Application to the Group

During the Track Record Period, several products we procured were subject to the EAR, including:

- (i) as confirmed by Mobileye, certain hardware and software used in SuperVision™, which include (a) the ADCU (classified as 4A994.l); (b) the EyeQ®5H SoC (classified as 3A991.p); and (c) the software and algorithms embedded and bundled with the ADCU (classified as 4D994); and
- (ii) the chips we procured and used in our iDC and iFC series, which were classified as 5A992.c, 3A991 or EAR99.

Based on information available, these products that are subject to the EAR do not meet or surpass the performance thresholds specified in ECCN 3A090 or 4A090, nor do they fall under other highly controlled ECCNs on the CCL that require a license for their export, reexport, or transfer (in-country) to Mainland China, Hong Kong SAR, or Macau SAR, unless involving Sanctioned Targets or being intended for certain prohibited end-uses as outlined in the U.S. Chip Export Restrictions.

As advised by our legal advisors as to U.S. export control laws, these components are subject to control solely under the EAR for entities designated on the BIS Entity List, Denied Persons List, or Unverified List. Additionally, they are applicable to entities headquartered in, ordinarily resident in, or owned or controlled by governments of countries or regions subject to comprehensive trade embargoes under U.S. export controls. Currently, these countries include the Crimea region, Cuba, Iran, North Korea, Syria, the so-called Luhansk People's Republic (LPR), and Donetsk People's Republic (DPR), as well as Russia and Belarus. These entities involved are collectively referred to as "**Sanctioned Targets.**" Moreover, in the case of 3A991, 4A994, 5A992, and EAR99 components, they are only controlled for anti-terrorism reasons and thus only subject to a license requirement for export, reexports or transfers (in-country) to Sanctioned Targets or restricted under the U.S. Chip Export Restrictions if intended for use in Mainland China, Hong Kong SAR, or Macau SAR for certain prohibited end-uses as discussed above.

As advised by our legal advisors as to U.S. export control laws, during the Track Record Period and up to the Latest Practicable Date, (i) none of our customers had been designated as Sanctioned Targets; and (ii) our activities did not involve operations or transactions that have violated or would violate the EAR restrictions on the end-uses as set forth in the U.S. Chip Export Restrictions. Therefore, our business activities are not currently affected by U.S. export control laws in any material respect.

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Furthermore, because the Items subject to the EAR that we procure to date are (1) software which we can replace with self-developed software, or (2) medium-capacity chips commonly used in the automotive industry and classified under ECCNs 5A992.c and 3A991 or as EAR99, our legal advisor as to U.S. export control laws is of the view that the likelihood that our business activities will be captured by future revisions to U.S. export controls appears generally low.

In order to address the uncertainty surrounding this matter, we have taken several measures in view of the regulations pertaining to U.S. chip export restrictions. Firstly, we conduct a thorough assessment of the supply chain, including assessing the information of the products that we procure (to the extent that such information is provided to us by the suppliers) and reviewing relevant contractual terms, when sourcing from overseas suppliers. Secondly, our compliance department consistently checks the backgrounds of our customers and suppliers to identify and manage any potential legal compliance risks. Thirdly, we have also enhanced our internal control policies in response to compliance-related incidents. According to our internal control measures, we shall continuously monitor changes in various countries' sanction laws, including the U.S. chip export restrictions. We shall clarify the scope of sanctions and exemptions, monitor potential risks, and establish risk contingency plans. We shall regularly check if our counterparts in ongoing transactions are listed on the sanctions list to avoid engaging in business relationships with entities carrying high specific risks. In the event of compliance incidents, such as the expansion to the scope of the U.S. Chip Restrictions resulting in our procurement of certain chips, software or other components used in our products a violation of the EAR, we shall establish an incident management task force to conduct a comprehensive analysis of the impact and refer to previously prepared risk contingency measures for a response.

We believe that we can find domestically produced alternatives for the chips or deploy other self-developed software used in our products that fall under the EAR. In particular, in connection with chips, we have conducted extensive market research on domestic chip manufacturers, focusing on various chip types utilized in our products. For interface chips including Ethernet, controller area network receiver and serializer/deserializer, there have been established domestic Chinese chip-makers with mass production capabilities, which may be capable of replacing overseas chip-makers after necessary verification of the relevant products. For double data rate synchronous dynamic random access memory, embedded multimedia card and power management chips, a few domestic Chinese chip-makers have launched respective chips. According to Frost & Sullivan, although there may be a performance gap compared to imported chips, these domestically produced chips are generally able to meet the basic requirements of our products. With the continuous improvement in feature and quality, such domestically produced products have the potential to be comparable to imported chips. For automotive-grade SoC chips, according to Frost & Sullivan, there are various domestic Chinese chip-makers that have achieved mass delivery of chips comparable in function to imported ones. We have conducted evaluations of relevant products from certain domestic Chinese chip-makers and expect to initiate the design of products equipped with domestic automotive-grade SoCs in the second half of 2023. As of the Latest Practicable Date, we had registered

more than 20 patents and owned more than 20 copyrights for our self-developed software that can be used in autonomous driving system/solutions. Such software are expected to generally be able to meet the basic requirements of our products.

However, we cannot be certain as to the direction the U.S. government may take on additional controls related to semiconductor products or other software deployed. If the U.S. export control restrictions heighten to the extent where Mobileye can no longer export the necessary hardware and software used in SuperVision™, we will need to source new chips and/or software, or collaborate with Mobileye or other suppliers as an alternative. If new chips and/or software were to be used, the resulting new product may not be accepted by our existing or potential customers, and our business, results of operations, and financial condition would be adversely affected. For the risk we face in relation to U.S. export controls, see “Risk Factors — We could be adversely affected as a result of any transactions we make with certain entities or in certain industries that are, or become subject to, sanctions and export controls administered by the United States and other relevant sanctions authorities.”

Compliance with Regulations on the List of Unreliable Entities

According to the Head of the Treaty and Law Department of the MOFCOM’s Responses to Journalists’ Questions on the Regulations on the List of Unreliable Entities on September 25, 2020 (商務部條約法律司負責人就<不可靠實體清單規定>答記者問) (“**Responses to Journalists’ Questions in 2020**”), the procedure of designating a foreign entity onto the List of Unreliable Entities (“**List**”) is transparent and standardized, and the initiation of investigation procedures, the procedure of designating a foreign entity onto the List and the measures for the designated unreliable entities should be announced in accordance with the Regulations on the List of Unreliable Entities (《不可靠實體清單規定》). We will continue to pay close attention to the announcements related to unreliable entities and relevant new policies and regulations issued by the MOFCOM. If it is found that any foreign entity that we have cooperated with or intend to cooperate with is under any risk of being designated onto the List, we will timely develop solutions and adjustments, such as finding alternative cooperative partners. See “Risk Factors — Changes in international relationships and trade policies may adversely impact our business, financial condition, and results of operations.”

According to the Responses to Journalists’ Questions in 2020, the scope of application of the Regulations on the List of Unreliable Entities is strictly limited, targeting very few illegal foreign entities, and will not be arbitrarily expanded. On February 17, 2023, the Press Spokesperson of MOFCOM’s Responses to Journalists’ Questions on the List of Unreliable Entities (商務部新聞發言人就不可靠實體清單有關問題答記者問) reiterated this principle and stated that there is no need for foreign invested enterprises to worry.

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According to the Working Mechanism Announcement on the List of Unreliable Entities ([2023] No. 1) (不可靠實體清單工作機制公告[2023]1號) published by the MOFCOM on February 16, 2023, as of the Latest Practicable Date, there were two foreign entities, Lockheed Martin Corporation (洛克希德•馬丁公司) and Raytheon Missiles & Defense (雷神導彈與防務公司) being designated on the List (collectively as the “**Unreliable Entities**”). As of the Latest Practicable Date, we had no business cooperation or transaction with the Unreliable Entities, nor did we have any plans to conduct any business cooperation or transaction with the Unreliable Entities.

Based on the above, our PRC Legal Advisors advised us that as of the Latest Practicable Date, the Regulations on the List of Unreliable Entities did not have a material adverse effect on our business, financial condition and results of operations.

Compliance with Regulations on Contribution to the Social Insurance and Housing Provident Fund

During the Track Record Period, we failed to make adequate social insurance and housing provident fund contributions for some of our employees. For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, we made provisions of RMB0.2 million, RMB0.2 million, RMB0.2 million, RMB0.1 million and a reversal of RMB0.1 million for the social insurance and housing provident fund contribution shortfall, respectively. We recorded a reversal of RMB0.1 million for provisions for our social insurance and housing provident fund contributions for the six months ended June 30, 2023, primarily as a result of the ongoing rectification and the leave of certain employees, for whom we believe in the low possibility of being required to supplement the shortfall. We did not make full social insurance and housing provident fund contributions for these employees primarily because of the lack of experience of our human resources personnel who did not fully understand the relevant requirements of the relevant PRC laws and regulations, and the preference of some of our employees not to contribute to such fund.

As advised by our PRC Legal Advisers, pursuant to relevant Chinese laws and regulations, the maximum potential penalties would equal to three times of the shortfall of our social insurance contribution and an overdue payment fine at the rate of 0.05% per day as of the date of indebtedness if we failed to make required social insurance payment within the prescribed period as required by the government. For the housing provident fund, the government may order us to pay the outstanding amounts within the prescribed time period, and they may apply to a competent court for enforcement of the outstanding amounts if we fail to do so. Calculated based on the aggregate shortfall of our social insurance and housing provident contribution as of June 30, 2023, the maximum potential liability that we may be exposed to is approximately RMB3.2 million. Pursuant to the Urgent Notice on Implementing the Spirit of the Executive Meeting of the State Council in Stabilizing the Collection of Social Security Contributions (《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》 issued by the Ministry of Human Resources and Social Security on September 21, 2018, it is strictly prohibited for the relevant authorities to collectively initiate and proactively collect historical outstanding social security contributions from enterprises. We have also

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obtained the relevant compliance certificates of social insurance and housing provident fund. As of the Latest Practicable Date, we had not received any notice from the competent authorities ordering rectification or deadline for payment of outstanding fees or administrative penalties in respect of social insurance and housing provident fund, and have not received any reports or complaints from employees. Having considered the aforementioned relevant PRC laws and regulations and given the advice from our PRC Legal Advisers, this non-compliant incident did not have a material and adverse effect on our business operation and financial performance during the Track Record Period and up to the Latest Practicable Date.

We are in the process of rectifying the non-compliance matter by enhancing our internal control measures, including that (i) we plan to adjust the payment base for all employees' social insurance and housing provident funds contributions in batches to make full contribution in compliance with the applicable laws and regulations and considering the time and resources for us to negotiate with the relevant employees and enhance internal procedures, such adjustments are expected to be completed in January 2024; (ii) we will also enhance our internal policies and procedures to ensure compliance with the relevant laws and regulations; and (iii) we plan to conduct regular internal trainings for our Directors, members of senior management and employees responsible human resource matters on the relevant laws and regulations as well as any regulatory updates.

RISK MANAGEMENT AND INTERNAL CONTROL

We have devoted ourselves to establishing and maintaining risk management and internal control systems consisting of policies and procedures that we consider to be appropriate for our business operations, and we are dedicated to continuously improving these systems. We continually review the implementation of our risk management and internal control policies and procedures to enhance their effectiveness and sufficiency.

Financial Reporting Risk Management

We have in place a set of accounting policies in connection with our financial reporting risk management. We have various procedures in place to implement accounting policies, and our financial department reviews our management accounts based on such procedures. We also provide regular training to our finance department employees to ensure that they understand our financial management and accounting policies and implement them in our daily operations.

Internal Control Risk Management

We have designed and adopted strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations. Our compliance team works closely with our finance and business departments to: (a) perform risk assessments and advise risk management strategies; (b) improve business process efficiency and monitor internal control effectiveness; and (c) promote risk awareness throughout our Company. We maintain internal procedures to ensure that we have obtained all material requisite licenses, permits and approvals for our business operation, and our internal control team will review and monitor the

status and effectiveness of those licenses and approvals. Our compliance team works with relevant business departments to obtain requisite governmental approvals or consents for filing with relevant government authorities.

Human Resources Risk Management

We provide regular and specialized training tailored to the needs of our employees in different departments. Through these trainings, we ensure that our staff's skill sets remain up-to-date and enable them to discover and meet our customers' needs. We have in place an employee handbook approved by our management and distributed to all our employees, which contains internal rules and guidelines regarding best commercial practice, work ethics, fraud prevention mechanism, negligence and corruption. We also provide employees with resources for explanation on guidelines contained in the employee handbook.

We also have in place a code of business conduct and ethics, and an anti-bribery and corruption policy approved by our board of directors, providing to our employees the best commercial practice and work ethics as well as our anti-bribery guidance and measures. We make our internal reporting channel open and available to our staff for any wrongdoing or misconduct. Reported incidents and persons will be investigated and appropriate measures will be taken in response to the findings.

Audit Committee Experience and Qualification and Board Oversight

We have established an audit committee to monitor the implementation of our risk management policies across our Company on an ongoing basis to ensure that our internal control system is effective in identifying, managing, and mitigating risks involved in our business operations. The audit committee consists of three members, namely Mr. LIU Yong, Dr. ZHANG Weigong and Ms. XUE, Rui Shirley, all being independent non-executive Directors. For the professional qualifications and experiences of the members of our audit committee, see "Directors, Supervisors and Senior Management — Board Committees."

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

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LICENSES, APPROVALS AND PERMITS

In the opinion of our PRC Legal Advisors, we had obtained all licenses and certificates that are material to our operations throughout the Track Record Period and up to the Latest Practicable Date.

We renew all such permits and licenses from time to time to comply with the relevant PRC laws and regulations. The table below sets forth the relevant details of the material licenses required for our operations:

The following table sets forth a list of our material licenses, approvals and certificates.

<u>No.</u>	<u>Holder</u>	<u>Name of License, Approval and Permit</u>	<u>Expiration Date</u>
1	Our Company	Custom Registration Certificate for Declaration Units of the PRC	N/A
2	iMotion Electronics	Custom Registration Certificate for Declaration Units of the PRC	N/A
3	iMotion Electronics	Radiation Safety License	February 19, 2028

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

As of the Latest Practicable Date, Mr. SONG Yang, our founder, Chairman, executive Director and chief executive officer, directly and indirectly (through Lanchi Platform, Zichi Platform, Suzhou Hongchi and Suzhou Luchi), was entitled to exercise the voting rights attaching to approximately 39.9% of the issued share capital of our Company.

Immediately following the completion of the Global Offering, Mr. SONG Yang, directly and indirectly (through Lanchi Platform, Zichi Platform, Suzhou Hongchi and Suzhou Luchi), will be entitled to exercise the voting rights attaching to approximately 36.0% of the issued share capital of our Company. Accordingly, upon completion of the Global Offering, Mr. SONG Yang, Lanchi Platform, Zichi Platform, Suzhou Hongchi and Suzhou Luchi will collectively constitute a group of Controlling Shareholders of our Company. Please see “Directors, Supervisors and Senior Management” and “History and Corporate Structure” for more information about our Controlling Shareholders.

COMPETITION

Each of our Controlling Shareholders and Directors has confirmed that he or she or it or his or her or its respective close associates do not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, and which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently from our Controlling Shareholders after the Listing.

Management Independence

Our business is managed and conducted by our Board and senior management. Our Board consists of three executive Directors, three non-executive Directors and three independent non-executive Directors. The Directors believe that the Board and senior management of our Company are able to operate our business independently of our Controlling Shareholders for the following reasons:

- (i) our Directors are aware of their fiduciary duties as a director, which require, among other things, that they act for the benefit and in the interest of our Company and all our Shareholders as a whole and do not allow any conflict between their duties as a Director and their personal interests;
- (ii) our daily management and operations are carried out by our three executive Directors and senior management team. As of the Latest Practicable, except for Mr. SONG Yang, none of them holds any management position in our Controlling Shareholders’ associates. They also have substantial experience in the industry in which our Company is engaged and will therefore be able to make impartial and sound business decisions that are in the best interest of our Group;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (iii) our Board acts collectively by majority vote in accordance with our Articles of Association and applicable laws and regulations, and no single Director is able to make any decisions unless authorized by the Board;
- (iv) our Board has a balanced composition of executive, non-executive and independent non-executive Directors, which ensures the independence of the Board in making decisions affecting our Company. Our independent non-executive Directors account for one-third of the Board, and do not and will not take up any position with our Controlling Shareholders. All of our three independent non-executive Directors are independent of our Controlling Shareholders and have extensive experience in their respective areas of expertise. For details, see “Directors, Supervisors and Senior Management.” All independent non-executive Directors are appointed in accordance with the requirements under the Listing Rules, and certain matters of our Company must always be referred to the independent non-executive Directors for review, ensuring the decisions of the Board are made only after the due consideration of independent and impartial opinions;
- (v) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and a Director or their respective associate, the interested Director(s) is required to declare the nature of such interest before voting at the relevant Board meetings of our Company in respect of such transactions; and
- (vi) upon completion of the Global Offering, we will adopt a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. For details, see “— Corporate Governance Measures” in this section.

Based on the above, our Directors believe that our Company has sufficient and effective control mechanisms to ensure that the Directors perform their respective duties properly and safeguard the interests of our Company and our Shareholders as a whole. Our Board together with our senior management team, therefore, are able to perform the managerial role in our Group independently.

Operational Independence

We are in possession of all production and operating facilities and technology relating to our Group’s business and have obtained relevant requisite qualifications and approvals for conducting all our business. Currently, we engage in our Group’s business independently, with the independent right to make operational decisions and implement such decisions.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

We have independent access to customers and suppliers and, therefore, are not dependent on our Controlling Shareholders for any significant amount of our revenue, R&D, staffing or marketing and sales activities, and we have sufficient capital, equipment and employees to operate our business independently from our Controlling Shareholders. We have an established and complete organizational structure comprising various separate departments, each charged with specific responsibilities, such as staffing, administration, finance, internal audit, R&D, sales and marketing, or company secretarial functions. These departments have been in operation and are expected to continue to operate separately and independently from our Controlling Shareholders and their close associates. We also maintain a set of comprehensive internal control procedures to facilitate the effective operation of our business.

Based on the above, our Directors believe that our Company operates independently from our Controlling Shareholders and their close associates.

Financial Independence

Our Company has established its own finance department with a team of independent financial staff responsible for discharging treasury, accounting, reporting, group credit and internal control functions independent from our Controlling Shareholders and their respective close associates, as well as a sound and independent financial system, and makes independent financial decisions according to our own business needs. Our Company maintains bank accounts independently and does not share any bank account with our Controlling Shareholders. Our Company makes tax registration and pays tax independently with its own funds. As such, our Company's financial functions, such as cash and accounting management, invoices and bills, operate independently of our Controlling Shareholders and their close associates.

We do not expect to rely on our Controlling Shareholders and their close associates for financing after the Listing as we expect that our working capital will be funded by cash flows generated from operating activities, equity financing, bank loans as well as the net proceeds from the Global Offering.

As of the Latest Practicable Date, there were no outstanding loans or guarantees provided by, or granted to, any member of our Controlling Shareholders or their close associates.

Based on the above, our Directors believe that we do not place undue reliance on our Controlling Shareholders and his close associates.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES

Upon Listing, we will comply with the provisions of the Corporate Governance Code set forth in Appendix 14 to the Listing Rules, which sets out the principles of good corporate governance.

Our Directors recognize the importance of good corporate governance in the protection of our Shareholders' interests. We would adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interest between our Group and Controlling Shareholders:

- (i) where a Board meeting is held for the matters in which any Director has a material interest, such Director(s) shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for the voting;
- (ii) where a Shareholders' meeting is to be held for considering proposed transactions in which our Controlling Shareholders or any of their associates has a material interest, the relevant member in our Controlling Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;
- (iii) our Company has established internal control mechanisms to identify connected transactions. Upon the Listing, if our Company enters into connected transactions with our Controlling Shareholders or any of their associates, our Company will comply with the relevant requirements of Chapter 14A of the Listing Rules, including the announcement, reporting and independent Shareholders' approval requirements (if applicable) under the Listing Rules;
- (iv) our Board will consist of a balanced composition of executive and non-executive Directors, including not less than one-third of independent non-executive Directors, to ensure that our Board is able to effectively exercise independent judgment in its decision-making process and provide independent advice to our Shareholders. Our independent non-executive Directors, individually and collectively, possess the requisite knowledge and experience. They are committed to providing experienced and professional advice to protect the interests of our minority Shareholders;
- (v) in the event that our independent non-executive Directors are requested to review any conflict of interests between our Group and our Controlling Shareholders, the relevant member in our Controlling Shareholders shall provide the independent non-executive Directors with all relevant financial, operational and market and any other necessary information. Our Company shall disclose the decisions of the independent non-executive Directors either in its annual reports or by way of announcements;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (vi) 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 14 to the Listing Rules. All the members of our audit committee, including its chairman, are independent non-executive Directors;
- (vii) our Directors (including the independent non-executive Directors) will seek independent and professional opinions from external advisors at our Company's cost as and when appropriate in accordance with the Code on Corporate Governance Practices and Corporate Governance Report as set out in Appendix 14 to the Listing Rules; and
- (viii) we have appointed Quam Capital Limited as our Compliance Advisor, which will provide advice and guidance to us in respect of compliance with the Listing Rules and applicable laws, rules, codes and guidelines, including but not limited to various requirements relating to Directors' duties and internal controls.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders and/or Directors to protect minority Shareholders' rights after the Listing.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Our Board of Directors comprises nine Directors, including three executive Directors, three non-executive Directors and three independent non-executive Directors. The following table sets out information in respect of the Directors of our Company.

Name	Age	Position	Date of Joining Our Group	Date of Appointment as a Director	Roles and Responsibilities
Mr. SONG Yang (宋陽)	48	Chairman, executive Director and chief executive officer	March 24, 2017	March 24, 2017	Responsible for the overall strategic planning and business direction of our Group
Mr. LU Yukun (盧玉坤)	42	Executive Director and chief technology officer	September 1, 2017	August 31, 2018	Responsible for the overall technology strategy and the R&D of the technology infrastructure of our Group
Mr. LI Shuangjiang (李雙江)	39	Executive Director and vice president	April 6, 2017	October 10, 2017	Responsible for overall management of the R&D of our Group with a focus on application and testing
Mr. LI Chengsheng (李程晟)	36	Non-executive Director	August 31, 2018	August 31, 2018	Responsible for providing guidance and advice on the corporate and business strategies to our Board
Mr. TAO Zhixin (陶志新)	54	Non-executive Director	November 17, 2022	November 17, 2022	Responsible for providing guidance and advice on the corporate and business strategies to our Board

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of Joining Our Group	Date of Appointment as a Director	Roles and Responsibilities
Mr. YANG Yuankui (楊元奎)	36	Non-executive Director	March 23, 2023	March 23, 2023	Responsible for providing guidance and advice on the corporate and business strategies to our Board
Dr. ZHANG Weigong (張為公)	64	Independent non- executive Director	November 17, 2022	November 17, 2022	Responsible for providing independent judgment to our Board
Mr. LIU Yong (劉勇)	56	Independent non- executive Director	November 17, 2022	November 17, 2022	Responsible for providing independent judgment to our Board
Ms. XUE, Rui Shirley (薛睿)	39	Independent non- executive Director	March 23, 2023 ^(note)	March 23, 2023 ^(note)	Responsible for providing independent judgment to our Board

Note: The appointment will become effective upon the Listing Date.

Executive Directors

Mr. SONG Yang (宋陽), aged 48, first joined our Group in March 2017 as a Director and was further appointed as our chief executive officer in April 2017. He was elected as our Chairman in October 2017 and his redesignation as an executive Director will take effect from the Listing Date. Mr. SONG is primarily responsible for the overall strategic planning and business direction of our Group. Mr. SONG currently also serves as a director and general manager at each subsidiary of our Group.

Mr. SONG is a seasoned veteran in the automotive industry with almost 20 years of experience spanning senior leadership positions with both domestic and localized international market-leading automotive brands. Before staying in his roles in our Company, Mr. SONG was the general manager at KSS Automotive Active Safety System (Suzhou) Co., Ltd. (百利得汽車主動安全系統(蘇州)有限公司) (“**KSS Automotive**”) from September 2014 to October 2016, which was a subsidiary of Ningbo Joyson Electronic Corp. (寧波均勝電子股份有限公司), a leading mobility safety company listed on the Shanghai Stock Exchange (stock code: 600699). During his tenure at KSS Automotive, Mr. SONG led the formation of its China presence and

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

the active safety division, and was responsible for the overall strategic planning and business growth in the PRC. Prior to that, Mr. SONG served as several roles at Bosch Automotive Products (Suzhou) Co., Ltd. (博世汽車部件(蘇州)有限公司) (“**Bosch Automotive**”), a subsidiary of Robert Bosch GmbH, a leading global supplier of automotive parts, including a senior engineer of engineering department at energy&body electronics division from July 2004 to May 2005, a senior engineer of passive safety engineering department at automotive electronics division from June 2005 to December 2007, a section manager of passive safety engineering department at chassis systems control division from January 2008 to September 2010, and the department manager of advanced driver assistance engineering department at chassis systems control division from October 2010 to July 2014.

Mr. SONG obtained his bachelor’s degree in mechanical and electrical engineering from Beijing Institute of Machinery Industry (北京機械工業學院) in the PRC in July 1996. He further obtained his master’s degree in electronic and information engineering from the University of Science and Technology of China (中國科學技術大學) in the PRC in December 2005.

Mr. LU Yukun (盧玉坤), aged 42, first joined our Group in September 2017 when he was appointed as our chief technology officer. He was appointed as a Director in August 2018 and his redesignation as an executive Director will take effect from the Listing Date. Mr. LU is primarily responsible for the overall technology strategy and the R&D of the technology infrastructure of our Group. Mr. LU also serves as a supervisor of iMotion Electronics since June 2018.

As a R&D specialist, Mr. LU brings with him more than 17 years of extensive experience in the automotive industry and more specifically in technology development. Prior to joining our Group, Mr. LU served as the deputy engineering director of innovation and new ventures at Nexteer Automotive (Suzhou) Co., Ltd. (耐世特汽車系統(蘇州)有限公司) from September 2016 to August 2017, a leading enterprise in motion control technology (including electrification, software connectivity and autonomous driving), where he was primarily responsible for the R&D of autonomous driving technology. From January 2015 to August 2016, Mr. LU was the engineering manager of the R&D division at KSS Automotive, where he was responsible for the R&D of automotive active safety technology. From March 2006 to December 2014, Mr. LU worked at Bosch Automotive with his last position as the manager of the R&D division, where he was primarily responsible for the R&D of automotive passive safety technology and driving assistance system.

Mr. LU obtained his bachelor’s degree in information engineering from Nanjing University of Aeronautics and Astronautics (南京航空航天大學) in June 2004. He further obtained a master’s degree in signal processing and communications from the University of Edinburgh in the United Kingdom in November 2005.

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Mr. LI Shuangjiang (李雙江), aged 39, first joined our Group in April 2017 as a director of software development and was then promoted to vice president of the Company in April 2018. He was appointed as a Director in October 2017 and his redesignation as an executive Director will take effect from the Listing Date. Mr. LI is primarily responsible for the overall management of the R&D of our Group with a focus on application and testing. Mr. LI also serves as the supervisor at Changshu iMotion since December 2017.

Mr. LI has approximately 14 years of experience in the automobile industry in terms of software development, artificial intelligence technology and machine learning and more than ten years of experience in autonomous driving industry. Prior to joining our Group, Mr. LI served as the manager of the automotive active safety division at KSS Automotive from April 2015 to April 2017, where he was primarily responsible for the R&D of autonomous driving software and intelligent front camera related software. Mr. LI joined KSS automotive from Bosch Automotive, where he worked from April 2009 to April 2015 with the last position as the manager of the software division, devoting to the R&D of the autonomous driving software and sensor.

Mr. LI obtained both his bachelor's degree in hydraulic and hydro-power engineering and his master's degree in system analysis and integration from Huazhong University of Science and Technology (華中科技大學) in the PRC, in June 2006 and March 2009, respectively.

Non-executive Directors

Mr. LI Chengsheng (李程晟), aged 36, was appointed as a Director in August 2018. His redesignation as a non-executive Director will take effect from the Listing Date. Mr. LI is primarily responsible for providing guidance and advice on the corporate and business strategies to our Board. Mr. LI was nominated by SME Fund, one of our Pre-IPO Investors.

Mr. LI joined Shenzhen Guozhong Venture Capital Management Co., Ltd. (深圳國中創業投資管理有限公司) in June 2016 and is latest serving as an executive director (執行總經理), a position in which he was charged with investment management in electronic information and artificial intelligence areas. From May 2013 to March 2016, Mr. LI was an investment manager of Shenzhen Capital Group Co., Ltd. (深圳市創新投資集團有限公司), where he worked on the venture capital business affairs. In his previous position, from November 2009 to August 2010, Mr. LI worked at China National Software and Service Company Limited (中國軟件與技術服務股份有限公司).

Mr. LI also concurrently holds the following directorship and supervisory roles outside our Group:

- a supervisor of Shanghai Slamtec Co., Ltd (上海思嵐科技有限公司), a company focusing on providing autonomous localization and navigation solution in service robot industry, since January 2018;

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- a director of Anhui Vorbafer Electronic Technology Co., Ltd. (安徽沃巴弗電子科技有限公司), a company focusing on the development, production and sales of sensor, since February 2022;
- a director of Zhejiang Laifual Drive Co., Ltd (浙江來福諧波傳動股份有限公司), a company focusing on research and manufacture of high precision harmonic reducers, since November 2021;
- a director of Suzhou CalmCar Electronic Technology Co., Ltd. (蘇州天瞳威視電子科技有限公司), a company focusing on automobile intelligent driving products and data services, since October 2021, where he only plays non-executive role and is not involved in the day-to-day operation;
- a director of Shenzhen Deepcamera Information Technology Co., Ltd. (深圳神目信息技術有限公司), a company focusing on the application of computer vision technology and big data services, since July 2020;
- a director of Guangzhou Perception Vision Medical Technology Co., Ltd. (廣州柏視醫療科技有限公司), a medical artificial intelligence company focusing on offering solutions for multi-disease and multimodal diagnosis, since April 2018; and
- a supervisor of Suzhou Oriental Semiconductor Company Limited (蘇州東微半導體股份有限公司), a semiconductor enterprise listed on the Shanghai Stock Exchange (stock code: 688261), since March 2017.

Mr. LI obtained his bachelor's degree in mechatronic engineering from Beijing Institute of Technology (北京理工大學) in the PRC in June 2009. He further obtained master's degree in electrical engineering from New York University in the U.S. in May 2012.

Mr. TAO Zhixin (陶志新), aged 54, was appointed as a Director in November 2022. His redesignation as a non-executive Director will take effect from the Listing Date. He is primarily responsible for providing guidance and advice on the corporate and business strategies to our Board. Mr. TAO was nominated by HL Klemove, one of our Pre-IPO Investors.

Mr. TAO has been serving as the vice president of the sales and marketing of HL Klemove Electronics (Suzhou) Co., Ltd. (漢拿科銳動電子(蘇州)有限公司) since December 2021, in charge of the overall sales and marketing affairs. From June 2019 to May 2021, Mr. TAO worked as the deputy general manager of the intelligent network automotive solutions group at Hubei ECARX Technology Company Limited Shanghai branch (湖北億咖通科技有限公司上海分公司), a branch of full-stack automotive computing platform enterprise listed on the NASDAQ (ticker symbol: ECX). Prior to that, Mr. TAO worked for Delphi (China) Technical Center Co., Ltd. (德爾福(中國)科技研發中心有限公司) (currently Aptiv (China) Technical Center Co., Ltd. (安波福(中國)科技研發有限公司)) from December 2007 to April 2019.

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Mr. TAO obtained his bachelor's degree in computer application from Chongqing Institute of Architecture and Civil Engineering (重慶建築工程學院) (currently Chongqing University (重慶大學)) in the PRC in July 1990. He further obtained his master's degree in computer application from Southwest Jiaotong University (西南交通大學) in the PRC in June 1996.

Mr. YANG Yuankui (楊元奎), aged 36, was appointed as a Director in March 2023. His redesignation as a non-executive Director will take effect from the Listing Date. He is primarily responsible for providing guidance and advice on the corporate and business strategies to our Board. Mr. YANG was nominated by Mixed Reform Fund, one of our Pre-IPO Investors.

Mr. YANG has been serving as an executive president (執行總監) of investment department II at Chengtong Mixed Reform Private Equity Management Co., Ltd. (誠通混改私募基金管理有限公司) since December 2021, where he is primarily responsible for the equity investment and industry research across automobiles and intelligent manufacturing enterprises. Prior to that, Mr. YANG served as a vice president of growth enterprise financing department in Huatai United Securities Co., Ltd. (華泰聯合證券有限責任公司) from January 2019 to November 2021, responsible for the investment and financing services and industry research for automobiles and intelligent manufacturing sectors.

Mr. YANG obtained his bachelor's degree in electrical and electronic engineering from Imperial College London in the United Kingdom in August 2012. He further obtained his master's degree in facility and environment management from University College London in the United Kingdom in November 2013.

Independent Non-executive Directors

Dr. ZHANG Weigong (張為公), aged 64, was appointed as an independent Director in November 2022. His redesignation as an independent non-executive Director will take effect from the Listing Date. He is primarily responsible for providing independent judgment to our Board.

Since the nineties, Dr. ZHANG has been engaged in scientific research in the direction of automotive electronics and measurement and control technology. He is currently a professor and doctoral tutor at Southeast University (東南大學), as well as the head of precision instruments and machinery, a key discipline in Jiangsu province, and the head of the research center of automotive electronics and measurement and control technology.

Dr. ZHANG obtained his bachelor's degree from the Nanjing Aviation College (currently Nanjing University of Aeronautics and Astronautics (南京航空航天大學)) in January 1982. He further obtained his doctor's degree in precision instruments and machinery from Southeast University in the PRC in October 2001. Dr. ZHANG also earned multiples awards and esteemed recognitions, such as (i) selected as a cultivation target of middle-aged and young academic leader of "Qinglan Project (青藍工程)" in 2004; and (ii) honored Suzhou Science and Technology Cooperation Contribution Award (蘇州市科技合作貢獻獎) in 2008.

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Mr. LIU Yong (劉勇), aged 56, was appointed as an independent Director in November 2022. His redesignation as an independent non-executive Director will take effect from the Listing Date. He is primarily responsible for providing independent judgment to our Board.

Mr. LIU has been serving as a partner of Gongzheng Tianye Certified Public Accountants (Special General Partnership) (公證天業會計師事務所(特殊普通合夥)) since September 2013. Mr. LIU was accredited as a certified practicing accountant by the Chinese Institute of Certified Public Accountants in June 1994 and accumulated extensive experience in the accounting profession.

Mr. LIU has been holding and held directorships in the following listed companies:

- an independent director at Suzhou Jcon Building Technology Co., Ltd. (蘇州旭傑建築科技股份有限公司), an assembly building service company listed on the Beijing Stock Exchange (stock code: 836149), since April 2020;
- an independent director at China-Singapore Suzhou Industrial Park Development Group Co., Ltd. (中新蘇州工業園區開發集團股份有限公司), an industrial park development and operation company listed on the Shanghai Stock Exchange (stock code: 601512), since September 2020;
- an independent director at Kuaijishan Shaoxing Rice Wine Co., Ltd. (會稽山紹興酒股份有限公司), a yellow rice wine production company listed on the Shanghai Stock Exchange (stock code: 601579) since February 2023;
- an independent director at Meinian Onehealth Healthcare Holdings Co., Ltd. (美年大健康產業控股股份有限公司), a medical examination company listed on the Shenzhen Stock Exchange (stock code: 002044), from October 2015 to October 2021;
- an independent director at Imeik Technology Development Co., Ltd. (愛美客技術發展股份有限公司), a biomaterial company listed on the Shenzhen Stock Exchange (stock code: 300896), from November 2016 to November 2022; and
- an independent director at Shenzhen Sinovatio Technology Co., Ltd. (深圳市中新賽克科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002912), from January 2015 to January 2021.

Mr. LIU obtained his bachelor's degree in enterprise management from Nanjing University (南京大學) in the PRC in April 1994. He further obtained his master's degree in business administration from China Europe International Business School (中歐國際工商管理學院) in the PRC in September 2008. Mr. LIU is also a Chinese Certified Asset Appraiser and Chinese Certified Real Estate Appraiser.

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Ms. XUE, Rui Shirley (薛睿), aged 39, was appointed as an independent non-executive Director with effect from the Listing Date. She is primarily responsible for providing independent judgment to our Board.

Since February 2022, Ms. XUE has been a managing director (董事總經理) at Aurora Capital Partners (朝暉資本), a tech-focused early stage venture investment fund specializing in advanced manufacturing, semiconductor and biotech industries, in charge of early stage equity investment and investor relations matters. Prior to this, Ms. XUE gained extensive experience in both financial management and corporate strategies through holding a series of management positions in TMT enterprises, including the chief financial officer of Soulgate Hong Kong Limited from November 2020 to November 2021 and an assistant general manager in mergers and acquisitions, finance and portfolio management at Tencent Holdings Limited, a technology company listed on the Stock Exchange (stock code: 700), from August 2017 to November 2020. Ms. XUE's early career was with Deutsche Bank AG, where she held key senior roles including the head of China TMT coverage, responsible for advising clients on fund raising and merger and acquisition activities covering TMT sectors in Greater China.

Ms. XUE obtained her bachelor of arts from the University of Pennsylvania in the United States in May 2006. She further obtained her master's degree in business administration from China Europe International Business School in the PRC in June 2022. Ms. XUE is a fellow member of CPA Australia.

BOARD OF SUPERVISORS

The Board of Supervisors comprises three members. The following table sets out information in respect of the Supervisors of our Company:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Date of Joining Our Group</u>	<u>Date of Appointment as a Supervisor</u>	<u>Roles and Responsibilities</u>
Mr. LUO Hong (羅紅)	38	Chairman of the Board of Supervisors and Supervisor	May 1, 2017	August 31, 2018	Responsible for supervising the performance of our Directors and members of senior management and performing other supervisory duties

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of Joining Our Group	Date of Appointment as a Supervisor	Roles and Responsibilities
Mr. ZHU Qinghua (朱慶華)	43	Supervisor	May 2, 2018	November 17, 2022	Responsible for supervising the performance of our Directors and members of senior management and performing other supervisory duties
Mr. WANG Bingjie (汪冰潔)	36	Supervisor	June 30, 2017	November 17, 2022	Responsible for supervising the performance of our Directors and members of senior management and performing other supervisory duties

Mr. LUO Hong (羅紅), aged 38, first joined our Company in May 2017 and was appointed as a Supervisor in August 2018. He was elected as the chairman of the Board of Supervisors in November 2022. He is primarily responsible for supervising the performance of our Directors and members of senior management and performing other supervisory duties as a Supervisor. Mr. LUO also served and has been serving various positions within our Group, including (i) the director of hardware development in the Company from May 2017 to August 2019; (ii) the platform project director in the Company from September 2019 to February 2022; (iii) the senior system director in the Company since March 2022; and (iv) a director of iMotion Electronics since June 2018.

Mr. LUO is a skilled engineer in electronic hardware development with over 10 years of experiences. Prior to joining our Group, Mr. LUO was a senior hardware engineer at KSS Automotive, a position he held from September 2015 to April 2017. In this role, he led the automotive electronic hardware team, spearheading the development of hardware and technology platforms. From September 2011 to September 2015, Mr. LUO served as a hardware engineer at Bosch Automotive, where he was primarily responsible for the design and production of automotive electronic hardware.

Mr. LUO obtained his bachelor's degree in automation from Chengdu University (成都大學) in the PRC in July 2009.

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Mr. ZHU Qinghua (朱慶華), aged 43, first joined our Company in May 2018 and was appointed as a Supervisor in November 2022. He is primarily responsible for supervising the performance of our Directors and members of senior management and performing other supervisory duties as a Supervisor. Mr. ZHU also served and has been serving various positions within our Group, including (i) a Director from June 2020 to November 2022; (ii) the director of sales in the Company from May 2018 to February 2021; (iii) the senior director of sales in the Company from March 2021 to August 2022; (iv) a vice president of the Company responsible for sales since September 2022; and (v) a supervisor of Shanghai iMotion since September 2021.

Prior to joining our Group, from August 2015 to April 2018, Mr. ZHU served as a senior manager of Roechling Automotive Parts (Kunshan) Co., Ltd. (勞士領汽車配件(昆山)有限公司), overseeing the management of business development. Before his sales roles, Mr. ZHU has accumulated practical experience for over 12 years in the development of automotive electronics, which was testified by his previous positions, including being a senior project engineer at Bosch Automotive from May 2008 to July 2015, overseeing the development of automotive electronic parts, being a design engineer at Marelli Power Systems (Shanghai) Co., Ltd. (馬瑞利動力系統(上海)有限公司) (currently Marelli (China) Co., Ltd. (馬瑞利(中國)有限公司)) from September 2006, and being an designer at Chery Automobile Co., Ltd. (奇瑞汽車股份有限公司) from December 2003 to June 2006.

Mr. ZHU obtained his bachelor's degree in thermal and dynamic engineering from Wuhan University of Technology (武漢理工大學) in the PRC in June 2003.

Mr. WANG Bingjie (汪冰潔), aged 36, first joined our Company in June 2017 and was appointed as a Supervisor in November 2022. He is primarily responsible for supervising the performance of our Directors and members of senior management and performing other supervisory duties as a Supervisor.

Mr. WANG also served and has been serving various senior positions within our Group, including (i) a senior hardware engineer in the Company from June 2017 to January 2019; (ii) a director hardware engineer from February 2019 to May 2020 and (iii) the director of hardware in our Company since June 2020. Prior to joining our Group, Mr. WANG had served as a senior hardware engineer at KSS Automotive from May 2015 to June 2017, where he worked on the hardware design, development and management of ADAS. Previously, Mr. WANG worked at ASUS Technology (Suzhou) Co., Ltd. (華碩科技(蘇州)有限公司) from July 2008 to May 2015.

Mr. WANG obtained his bachelor's degree in biomedical engineering from Hefei University of Technology (合肥工業大學) in the PRC in June 2008.

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SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The following table sets out information in respect of the senior management members of our Company:

Name	Age	Position	Date of Joining Our Group	Date of Appointment as a Senior Management	Roles and Responsibilities
Mr. SONG Yang (宋陽)	48	Chairman, executive Director and chief executive officer	March 24, 2017	April 1, 2017	Responsible for the overall strategic planning and business direction of our Group
Mr. LU Yukun (盧玉坤)	42	Executive Director and chief technology officer	September 1, 2017	September 1, 2017	Responsible for the overall technology strategy and the R&D of the technology infrastructure of our Group
Mr. LI Shuangjiang (李雙江)	39	Executive Director and vice president	April 6, 2017	April 1, 2018	Responsible for the overall management of the R&D of our Group with a focus on application and testing
Ms. LIU Fang (劉芳)	41	Chief financial officer	September 1, 2022	September 1, 2022	Responsible for overseeing the finance and investment of our Group

Mr. SONG Yang (宋陽), aged 48, is our chief executive officer. For his biography, see “— Board of Directors — Executive Directors” in this section.

Mr. LU Yukun (盧玉坤), aged 42, is our chief technology officer. For his biography, see “— Board of Directors — Executive Directors” in this section.

Mr. LI Shuangjiang (李雙江), aged 39, is our vice president. For his biography, see “— Board of Directors — Executive Directors” in this section.

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Ms. LIU Fang (劉芳), aged 41, has been the chief financial officer of our Company since September 2022. She is primarily responsible for overseeing the finance and investment of our Group.

Ms. LIU is a multifaceted finance executive with years of experience in financial management, investment and business operations as well as over five years of experience in new energy vehicle related industry. Prior to joining our Group, from November 2017 to August 2022, Ms. LIU served in several senior roles at EKontrol Co., Ltd. (凱博易控車輛科技(蘇州)股份有限公司), a high-tech company focusing on providing premium products and total solutions for new energy commercial vehicle driving systems, including the investment vice president and chief financial officer, where she was primarily responsible for the overall management of financial affairs.

Ms. LIU obtained her bachelor's degree in accounting from University of International Business and Economics (對外經濟貿易大學) in the PRC in July 2005. Ms. LIU has also been a PRC certified public accountant in Jiangsu Institute of Certified Public Accountants (江蘇省註冊會計師協會).

OTHER INFORMATION IN RELATION TO OUR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Save as disclosed above, each of our Directors and Supervisors has confirmed that there are no material matters relating to their appointment as a Director or Supervisor that need to be brought to the attention of our Shareholders and there is no other information in relation to his or her appointment which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules as of the Latest Practicable Date.

Save as disclosed above, none of the Directors, Supervisors and senior management held any other directorships in any other company listed in Hong Kong or overseas during the three years immediately preceding the date of this prospectus.

None of our Directors, Supervisors and senior management is related to other Directors, Supervisors and senior management.

JOINT COMPANY SECRETARIES

Ms. LIU Fang (劉芳), is a joint company secretary of our Company. For her biography, see “— Senior Management” in this section.

Mr. CHUNG Ming Fai (鍾明輝), is a joint company secretary of our Company. He has over 18 years of experience in corporate secretary, mergers and acquisitions, financial reporting and auditing. Since June 2022, Mr. CHUNG has been serving in the corporate secretarial department of SWCS Corporate Services Group (Hong Kong) Limited, and is mainly responsible for managing the company secretarial and compliance work for companies listed on the Stock Exchange.

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Mr. CHUNG is currently a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. He obtained his bachelor's degree in commerce from the Australian National University in December 2003.

BOARD COMMITTEES

Our Company has established four committees under the Board pursuant the corporate governance practice requirements under the Listing Rules, including the audit committee, remuneration and appraisal committee, nomination committee and strategy committee.

Audit Committee

We have established an audit committee in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group, review and approve connected transactions and to advise the Board. The audit committee comprises three independent non-executive Directors, namely Mr. LIU Yong, Dr. ZHANG Weigong and Ms. XUE, Rui Shirley. Mr. LIU Yong, being the chairman of the committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

Remuneration and Appraisal Committee

We have established a remuneration and appraisal committee in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration and appraisal committee are to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management. The remuneration and appraisal committee comprises one executive Director and two independent non-executive Directors, namely Ms. XUE, Rui Shirley, Mr. LIU Yong and Mr. LU Yukun. Ms. XUE, Rui Shirley is the chairlady of the committee.

Nomination Committee

We have established a nomination committee in compliance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to our Board regarding the appointment of Directors and Board succession. The nomination committee comprises one executive Director and two independent non-executive Directors, namely Dr. ZHANG Weigong, Ms. XUE, Rui Shirley and Mr. SONG Yang. Dr. ZHANG Weigong is the chairman of the committee.

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Strategy Committee

We have established a strategy committee consists of Mr. SONG Yang, Mr. YANG Yuankui and Mr. LU Yukun, with Mr. SONG Yang being the chairman of the committee. 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. Areas of focus will include: providing the Board and management, as applicable, with input and recommendations with respect to key strategic initiatives and major R&D programs and partnerships; and assisting management in establishing a strategic planning process, identifying and addressing organizational challenges and evaluating strategic alternatives.

BOARD DIVERSITY POLICY

Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in supporting the attainment of our Company's strategic objectives and sustainable development. In order to enhance the effectiveness of our Board and to maintain the high standard of corporate governance, we have adopted the board diversity policy (the "**Board Diversity Policy**") which sets out the objective and approach to achieve and maintain diversity of our Board. Pursuant to the Board Diversity Policy, we seek to achieve the diversity of the Board through the consideration of a number of factors when selecting the candidates to our Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural, education background, ethnicity and length of service. We will select potential Board candidates based on merit and his/her potential contribution to our Board while taking into consideration our own business model and specific needs from time to time. All Board appointments will be based on meritocracy and candidates will be considered against objective criteria, having due regard to the benefits of diversity on our Board.

We recognize the particular importance of gender diversity on our Board. We will take steps to promote and enhance gender diversity at all levels of our Company, including but without limitation at our Board and senior management levels. Our Board Diversity Policy provides that our Board shall take opportunities when selecting and making recommendations on suitable candidates for Board appointments with the aim of increasing the proportion of female members over time after Listing. In particular, taking into account the business needs of our Group and changing circumstances that may affect our business plans, we will actively identify and select several female individuals with a diverse range of skills, experience and knowledge in different fields from time to time, and maintain a list of such female individuals who possess qualities to become our Board members, which will be periodically reviewed by our nomination committee in order to develop a pipeline of potential successors to our Board and promote gender diversity. Additionally, female representatives of our investors are also considered as potential candidates for Board appointments. We will also ensure that there is gender diversity when recruiting staff at the mid- to senior- levels so that we have a pipeline of female senior management and potential successors to our Board going forward. We plan to offer well-rounded trainings to female employees whom we consider have the requisite

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experience, skills and knowledge of our operation and business, on topics including but not limited to business operation, management, accounting and finance, and legal compliance. We are of the view that such strategies will provide our Board with ample opportunities to identify capable female employees to be nominated as Directors in the future, fulfilling our aim to develop a pipeline of female candidates to achieve greater gender diversity in our Board in the long run. We believe that such a merit-based selection process with reference to our diversity policy and the nature of our business will be in the best interests of our Company and our Shareholders as a whole. It is our objective to maintain an appropriate balance of gender diversity with reference to the stakeholders' expectations and international and local recommended best practices.

Our Directors have a balanced mix of knowledge and skills, including in machinery and automotive, engineering, business development, investment management and corporate finance. They obtained degrees in various majors, including electronic and information engineering, signal processing and communications, system analysis and integration, computer application, facility and environment management, as well as business administration. We have three independent non-executive Directors with different industry backgrounds, representing one third of the members of our Board.

Our nomination committee is responsible for ensuring the diversity of our Board members. After the Listing, our nomination committee will monitor the implementation of the Board Diversity Policy and review the Board Diversity Policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the Board Diversity Policy on an annual basis.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Our Directors recognize the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group to achieve effective accountability. Our Company intends to comply with all code provisions in the Part 2 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules after the Listing except for code provision C.2.1 of Part 2 of the Corporate Governance Code, which provides that the roles of chairman of the board and chief executive should be separate and should not be performed by the same individual.

The roles of Chairman and chief executive officer of our Company are currently performed by Mr. SONG Yang. In view of Mr. SONG's substantial contribution to our Group since our establishment and his extensive experience, we consider that having Mr. SONG acting as both our Chairman and chief executive officer will provide strong and consistent leadership to our Group and facilitate the efficient execution of our business strategies. We consider it appropriate and beneficial to our business development and prospects that Mr. SONG Yang continues to act as both our Chairman and chief executive officer after the Listing, and therefore currently do not propose to separate the functions of Chairman and chief executive officer. While this would constitute a deviation from code provision C.2.1 of Part 2 of the Corporate Governance Code, the Board believes that this structure will not impair the

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

balance of power and authority between the Board and the management of our Company, given that: (i) there are sufficient checks and balances in the Board, as a decision to be made by our Board requires approval by at least a majority of our Directors, and our Board comprises three independent non-executive Directors, which is in compliance with the requirement under the Listing Rules; (ii) Mr. SONG and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of our Company and will make decisions for our Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of our Company. Moreover, the overall strategic and other key business, financial, and operational policies of our Group are made collectively after thorough discussion at both Board and senior management levels. The Board will continue to review the effectiveness of the corporate governance structure of our Group in order to assess whether the separation of the roles of Chairman and chief executive officer is necessary.

COMPLIANCE ADVISOR

We have appointed Quam Capital Limited as our Compliance Advisor pursuant to Rule 3A.19 of the Listing Rules. Our Compliance Advisor will provide us with guidance and advice as to compliance with the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, our Compliance Advisor will advise our Company in certain circumstances including:

- (i) before the publication of any regulatory announcement, circular, or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (iii) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where the business activities, development or results of our Group deviate from any forecast, estimate or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

Meanwhile, pursuant to Rule 3A.24 of the Listing Rules, our Compliance Advisor will, in a timely manner, inform us of any amendment or supplement to the Listing Rules and any new or amended law, regulation or code in Hong Kong applicable to our Group. The term of appointment of our Compliance Advisor shall commence on the Listing Date 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 Listing Date.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

REMUNERATION OF DIRECTORS, SUPERVISORS AND FIVE HIGHEST PAID INDIVIDUALS

The compensation and remuneration of the Directors, Supervisors and members of the senior management of the Company are determined by the Shareholders' meetings and the Board as appropriate in the form of salaries and bonuses. The Company also reimburses them for expenses which are necessary and reasonably incurred in providing services to the Company or discharging their duties in relation to the operations of the Company. When reviewing and determining the specific remuneration packages for our Directors, Supervisors and members of the senior management of the Company, the Shareholders' meetings and the Board of Directors take into account factors such as salaries paid by comparable companies, time commitment, level of responsibilities, employment elsewhere in our Group and desirability of performance-based remuneration. As required by the relevant PRC laws and regulations, the Company also participates in various defined contribution plans organized by relevant provincial and municipal government authorities and welfare schemes for employees of the Company, including medical insurance, injury insurance, unemployment insurance, pension insurance, maternity insurance and housing provident fund.

Our Company offers executive Directors and senior management members, who are our employees, compensation in the form of wages and salaries, discretionary bonuses, share-based payment, social security costs, housing benefits and employee welfare. The independent non-executive Directors receive compensation based on their responsibilities.

For details on the service contracts signed between the Company and our Directors and Supervisors, please refer to "Appendix VI — Statutory and General Information — C. Further Information about Our Directors, Supervisors and Substantial Shareholders — 1. Directors and Supervisors — (ii) Particulars of Service Contracts."

During the Track Record Period, the total amount paid by us for payments of fees, wages and salaries, discretionary bonuses, share-based payment and social security costs, housing benefits and employee welfare (if applicable) to Directors were approximately RMB7.5 million, RMB7.6 million, RMB7.0 million and RMB7.2 million. For remuneration details of all Directors during the Track Record Period, please refer to Note 37 to the Accountant's Report as set out in Appendix I to this Prospectus.

During the Track Record Period, the total amount paid by us for payments of fees, wages and salaries, discretionary bonuses, share-based payment and social security costs, housing benefits and employee welfare (if applicable) to Supervisors were approximately RMB1.0 million, RMB1.0 million, RMB4.7 million and RMB5.4 million, respectively.

According to existing effective arrangements, the total amount of remuneration (excluding any possible payment of discretionary bonus and share-based payment) shall be paid by us to Directors and Supervisors for the financial year ending December 31, 2023 is expected to be approximately RMB8.1 million.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

For the three years ended December 31, 2022 and the six months ended June 30, 2023, the five highest remunerated individuals of our Company included four, four, two and three Directors and/or Supervisors, respectively, their remunerations were included in the total amount paid by us for the wages, salaries and bonuses, pension obligations, housing funds, medical insurances and other social insurances, share-based payment expenses and other employee benefits (if applicable) of the relevant Directors. For the three years ended December 31, 2022 and the six months ended June 30, 2023, the total amount of remuneration and benefits in kind (if applicable) paid by us to the remaining one, one, three and two highest remunerated individuals were approximately RMB1.2 million, RMB1.9 million, RMB10.7 million and RMB8.1 million.

During the Track Record Period, no remuneration was paid by us nor receivable by Directors, Supervisors or the five highest remunerated individuals as incentives for joining or as rewards upon joining our Company. During the Track Record Period, no remuneration was paid by us nor receivable by Directors, past Directors, Supervisors, past Supervisors or the five highest remunerated individuals as compensation for leaving positions relating to management affairs in any subsidiary of the Company.

During the Track Record Period, none of our Directors waived any remuneration. Save as disclosed above, during the Track Record Period, no other amounts shall be paid or payable by us or any of our subsidiaries to the Directors or the five highest remunerated individuals.

Save as disclosed above, no Director or Supervisor is entitled to receive other special benefits from the Company.

COMPETITION

Each of our executive Directors and non-executive Directors confirms that as of the Latest Practicable Date, he did not have any interest in a business which competes or is likely to compete, directly or indirectly, with our business and requires disclosure under Rule 8.10 of the Listing Rules. From time to time our non-executive Directors may serve non-executive roles on the boards of both private and public companies within the broader autonomous driving related industries. However, as these non-executive Directors are not members of our executive management team, we do not believe that their interests in such companies as directors would render us incapable of carrying on our business independently from the other companies in which these Directors may hold directorships from time to time.

EMPLOYEE INCENTIVE SCHEME

Please see “Appendix VI — Statutory and General Information — D. Employee Incentive Scheme” for details.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering, the following persons will have interests and/or short positions (as applicable) in the Shares or underlying shares of our Company, which would be required to be disclosed to us and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of the Company or any other members of the Group:

LONG POSITIONS IN THE SHARES OF OUR COMPANY

Name	Nature of Interest	Shares Held as of the Date of This Prospectus		Shares Held Immediately Following the Completion of the Global Offering	
		Number	% in the Total Issued Share Capital	Number ⁽¹⁾	% in the Total Issued Share Capital ⁽¹⁾
Mr. SONG Yang ⁽²⁾	Beneficial owner	48,815,280	23.9%	39,052,224	21.6%
		Domestic Shares		Domestic Shares 9,763,056 H Shares	
	Interest in a controlled corporations ⁽²⁾	32,666,740	16.0%	26,133,392	14.4%
		Domestic Shares		Domestic Shares 6,533,348 H Shares	
Mixed Reform Fund ⁽³⁾	Beneficial owner	18,413,960	9.0%	18,413,960	8.1%
		Domestic Shares		Domestic Shares	
SME Fund ⁽⁴⁾	Beneficial owner	15,440,480	7.6%	13,397,704	6.8%
		Domestic Shares		Domestic Shares 2,042,776 H Shares	
HL Klemove Suzhou ⁽⁵⁾	Beneficial owner	15,316,080	7.5%	15,316,080	6.8%
		Domestic Shares		H Shares	
Mr. LI Shuangjiang	Beneficial owner	14,238,460	7.0%	9,492,781	6.3%
		Domestic Shares		Domestic Shares 4,745,679 H Shares	
Zizhi Yihao ⁽⁶⁾	Beneficial owner	12,335,640	6.0%	12,335,640	5.5%
		Domestic Shares		H Shares	

SUBSTANTIAL SHAREHOLDERS

Notes:

- (1) The calculation is based on the total number of 124,726,655 Domestic Shares in issue and 101,603,685 H Shares in issue immediately after completion of the Global Offering. Domestic Shares and H Shares are both ordinary Shares of the Company. See “Share Capital — Shares of Our Company.”
- (2) Mr. SONG Yang is the general partner of each of Lanchi Platform, Zichi Platform, Suzhou Hongchi and Suzhou Luchi. Therefore, Mr. SONG Yang will be deemed to be interested in the Shares held by Lanchi Platform, Zichi Platform, Suzhou Hongchi and Suzhou Luchi under the SFO.
- (3) Mixed Reform Fund is a national fund approved by the State Council of the PRC, entrusted by the SASAC and initiated by China Chengtong. As of the Latest Practicable date, Mixed Reform Fund was held as to 34.23% by China Chengtong. Therefore, China Chengtong will be deemed to be interested in the Shares held by Mixed Reform Fund under the SFO.
- (4) SME Fund is a limited partnership established in the PRC and is managed by its general partner, Shenzhen Guozhong Venture Capital Management Co., Ltd. (深圳國中創業投資管理有限公司) (“GZVCM”), which is in turn controlled by Mr. SHI Anping, an Independent Third Party. Therefore, each of GZVCM and Mr. SHI Anping will be deemed to be interested in the Shares held by SME Fund under the SFO.
- (5) HL Klemove Suzhou is a company established in the PRC and wholly owned by HL Klemove Corporation (“HKL”), which is an affiliate of HL Mando Corp., a company listed on the Korea Exchange (ticker symbol: 204320). Therefore, each of HKL and HL Mando Corp. will be deemed to be interested in the Shares held by HL Klemove Suzhou under the SFO.
- (6) Zizhi Yihao is a limited partnership established in the PRC and is managed by its general partner Jiaying Zizhi Discovery Equity Investment Management Partnership (L.P.) (嘉興自知探索股權投資管理合夥企業(有限合夥)) (“Zizhi Discovery”), which is ultimately controlled by Mr. HUANG Mingming (黃明明), an Independent Third Party. Therefore, each of Zizhi Discovery and Mr. HUANG Mingming will be deemed to be interested in the Shares held by Zizhi Yihao under the SFO.

Save as otherwise disclosed herein, our Directors are not aware of any persons who will, immediately following the Global Offering, have any interests and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, will 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 or any other member of our Group.

CORNERSTONE INVESTORS

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (each a “**Cornerstone Investment Agreement**”, and together the “**Cornerstone Investment Agreements**”) with the cornerstone investors set forth below (each a “**Cornerstone Investor**”, and together the “**Cornerstone Investors**”) who have agreed to, subject to certain conditions, subscribe, or cause their designated entities (including wholly-owned subsidiary(ies) as approved by the relevant PRC authorities) to subscribe, for such number of our Offer Shares (rounded down to the nearest whole board lot of 100 H Shares) which may be purchased at the Offer Price with an aggregate amount of approximately US\$66.5 million (exclusive of the brokerage fee, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee) (the “**Cornerstone Placing**”).

Based on the Offer Price of HK\$29.65, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be approximately 17,524,000 Offer Shares, representing approximately (i) 79.24% of the Offer Shares pursuant to the Global Offering, (ii) 17.25% of our H Shares in issue upon completion of the Global Offering, and (iii) 7.74% of our total issued share capital upon completion of the Global Offering.

The Cornerstone Investors will acquire the Offer Shares pursuant to, and as part of, the International Offering. The Cornerstone Investors have agreed to pay for the relevant Offer Shares that they have subscribed before dealings in the H Shares commence on the Stock Exchange. The Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid H Shares in issue and will be counted towards the public float of our Company under 8.08 of the Listing Rules. Immediately following the completion of the Global Offering, none of the Cornerstone Investor will become a substantial shareholder of our Company or have any Board representation in our Company. Other than a guaranteed allocation of the relevant Offer Shares at the Offer Price, the Cornerstone Investors do not have any preferential rights in the Cornerstone Investment Agreements compared with other public Shareholders.

Our Company is of the view that (i) the Cornerstone Placing ensures a reasonable size of solid commitment at the beginning of the marketing period and provides confidence to the market, particularly the retail investors who may take comfort in knowing that our Company is vouched for by the Cornerstone Investor who is willing to be subject to a six-month lock-up period; and (ii) by leveraging on the Cornerstone Investor’s industry reputation, the Cornerstone Placing would help raise the profile of the Listing and attract investors’ interest and stimulate demand.

To the best knowledge of our Company and after making reasonable enquiries, each Cornerstone Investor (and, for Cornerstone Investor who will subscribe for our Offer Shares through its wholly-owned subsidiary, each of such wholly-owned subsidiary) is (i) independent from our Company, our connected persons and their respective associates and is not our existing Shareholders; (ii) independent from each other; (iii) not accustomed to taking instructions from our Company, our subsidiaries, our Directors, Supervisors, chief executive of

CORNERSTONE INVESTORS

our Company, our Controlling Shareholders, our substantial Shareholders, our existing Shareholders or any of their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Offer Shares registered in its name or otherwise held by it; and (iv) is not directly or indirectly financed by our Company, our Directors, Supervisors, chief executive of our Company, our Controlling Shareholders, our substantial Shareholders, our existing Shareholders or any of their respective subsidiaries or close associate with respect to the subscription of Offer Shares pursuant to the Cornerstone Investment Agreements.

To the extent that any Cornerstone Investor has engaged a wholly-owned subsidiary to subscribe for the relevant Offer Shares on its behalf, such Cornerstone Investor will procure such wholly-owned subsidiary to comply with the terms of its Cornerstone Investment Agreement in order to ensure the compliance of such Cornerstone Investor with its obligations under its Cornerstone Investment Agreement.

As confirmed by the Cornerstone Investors, the subscription under the Cornerstone Placing would be financed by (i) their own internal financial resources; (ii) the financial resources of their ultimate beneficial owners; or (iii) the funds under their management, and that they have sufficient funds to settle their respective investments under the Cornerstone Placing. There are no side agreements or arrangements between our Company and the Cornerstone Investors or any benefit, direct or indirect, conferred on the Cornerstone Investors by virtue of or in relation to the Cornerstone Placing, other than a guaranteed allocation of the relevant Offer Shares at the Offer Price. Each of the Cornerstone Investors has confirmed that all necessary approvals have been obtained with respect to the Cornerstone Placing and that no specific approval from any stock exchange or its shareholders is required for the relevant cornerstone investment.

All of the Cornerstone Investors have agreed that they shall fully pay for the relevant Offer Shares no later than 8:00 a.m. (Hong Kong time) on the Listing Date. Delayed delivery will not be required as there will be no over-allocation in the International Offering.

The total number of Offer Shares to be subscribed by the Cornerstone Investors pursuant to the Cornerstone Placing may be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering. In the event of over-subscription under the Hong Kong Public Offering as described in “Structure of the Global Offering — The Hong Kong Public Offering — Reallocation” in this prospectus, the number of Offer Shares under the International Offering may be deducted to satisfy the public demands under the Hong Kong Public Offering and the number of the Offer Shares to be allocated to the Cornerstone Investors will be reduced on a pro rata basis. Each of the Cornerstone Investors has agreed that, in the event that the requirement pursuant to Rules 8.08(3) of the Listing Rules, which provides that no more than 50% of our Shares in public hands on the Listing Date can be beneficially owned by the three largest public Shareholders, cannot be satisfied, the Company and the Overall Coordinators have the right to adjust the allocation of the number of Offer Shares to be purchased by the Cornerstone Investor in their sole and absolute discretion to satisfy the requirement under Rule 8.08(3) of the Listing Rules. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by our Company on or around December 19, 2023.

CORNERSTONE INVESTORS

OUR CORNERSTONE INVESTORS

The information about the Cornerstone Investor sets forth below has been provided by the Cornerstone Investors:

Zhejiang Qixin

Zhejiang Qixin Zhixing Information Technology Co., Ltd. (浙江七新智行信息技術有限公司) (“**Zhejiang Qixin**”) has agreed to acquire such number of H Shares (rounded down to the nearest board lot) that may be purchased with US\$30 million (inclusive of brokerage, the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy) at the Offer Price.

Zhejiang Qixin, a limited liability company incorporated in the PRC, is principally engaged in information technology consulting services, technology development, transfer and services, and software development and sales (including the development of digital cultural creative software and artificial intelligence basic software). Zhejiang Qixin is held as to 52% and 48% by Jiaxing Qixin Investment Development Co. (嘉興七新投資發展有限公司) (“**Jiaxing Qixin**”) and Jiaxing Zhixin Netlink Equity Investment Partnership (Limited Partnership) (嘉興智芯網聯股權投資合夥企業(有限合夥)) (“**Jiaxing Zhixin**”). Jiaxing Qixin is ultimately controlled by Jiaxing Municipal People’s Government State-owned Assets Supervision and Administration Commission (嘉興市人民政府國有資產監督管理委員會), controlling 93.33% equity interests. The sole general partner and fund manager of Jiaxing Zhixin is Jianxin Tianran Investment Management Ltd., Co. (建信天然投資管理有限公司), a wholly-owned subsidiary of Tianrandao Investment Management Ltd., Co. (天然道投資管理有限公司), the ultimate beneficial owner of which is Yuan Shengyao (袁聖堯), an Independent Third Party. The remaining equity interests of Jiaxing Zhixin are held as to 59.4% and 39.6% by Jiaxing Qixin and Zhejiang Xingnan Equity Investment Co., Ltd. (浙江瑄南股權投資有限公司), an indirect wholly-owned company of Jiaxing Nanhu District State-owned Assets Supervision and Administration Commission (嘉興市南湖區國有資產監督管理委員會), as limited partners, respectively.

Our Company became acquainted with Zhejiang Qixin by the introduction of an investment bank.

SIP Industrial Investment Fund

Suzhou Industrial Park Industrial Investment Fund (Limited Partnership) (蘇州工業園區產業投資基金(有限合夥)) (“**SIP Industrial Investment Fund**”), has agreed to acquire such number of H Shares (rounded down to the nearest board lot) that may be purchased with US\$20 million (inclusive of brokerage, the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy) at the Offer Price.

CORNERSTONE INVESTORS

SIP Industrial Investment Fund, established in the PRC on November 7, 2017, primarily focuses on venture capital and equity investment, asset management, investment management, and investment consultancy. The sole general partner as well as the fund manager of SIP Industrial Investment Fund is Suzhou Yuanfeng Capital Management Co. (蘇州園豐資本管理有限公司) (“**Suzhou Yuanfeng**”), a limited company incorporated in the PRC with a focus on private equity fund management service, holding 0.1996% partnership interest in SIP Industrial Investment Fund. The ultimate controller of Suzhou Yuanfeng is Suzhou Industrial Zhaorun Investment Holding Group Co., Ltd (蘇州工業園區兆潤投資控股集團有限公司), which is wholly-owned by Suzhou Industrial Park Administrative Committee (蘇州工業園區管理委員會), a PRC governmental authority.

The remaining partnership interests of SIP Industrial Investment Fund are held as to 59.8802% and 39.9202% by Suzhou Industrial Park Economic Development Co. (蘇州工業園區經濟發展有限公司) (“**SIP Economic Development**”) and Suzhou Industrial Park State-owned Capital Investment and Operation Holding Co. (蘇州工業園區國有資本投資運營控股有限公司) (“**SIP State-owned Capital Holding**”) as limited partners. Both the SIP Economic Development and SIP State-owned Capital Holding are held by Suzhou Industrial Park Administrative Committee and Jiangsu Provincial Department of Finance as to 90% and 10%, respectively.

The Company’s headquarters are located in Suzhou Industrial Park. Our Company became acquainted with SIP Industrial Investment Fund through Suzhou Industrial Park Administrative Committee.

SilkyWater Absolute Return

SilkyWater Absolute Return LPF (“**SilkyWater Absolute Return**”) has agreed to acquire such number of H Shares (rounded down to the nearest board lot) that may be purchased with US\$10 million (exclusive of brokerage, the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy) at the Offer Price.

SilkyWater Absolute Return, a limited partnership fund established in Hong Kong on May 19, 2023, focuses its operation on investment consultancy and customized asset allocation. The sole investment manager and general partner of SilkyWater Absolute Return is SilkyWater Asset Management Limited (潤淼資產管理有限公司) (“**SilkyWater Asset Management**”), a limited company incorporated in Hong Kong in 2019 and licensed to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO in Hong Kong. SilkyWater Asset Management is a wholly-owned subsidiary of Water Wealth Holdings Limited (“**Water Wealth**”), which is in turn held by Tan Kok Hui, an Independent Third Party, as to 52.5% and other three Independent Third Parties together as to 47.5%, respectively. None of the other three Independent Third Parties’ equity interest in Water Wealth exceeds 30%. All limited partners of SilkyWater Absolute Return are Independent Third Parties and none of them holds more than 30% partnership interests in SilkyWater Absolute Return, with the single largest limited partner being Global Peace International Limited, holding 25% partnership interests.

CORNERSTONE INVESTORS

Our Company became acquainted with SilkyWater Absolute Return by the introduction of an investment bank.

Harvest International Premium Value (Secondary Market) Fund SPC on behalf of Harvest Prosperity II SP

Harvest International Premium Value (Secondary Market) Fund SPC on behalf of Harvest Prosperity II SP (“**Harvest**”) has agreed to acquire such number of H Shares (rounded down to the nearest board lot) that may be purchased with US\$7.0 million (exclusive of brokerage, the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy) at the Offer Price.

Harvest International Premium Value (Secondary Market) Fund SPC on behalf of Harvest Prosperity II SP is a fund launched in November 2023. Harvest International Premium Value (Secondary Market) Fund SPC is a segregated portfolio company established in the Cayman Islands and is an Independent Third Party. 91% of the management shares of Harvest International Premium Value (Secondary Market) Fund SPC are held by Harvest Global Investments Limited (“**HGI**”) and 9% of the management shares are held by Harvest Global Capital Investments Limited (“**HGCI**”). Incorporated in Hong Kong in 2008, HGI is a wholly-owned subsidiary of Harvest Fund Management Co., Ltd (“**HFM**”). HFM is one of the first ten public fund management companies approved to be established within China. HGCI is a company incorporated in Hong Kong in 2011 and licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO in Hong Kong by the SFC. HGCI is principally engaged in asset management and investment advisory business. The sole participating shareholder of Harvest is Brand Boutique (Hong Kong) Limited, and the ultimate beneficial owner is KAN Jun (the sole shareholder of Brand Boutique (Hong Kong) Limited), an Independent Third Party.

Our Company became acquainted with Harvest International Premium Value (Secondary Market) Fund SPC on behalf of Harvest Prosperity II SP by the introduction of an investment bank.

Set forth below is the aggregate number of Offer Shares, and the corresponding percentage to our Company’s total issued Shares under the Cornerstone Placing.

CORNERSTONE INVESTORS

Based on the Offer Price of HK\$29.65

Cornerstone Investor	Investment amount	Number of Offer Shares ⁽³⁾	Approximate % of the Offer Shares	Approximate % of the H Shares in issue	Approximate % of ownership
	<i>(US\$ in million)</i>				
Zhejiang Qixin SIP Industrial Investment Fund	30.0 ⁽¹⁾	7,826,600	35.39%	7.70%	3.46%
SilkyWater Absolute Return	20.0 ⁽¹⁾	5,217,700	23.59%	5.14%	2.31%
Harvest	10.0 ⁽²⁾	2,635,100	11.91%	2.59%	1.16%
	7.0 ⁽²⁾	1,844,600	8.34%	1.82%	0.82%
	67.0	17,524,000	79.24%	17.25%	7.74%

Notes:

1. Inclusive of brokerage, the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy.
2. Exclusive of brokerage, the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy.
3. Calculated based on the exchange rate at US\$1.0 : HK\$7.8133 as described in the section headed “Information about this Prospectus and the Global Offering — Currency Translations” in this prospectus and rounded down to the nearest whole board lot of 100 H Shares.

CONDITIONS PRECEDENT

The obligations of the Cornerstone Investors to acquire Offer Shares under their respective Cornerstone Investment Agreements are subject to, among others, the following closing conditions:

- (a) the Hong Kong Underwriting Agreement and the International Underwriting Agreements entered into and having become effective and unconditional and not having been terminated (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in these underwriting agreements, and neither of the underwriting agreements having been terminated;
- (b) the Offer Price having been agreed upon between our Company and the Overall Coordinators (for themselves and on behalf of the Underwriters);

CORNERSTONE INVESTORS

- (c) the Listing Committee having granted approvals for the listing of, and permission to deal in, the H Shares (including the Offer Shares to be subscribed for by the Cornerstone Investors as well as other applicable waivers and consents) and that such approvals, waivers or consents have not been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;
- (d) no laws or regulations shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or the Cornerstone Investment Agreements, and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and
- (e) the respective representations, warranties, undertakings, confirmations and acknowledgements of the Cornerstone Investors under their respective Cornerstone Investment Agreements are and will be (as of the date of the Cornerstone Investment Agreement and as of the date of the closing of the subscription for the H Shares under the Cornerstone Placing) accurate and true in all material respects and not misleading and that there is no material breach of any of the Cornerstone Investment Agreements on the part of their respective Cornerstone Investors.

RESTRICTIONS ON THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that without the prior written consent of each of our Company, the Overall Coordinators and the Joint Sponsors, it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date (the “**Lock-up Period**”), dispose of any of the Offer Shares they have subscribed for pursuant to the relevant Cornerstone Investment Agreements (the “**Relevant Shares**”) or any interest in any company or entity holding any of the Relevant Shares, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investors, including the Lock-up Period restriction.

SHARE CAPITAL

SHARE CAPITAL

Immediately Before the Global Offering

As of the Latest Practicable Date, our registered capital was RMB204,214,340, comprising 204,214,340 Shares with a nominal value of RMB1.0 each.

In the course of the Global Offering, the Shareholders of the Company have applied to the CSRC, the Stock Exchange and other relevant regulatory authorities to convert the Domestic Shares held by them into H Shares, details of which are set out below:

Name of Shareholders	Number of Domestic Shares Held as of the Latest Practicable Date	Number of Shares Applied for Conversion into H Shares	% of Number of Shares Applied for Conversion into H Shares to Number of Shares Held by the Shareholder(s) as of the Latest Practicable Date
Mr. SONG Yang	48,815,280	9,763,056	20.0%
— Lanchi Platform	20,595,520	4,119,104	20.0%
— Zichi Platform	7,383,300	1,476,660	20.0%
— Suzhou Hongchi	1,476,660	295,332	20.0%
— Suzhou Luchi	3,211,260	642,252	20.0%
Mr. LI Shuangjiang	14,238,460	4,745,679	33.3%
Mr. LUO Hong	2,921,460	1,460,730	50.0%
Mixed Reform Fund	18,413,960	—	—
SME Fund	15,440,480	2,042,776	13.2%
HL Klemove Suzhou	15,316,080	15,316,080	100.0%
Zizhi Yihao	12,335,640	12,335,640	100.0%
Beijing CHJ	9,308,980	9,308,980	100.0%
CCBI Fund	5,614,680	5,614,680	100.0%
Yuecai & BOC Funds			
— Yuecai Investment	3,715,040	—	—
— Yixingbanyue	28,080	—	—
Yaoyu Investment	3,139,640	3,139,640	100.0%
Pingyang Kunyi	2,401,820	2,401,820	100.0%
Yangfan Zhiyuan	2,180,860	1,090,430	50%
StartUP Capital	145,380	72,690	50%
Yinghao Capital			
— Yafeng II	2,180,860	—	—
— Yafeng III	1,856,500	—	—
Yongxin Capital	2,001,520	400,304	20.0%
Qianrong Tairun	1,964,620	196,462	10.0%
ZTF Investment	1,569,820	—	—

SHARE CAPITAL

Name of Shareholders	Number of Domestic Shares Held as of the Latest Practicable Date	Number of Shares Applied for Conversion into H Shares	% of Number of Shares Applied for Conversion into H Shares to Number of Shares Held by the Shareholder(s) as of the Latest Practicable Date
Jiahui Investment	1,569,820	1,569,820	100.0%
Dechuang Vehicle	1,531,580	765,790	50.0%
Oriza Seed	1,403,080	1,403,080	100.0%
Iflytek Startups			
— Tianjin Iflytek	1,090,420	545,210	50.0%
— Hefei Iflytek	1,090,420	545,210	50.0%
— Mr. XU Jingming	109,040	54,520	50.0%
Yanying Investment	800,600	—	—
Leader VC	363,480	181,740	50.0%
Total	204,214,340	79,487,685	38.9%

Upon the Completion of the Global Offering

Immediately following the completion of the Global Offering and Conversion of Domestic Shares into H Shares, the share capital of our Company will be as follows:

Description of Shares	Number of Shares ⁽¹⁾	% of the Share Capital
Domestic Shares	124,726,655	55.1%
H Shares converted from Domestic Shares	79,487,685	35.1%
H Shares to be issued pursuant to the Global Offering	22,116,000	9.8%
Total	226,330,340	100.0%

Note:

- (1) Following the completion of the Global Offering, 79,487,685 Domestic Shares held by our existing Shareholders will be converted into H Shares on a one-for-one basis and listed on the Stock Exchange for trading. Filing of such conversion of Domestic Shares into H shares has been completed with the CSRC on May 30, 2023.

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SHARES OF OUR COMPANY

Upon completion of the Global Offering, depending on whether Shares are listed on the Stock Exchange, our Company will have two categories of Shares: H Shares as one category and Domestic Shares as the other category. Domestic Shares and H Shares are both ordinary Shares in the share capital of our Company. However, the H Shares generally may not be subscribed for by, or traded between, legal or natural persons of the PRC, apart from certain qualified domestic institutional investors in the PRC, the qualified PRC investors under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect, and other persons who are entitled to hold the H Shares pursuant to relevant PRC laws and regulations or upon approval by any competent authorities.

RANKING

The Domestic Shares and the H Shares will rank *pari passu* with each other in all respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this prospectus. All dividends in respect of the H Shares are to be declared in RMB and paid by our Company in Hong Kong dollars or RMB, whereas all dividends for Domestic Shares will be paid in RMB. Other than cash, dividends could also be paid in the form of Shares.

CONVERSION OF OUR DOMESTIC SHARES INTO H SHARES

All our Domestic Shares are not listed or traded on any stock exchange. According to the regulations issued by the securities regulatory authorities of the State Council and our Articles of Association, the Domestic Shares may be converted into H Shares, and such converted Shares may be listed and traded on an overseas stock exchange provided that the conversion, listing and trading of such converted Shares have been filed with the CSRC. Additionally, such conversion, trading and listing shall meet any requirement of internal approval process and in all respects comply with the regulations prescribed by the securities regulatory authorities of the State Council and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

Upon completion of the Global Offering and pursuant to the filing notice of the CSRC dated May 30, 2023, 79,487,685 Domestic Shares will be converted to H Shares on a one-for-one basis and be listed for trading on the Stock Exchange as set out below. To the extent any Domestic Shares are not converted into H Shares, all unlisted Shares will comprise such number of Domestic Shares held by our Shareholders not converted into H Shares and we will have two categories of Shares, Domestic Shares and H Shares, depending on whether Shares are listed on the Stock Exchange. The term “unlisted shares” is used to describe whether certain shares are listed on a stock exchange and is not unique to PRC laws.

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Listing Review and Filing with the CSRC

In accordance with the Overseas Listing Trial Measures and five relevant guidelines announced by the CSRC, for a domestic company directly offering and listing overseas, shareholders of its domestic unlisted shares applying to convert such shares into shares listed and trade on an overseas trading venue shall conform to relevant regulations promulgated by the CSRC, and authorize the domestic company to file with the CSRC on their behalf.

The Company applied for a “full circulation” filing when applying for an overseas listing filing with the CSRC on April 6, 2023, and submitted the filing reports, authorization documents of the shareholders of unlisted shares for which an H-share “full circulation” filing was applied, undertaking about the compliance of share acquisition and other documents in accordance with the requirements of the CSRC.

The Company has received the filing notice from the CSRC dated May 30, 2023 in relation to the filing of the overseas listing and “Full Circulation”, pursuant to which:

- (i) the Company filed with the CSRC to issue no more than 78,282,200 H Shares with a nominal value of RMB1.0 each, which are all ordinary shares, and upon this issuance the Company may be listed on the Main Board of the Stock Exchange;
- (ii) the Company filed with the CSRC to convert a total of 79,487,685 Domestic Shares (with a nominal value of RMB1.0 each) held by certain Shareholders of the Company (the “**Full Circulation Participating Shareholders**”) into H Shares, and the relevant Shares may be listed on the Stock Exchange upon completion of the conversion.

Where the Global Offering cannot be completed within one year upon receipt of the filing notice, and the Company will continue to conduct overseas listing and global offering after that, it shall update the filing materials, and the CSRC will update the public filing information accordingly.

Listing Approval by the Stock Exchange

We have applied to the Listing Committee for the granting of listing of, and permission to deal in, our H Shares to be issued pursuant to the Global Offering and the H Shares to be converted from 79,487,685 Domestic Shares on the Stock Exchange, which is subject to the approval by the Stock Exchange.

We will perform the following procedures for the Conversion of Domestic Shares into H Shares after receiving the approval of the Stock Exchange: (i) giving instructions to our H Share Registrar regarding relevant share certificates of the converted H Shares; and (ii) enabling the converted H Shares to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in the CCASS. The Full Circulation Participating Shareholders may only deal in the Shares upon completion of following domestic procedures. No approval by the

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general meeting of Shareholders is required for the listing and trading of such converted Shares on an overseas stock exchange. Any application for listing of the converted Shares on the Stock Exchange after our initial listing is subject to prior notification by way of announcement to inform the Shareholders and the public of any proposed conversion.

Domestic Procedures

The Full Circulation Participating Shareholders may only deal in the Shares upon completion of the below arrangement procedures for the registration, deposit and transaction settlement in relation to the conversion and listing:

- (i) We will appoint China Securities Depository and Clearing Corporation Limited (“**CSDC**”) as the nominal holder to deposit the relevant securities at CSDC (Hong Kong), which will then deposit the securities at HKSCC in its own name. CSDC, as the nominal holder of the Full Circulation Participating Shareholders, shall handle all custody, maintenance of detailed records, cross-border settlement and corporate actions, etc. relating to the converted H Shares for the Full Circulation Participating Shareholders;
- (ii) We will engage a domestic securities company (the “**Domestic Securities Company**”) to provide services such as sending orders for trading of the converted H Shares and receipt of transaction returns. The Domestic Securities Company will engage a Hong Kong securities company (the “**Hong Kong Securities Company**”) for settlement of share transactions. We will make an application to CSDC, Shenzhen Branch for the maintenance of a detailed record of the initial holding of the converted H Shares held by our Shareholders. Meanwhile, we will submit applications for a domestic transaction commission code and abbreviation, which shall be confirmed by CSDC, Shenzhen Branch as authorized by Shenzhen Stock Exchange;
- (iii) The Shenzhen Stock Exchange shall authorize Shenzhen Securities Communication Co., Ltd. to provide services relating to transmission of trading orders and transaction returns in respect of the converted H Shares between the Domestic Securities Company and the Hong Kong Securities Company, and the real-time market forwarding services of the H Shares;
- (iv) According to the Notice of SAFE on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》), the Full Circulation Participating Shareholders shall complete the overseas shareholding registration with the local foreign exchange administration bureau before the Shares are sold, and after the overseas shareholding registration, open a specified bank account for the holding of overseas shares by domestic investors at a domestic bank with relevant qualifications and open a fund account for the H Share “Full Circulation” at the Domestic Securities Company. The Domestic Securities Company shall open a securities trading account for the H Share “Full Circulation” at the Hong Kong Securities Company; and

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- (v) The Full Circulation Participating Shareholders shall submit trading orders of the converted H Shares through the Domestic Securities Company. Trading orders of the Full Circulation Participating Shareholders for the relevant Shares will be submitted to the Stock Exchange through the securities trading account opened by the Domestic Securities Company at the Hong Kong Securities Company. Upon completion of the transaction, settlements between each of the Hong Kong Securities Company and CSDC (Hong Kong), CSDC (Hong Kong) and CSDC, CSDC and the Domestic Securities Company, and the Domestic Securities Company and the Full Circulation Participating Shareholders, will all be conducted separately.

As a result of the conversion, the shareholding of the relevant Full Circulation Participating Shareholders in our Domestic Shares shall be reduced by the number of the Domestic Shares converted and the number of H Shares shall be increased by the number of converted H Shares.

Conversion of Our Domestic Shares into H Shares after completion of the Global Offering

According to the regulations by the securities regulatory authorities of the State Council and our Articles of Association, the holders of these Domestic Shares may, at their own option, authorize the Company to apply to the CSRC for conversion of their respective Domestic Shares to H Shares after completion of the Global Offering, and such converted Shares may be listed and traded on an overseas stock exchange provided that the conversion, listing and trading of such converted Shares have been filed with the CSRC. Additionally, such conversion, trading and listing shall meet any requirement of internal approval process and in all respects comply with the regulations prescribed by the securities regulatory authorities of the State Council and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange. Save as disclosed in this section and to the best knowledge of our Directors, we are not aware of the intention of such existing Shareholders to convert their Domestic Shares after completion of the Global Offering.

If any of the Domestic Shares are to be converted, listed and traded as H Shares on the Stock Exchange, such conversion, the filing of the relevant PRC regulatory authorities, including the CSRC, and the approval of the Stock Exchange are necessary. Based on the procedures for the conversion of Domestic Shares into H Shares as set forth below, we will apply for the listing of all or any portion of the Domestic Shares on the Stock Exchange as H Shares in advance of any proposed conversion after the Global Offering to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of Shares for entry on the H Share register. As the listing of additional Shares after the Global Offering on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require such prior application for listing at the time of our listing in Hong Kong. No approval by the general meeting of Shareholders is required for the conversion of such Shares or the listing and trading of such converted Shares on an overseas stock exchange. Any application for listing of the converted Shares on the Stock Exchange after our initial listing is subject to prior notification by way of announcement to inform our Shareholders and the public of any proposed conversion.

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Registration on our H Share register will be conditional on: (a) our H Share Registrar lodging with the Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register and the due dispatch of H Share certificates, and (b) the admission of the H Shares to trade on the Stock Exchange in compliance with the Listing Rules, the General Rules of CCASS and the CCASS Operational Procedures in force from time to time. Until the converted Shares are re-registered on our H Share register, such Shares would not be listed as H Shares. The relevant procedural requirements for the conversion of Domestic Shares into H Shares are as follows:

- (i) The holder of Domestic Shares shall complete the filing of the CSRC for the conversion of all or part of its Domestic Shares into H Shares.
- (ii) The holder of Domestic Shares shall issue to us a removal request in respect of a specified number of Shares attaching the relevant documents of title.
- (iii) Subject to our Company being satisfied with the authenticity of the documents and with the approval of our Board, we would then issue a notice to our H Share Registrar with instructions that, with effect from a specified date, our H Share Registrar is to issue the relevant holders with H Share certificates for such specified number of Shares.
- (iv) The relevant Domestic Shares will be withdrawn from the register of our Domestic Shares and re-registered on our H Share register maintained in Hong Kong on the condition that:
 - (a) our H Share Registrar lodges with the Stock Exchange a letter confirming the proper entry of the relevant Shares on the H Share register and the due dispatch of share certificates; and
 - (b) the admission of the H Shares (converted from the Domestic Shares) to trade in Hong Kong will comply with the Listing Rules and the general rules of CCASS and CCASS Operational Procedures in force from time to time.
- (v) Upon completion of the conversion, the shareholding of the relevant holder of Domestic Shares on the register of our Domestic Shares will be reduced by such number of Domestic Shares converted and the number of H Shares in the H Share register will correspondingly increase by the same number of Shares.
- (vi) We will comply with the Listing Rules to inform Shareholders and the public by way of an announcement of such fact not less than three days prior to the proposed effective date.

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RESTRICTION ON TRANSFER OF SHARES ISSUED PRIOR TO THE GLOBAL OFFERING

The PRC Company Law provides that in relation to the public share offering of a company, the shares of the company which have been issued prior to the offering shall not be transferred within one year from the date of the listing. Accordingly, Shares issued by our Company prior to the Listing Date shall be subject to this statutory restriction and shall not be transferred for a period of one year from the Listing Date.

The Company will work with the Domestic Securities Company to be engaged by the Company to restrict the trading of the H Shares converted from unlisted Shares technically within one year after the Listing. In the unlikely event that any Full Circulation Participating Shareholders trades their H Shares during such restriction period, as advised by the PRC Legal Advisors, there will be no administrative penalty on the Company under the PRC laws and regulations but there is risk that the underlying agreement for the transfer of such H Shares may be declared void pursuant to the Civil Code of the People's Republic of China.

Our Directors, Supervisors and members of senior management shall declare their shareholdings in the Company and any changes in their shareholdings. Shares transferred by our Directors, Supervisors and members of the senior management each year during their term of office shall not exceed 25% of their total respective shareholdings in the Company. The Shares that the aforementioned persons held in the Company cannot be transferred within one year from the date on which the shares are listed and traded, nor within half a year after they leave their positions in the Company. The Articles of Association may contain other restrictions on the transfer of our Shares held by our Directors, Supervisors and members of senior management, a summary of which is set out in “Appendix V — Summary of Articles of Association.”

REGISTRATION OF SHARES NOT LISTED ON THE OVERSEAS STOCK EXCHANGE

According to the Notice of Centralized Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange (《關於境外上市公司非境外上市股份集中登記存管有關事宜的通知》) issued by the CSRC, an overseas listed company is required to register its shares that are not listed on the overseas stock exchange with CSDC within 15 business days upon listing and provide a written report to the CSRC regarding the centralized registration and deposit of its unlisted shares as well as the current offering and listing of shares.

SHAREHOLDERS' GENERAL MEETINGS

For details of circumstances under which our general Shareholders' meeting required, see “Appendix IV — Summary of Principal Legal and Regulatory Provisions” and “Appendix V — Summary of Articles of Association.”

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GENERAL MANDATE TO ISSUE SHARES

Subject to the completion of the Global Offering, our Board has been granted a general mandate to allot and issue H Shares at any time within a period up to the date of the conclusion of the next annual general meeting of the Shareholders or the date on which our Shareholders pass a special resolution to revoke or change such mandate, whichever is earlier, upon such terms and conditions and for such purposes and to such persons as our Board in their absolute discretion deem fit, and to make necessary amendments to the Articles of Association, provided that, the number of H Shares to be issued shall not exceed 20% of the number of H Shares in issue as at the Listing Date.

For further details on this general mandate, see “Appendix VI — Statutory and General Information — A. Further Information about Our Company and Our Subsidiaries — 4. Resolutions of Our Shareholders Dated March 23, 2023.”

FINANCIAL INFORMATION

You should read the following discussion and analysis of our financial condition and results of operations together with our consolidated financial statements as of and for each of the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, and the accompanying notes included in the Accountant’s Report set out in Appendix I to this document. Our consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the IASB (“IFRS Accounting Standards”), which may differ in material aspects from generally accepted accounting principles in other jurisdictions. You should read the entire Accountant’s Report and not merely rely on the information contained in this section.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis 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, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties, many of which we cannot control or foresee. In evaluating our business, you should carefully consider all of the information provided in this document, including the sections headed “Risk Factors” and “Business.”

OVERVIEW

We are an autonomous driving solution provider in China with a focus on AD domain controllers. We have commercialized level 2 to level 2+, and are developing level 2 to level 4, autonomous driving solutions for automotive manufacturers (OEMs). Our revenue increased significantly from RMB47.7 million in 2020 to RMB178.3 million in 2021 and further to RMB1,325.9 million in 2022, with a CAGR of 427.2%. Our revenue increased by 51.2% from RMB359.2 million for the six months ended June 30, 2022 to RMB543.2 million for the six months ended June 30, 2023. At the relatively early stages of large-scale commercialization, we have been loss-making since 2020 and we expect to incur net loss and net operating cash outflow in 2023. For details, see “Business — Business Sustainability.” As a tier 1 supplier, we offer various autonomous driving in-vehicle solutions and products to OEMs on both new energy vehicles (NEVs) and internal combustion engine (ICE) vehicles. Our autonomous driving domain controller (AD domain controller) solutions typically include (i) AD domain controller; (ii) associated sensors, which we procure from third-party suppliers and integrate into our solutions; (iii) integrated software, algorithms and functions; and (iv) relevant services such as sensor implementation, vehicle systems integration, and function testing and validation.

We have commercialized two AD domain controller product lines which support level 2 to level 2+ autonomous driving functions, covering a wide price range of passenger vehicles and all types of driving scenarios, including highways, ring roads, complex urban roads, country roads, and parking areas.

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During the Track Record Period, we generated most of our revenue from the sale of our autonomous driving solutions and products to automotive manufacturers (OEMs) and we delivered approximately 130 thousand units of AD domain controllers in total. Most of these were SuperVision™ supplied to Geely Group, which were based on Mobileye's technology and the base version of AD domain controllers acquired from Mobileye. As of the Latest Practicable Date, we obtained letters of nomination associated with 16 renowned OEM customers, such as Geely, Great Wall Motor, Chery and Dongfeng, among others, who are expected to source AD domain controllers and iFC products from us.

BASIS OF PRESENTATION

Our consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. All IFRS Accounting Standards effective for the accounting period commencing from January 1, 2020, together with the relevant transitional provisions, have been adopted by us in the preparation of the consolidated financial information throughout the Track Record Period. Our consolidated financial statements have been prepared on a historical cost basis, except for the certain financial assets and liabilities that are measured at fair value.

FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our business and results of operations are affected by the general factors that impact our total addressable market, including, among others, overall economic growth in China and globally, the widespread adoption of autonomous driving solutions and products, the development of intelligent mobility technology, raw material costs, regulatory, tax and geopolitical environments and the competitive landscape for autonomous driving solutions and products. Changes in any of these general factors could affect the demand for our solutions and products and our results of operations.

In addition to the general factors mentioned above, we believe our results of operations are more directly affected by the following specific factors:

- Our ability to deepen relationships with existing customers and expand our customer base;
- Our ability to successfully develop and commercialize our autonomous driving solutions and products, and to optimize our autonomous driving solution and product mix;
- Our ability to continually innovate our technology capabilities to maintain our leadership in product performance and quality; and
- Our ability to effectively manage our costs and expenses and enhance operating efficiency.

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Our ability to deepen relationships with existing customers and expand our customer base

Our revenue increased significantly from RMB47.7 million in 2020 to RMB178.3 million in 2021 and further to RMB1,325.9 million in 2022, and by 51.2% from RMB359.2 million for the six months ended June 30, 2022 to RMB543.2 million for the six months ended June 30, 2023. Such growth was mainly driven by our ability to deepen our relationships with existing customers and expand our customer base.

First, our future growth is dependent on our ability to maintain and deepen relationships with our existing customers. Our customers primarily consist of OEMs that install our autonomous driving solutions and products on their vehicles. Geely Group was our largest customer in 2021 and 2022 and for the six months ended June 30, 2023. For the years ended December 31, 2021 and 2022 and for the six months ended June 30, 2023, our revenue from Geely Group was RMB94.5 million, RMB1,277.5 million and RMB516.0 million, respectively, representing approximately 53.0%, 96.4% and 95.0% of our total revenue during the same periods. We are committed to expanding our cooperation with existing customers. For example, following ZEEKR 001, the second vehicle model from Geely Group's premium electric vehicle brand that started series production in January 2023, ZEEKR 009, has also been equipped with SuperVision™. Two additional brands under Geely Group, Polestar and Smart, are expected to install SuperVision™ globally in their electric vehicle models, beginning in 2023. Moreover, empowered by our advanced over-the-air (OTA) technology, we will be able to provide better autonomous driving experiences to our OEM customers and end users, to further deepen our cooperation with existing OEM customers. Furthermore, we will continue to enhance our industry insights and develop technologies to improve our product performance and provide more innovative solutions and products. Changes in relationship with our existing customers may materially affect our results of operation and financial condition. For example, to our knowledge based on public information and our communication with Mobileye, Mobileye and Polestar may collaborate with another system integrator to incorporate Mobileye's next-generation autonomous driving solutions, including Chauffeur™, into a particular vehicle model of Polestar that we have agreed to work on. See "Risk Factors — Risks Relating to Our Business and Industry — We are subject to concentration risk of deriving a substantial portion of revenue from our sales to Geely Group and from SuperVision™ based on the base version of AD domain controllers supplied by Mobileye and the loss of, or a significant reduction in, revenue from such customers or products could materially and adversely affect our results of operations."

Second, we are dedicated to identifying, engaging and retaining new customers to expand our customer base. Leveraging our deep insights and strong R&D capabilities in autonomous driving, we are committed to attracting industry-leading OEM customers. We are focused on exploring new OEM customers leveraging our solution and product offerings and technical capabilities to address our OEM customers' changing needs. As of the Latest Practicable Date, we obtained letters of nomination associated with 16 renowned OEM customers, such as Geely, Great Wall Motor, Chery and Dongfeng, among others. As we continue to develop and launch solutions and products with market competitiveness, promote our brand and expand our sales and service network, we expect to attract more OEM customers and achieve revenue growth in the future.

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As we operate in intensely competitive markets, we need to conduct promotion and marketing activities to expand our customer base. Our selling expenses primarily consist of employee benefit expenses and share-based payments related to our sales and marketing personnel as well as advertising and publicity expenses. In 2020, 2021 and 2022 and for the six months ended June 30, 2022 and 2023, our selling expenses were RMB3.0 million, RMB9.4 million, RMB27.7 million, RMB16.1 million and RMB13.6 million, respectively. We anticipate that our selling expenses will continue to grow in the future in line with our continued business expansion.

Our ability to successfully develop and commercialize our autonomous driving solutions and products, and to optimize our autonomous driving solution and product mix

The continued advancement of our R&D projects of autonomous driving solutions and products, and the process of collaborating with downstream OEMs towards commercialization are crucial to our sustained business growth. We are currently developing our iDC High and iFC 3.0 solutions. Our iDC High is a high computing power solution that supports full-scenario autonomous driving experience and is expected to be delivered in 2024. We also expect to launch iFC 3.0, next generation intelligent front camera, in 2024. See “Business — Our Autonomous Driving Solutions and Products — Our Autonomous Driving Solution and Product Offerings” for more information on the development progress of our product offerings. Our results of operations in the coming years will be impacted by (i) the development status of our solutions and products, (ii) successful adaptation to our customers’ vehicle models, and (iii) series production and commercialization of our products, among others. If we are unable to successfully complete the R&D projects, obtain letters of nomination from customers, receive confirmed customer orders, or achieve commercialization for our product offerings, or if we experience significant delays or cost overruns in doing any of the foregoing, our business and prospects could be materially and adversely affected.

In addition, our gross profit margin varies across business segments and product lines, due to a variety of factors including manufacturing costs, technological advancement, pricing power, market demand, and availability of competing products, among others. Generally, our autonomous driving-related R&D services have a high gross profit margin. For details, see “— Description of Major Components of Our Results of Operations — Gross Profit and Gross Profit Margin.” In addition, some of our product lines, such as SuperVision™, have experienced and may experience higher rate of growth, affecting our revenue mix. Changes in our product mix and revenue mix may also affect our overall gross profit margin and subsequently other aspects of our business performance.

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In 2020 and 2021, our gross profit margin remained relatively stable at 20.1% and 20.6%, respectively. Our gross profit margin decreased from 20.6% in 2021 to 8.3% in 2022, primarily because we generated a greater portion of revenue from sales of AD domain controller solutions following the series production of our first SuperVision™ project in collaboration with Mobileye in October 2021, which had a lower gross profit margin as compared to other business segments, such as autonomous driving-related R&D services and sales of PCBA products. Our gross profit margin increased from 6.4% for the six months ended June 30, 2022 to 7.6% for the six months ended June 30, 2023, primarily because we gradually achieved stronger economies of scale and had increasing bargaining power against suppliers following the series production of our products.

Our ability to continually innovate our technology capabilities to maintain our leadership in product performance and quality

According to Frost & Sullivan, in terms of revenue generated from sales of AD domain controllers in 2022, we are the fourth largest AD domain controller provider in China taking into account the in-house developed domain controllers by OEMs, with a market share of 8.6%. Our financial performance is significantly dependent on our ability to maintain our leading position which is further dependent on our continuous investments in research and development. We invest significantly in the R&D of autonomous driving technology. Our R&D expenses increased from RMB44.1 million in 2020 to RMB54.9 million in 2021 and further to RMB104.0 million in 2022, representing a CAGR of 53.6%. Our R&D expenses increased significantly from RMB46.4 million for the six months ended June 30, 2022 to RMB104.0 million for the six months ended June 30, 2023. As of June 30, 2023, we had 250 R&D personnel, representing 74.2% of our total employees. We expect our R&D expenses to remain substantial in the future. We are committed to enhancing our autonomous driving technology capabilities through our investment in R&D, which we believe will further drive our future revenue growth.

We expect to continuously enhance our R&D capabilities, which enable us to provide industry-leading autonomous driving solutions and products that address various needs of our OEM customers. We believe it is essential that we continue to upgrade and optimize our autonomous driving solutions and products as we successfully implement our R&D roadmap, especially on our core algorithms and flexible middleware. We plan to continue to significantly invest in developing and upgrading our technology. We also intend to continue to invest heavily in attracting and retaining key talent to strengthen our technological advantages and to support our business growth and drive our overall long-term growth. If we fail to continue our innovation, our market position and results of operations may be adversely affected.

In addition to our in-house R&D capabilities, we also collaborated with Mobileye to introduce the SuperVision™ to our OEM customers. Following on the success of our existing partnerships, we are actively exploring new partnership opportunities globally to enhance our technology capabilities. The successful collaboration arrangements with our existing and potential business partners will have an impact on our results of operations.

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Our ability to effectively manage our costs and expenses and enhance operating efficiency

Our ability to achieve and maintain profitability is dependent in part on our ability to control our costs and expenses through enhancing our operating leverage and efficiency. In 2020, 2021 and 2022 and for the six months ended June 30, 2022 and 2023, our cost of sales primarily consists of raw materials and consumables used, which amounted to RMB27.4 million, RMB103.2 million, RMB1,128.2 million, RMB313.7 million and RMB482.4 million, respectively. The main raw materials and consumables used in the production of our autonomous driving products include automotive-grade chips, sensors, electronic units, and PCB, mechanical parts, fasteners and packaging materials. Our ability to effectively control raw material and consumables costs as we continue to ramp up our production volume has affected and will continue to affect our financial results significantly. We expect that as our sales volume increases over time, we will be able to reduce our average unit cost and achieve economies of scale to improve our gross profit margin. In addition, we also plan to leverage our in-house production capability to reduce the use of outsourced materials and make use of alternative raw materials to optimize our cost structure and improve our financial performance.

Our operating efficiency is also affected by our ability to streamline our operations across our business. Controlling operating expenses to achieve optimal operating efficiency is important to our success. As our business grows in scale, we expect to benefit from significant operating leverage and to realize structural cost savings. We believe the continued growth of our business and expansion of our market share can benefit us from economies of scale.

MATERIAL ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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 we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and results of operations. Our management will continually evaluate 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 note 2 and note 4 to the Accountant's Report in Appendix I in this prospectus.

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Material Accounting Policies

Revenue Recognition

We recognize revenue when (or as) a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by our performance as we perform;
- our performance creates or enhances an asset that the customer controls as we perform; or
- our performance does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

When allocating the transaction price to each performance obligation identified in the contract, we determine the stand-alone selling price at contract inception of the distinct good or service underlying each performance obligation in the contract and allocate the transaction price in proportion to those stand-alone selling prices.

In determining whether our revenue should be reported gross or net is based on a continuing assessment of various factors. When determining whether we are acting as the principal or agent in offering goods or services to the customer, we need to first identify who controls the specified goods or services before they are transferred to the customer. We follow the accounting guidance for principal-agent considerations to assess whether we control the specified goods or service before it is transferred to the customer, the indicators of which including but not limited to (a) whether the entity is primarily responsible for fulfilling the promise to provide the specified service; (b) whether the entity has inventory risk before the specified service has been transferred to a customer; and (c) whether the entity has discretion in establishing the prices for the specified goods or service. The management considers the above factors in totality, as none of the factors individually are considered presumptive or determinative, and applies judgment when assessing the indicators depending on each different circumstances.

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We mainly provide autonomous driving-related R&D services to OEMs to develop software, hardware, algorithm and function for autonomous driving solutions and products for vehicle models in such OEMs' pipelines, and when such R&D is successfully validated, the OEMs would engage us for the production and sales of such autonomous driving solutions and products. Other than the above core business in relation to autonomous driving solutions and products, we are also engaged in the manufacturing and sales of printed circuit board assembly (PCBA) products to certain customers by using surface-mount technology (SMT).

The following is a description of the accounting policy for the principal revenue streams of us:

(a) Sales of autonomous driving solutions and products and PCBA products

Revenue generated from sales of autonomous driving solutions and products primarily includes revenues from sales of our main products, AD domain controllers and iFC products, to OEMs, which is recognized at the point in time when we satisfy a performance obligation by transferring control over a product to a customer, generally upon the acceptance of the products. For PCBA products with revenue recognized at a point in time, we recognize revenue upon transfer of control, which generally occurs upon shipment to the customers and transfer of title and risk of loss under standard commercial terms. The revenue is measured based on consideration, less value added tax, specified in a contract with a customer, as well as adjusted for any variable consideration (i.e. price concessions or annual price adjustments) based on contract terms and historical patterns.

(b) Provision of autonomous driving-related R&D services

We provide autonomous driving-related R&D services to OEMs, including (i) software and hardware development in autonomous driving segment; (ii) autonomous driving algorithm and function development; and (iii) functional safety consulting and validation service. We recognize revenue at a point in time when performance obligations are satisfied as well as the agreed deliverables are accepted by customers. We do not have any enforceable right to payment before the agreed deliverables are accepted by customers.

Fair Value Measurement

To provide an indication about the reliability of the inputs used in determining fair value, we have classified its financial instruments into the three levels prescribed under the accounting standards.

- Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by us is the current bid price. These instruments are included in level 1.

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- Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Our policy is to recognize transfers into and out of fair value hierarchy levels as at the end of each of the years/periods during the Track Record Period.

Inventories

Raw materials, semi-finished goods, work in progress and finished goods are stated at the lower of cost and net realizable value. Cost comprises direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. 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.

Financial Instruments with Preferred Rights at Amortized Cost

A contract that contains an obligation to purchase our equity instruments for cash or another financial asset gives rise to a financial liability for the present value of the redemption amount. Even if our obligations to purchase are conditional on the counterparty exercising a right to redeem, the financial instruments with preferred rights are recognized as financial liability initially at the present value of the redemption amount and subsequently measured at amortized cost with interest charged in finance costs.

We derecognize financial liabilities when, and only when, our obligations are discharged, canceled or have expired. The carrying amount of the financial instruments derecognized was credited into the equity.

Critical Accounting Estimates and Judgements

The preparation of consolidated financial information requires the use of accounting estimates, which, by definition, will seldom equal the actual results. Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

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Fair Value of Financial Assets at FVTPL

The fair value of financial assets that are not traded in an active market is determined by using valuation techniques. We use our judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Changes in these assumptions and estimates could materially affect the respective fair value of these investments.

Recognition of share-based payment expenses

As detailed in note 27 to the Accountant's Report in Appendix I in this prospectus, certain shares transfer and grant of shares under the share award schemes have resulted in share-based payment expenses.

We have engaged an independent valuer to determine the total fair value of the equity incentive tools granted to employees. The discounted cash flow method and back solve method were used to determine the total equity value of our Company and then equity allocation model was adopted to determine the fair value of the equity incentive tools. Significant estimates on assumptions, such as risk-free interest rate, volatility and dividend yield are made based on management's best estimates. Further details are included in note 27 to the Accountant's Report in Appendix I in this prospectus.

As the awards granted in equity settled share-based payment plan are conditional on a Qualified Initial Public Offerings ("**QIPO**"). We have estimated the QIPO's probability and QIPO date when we calculated share based payment expenses at the end of each year/period during the Track Record Period. Since QIPO condition is considered as vesting condition, we also need to consider when the QIPO is probable. If the service period under the service condition ends before QIPO, then the vesting period will end on QIPO date; if the service period under the service condition ends after QIPO, then the vesting period will end according to the service conditions. As of June 30, 2023, we assessed that it is probable for the performance condition (i.e., QIPO) to be achieved in the future.

We also have to estimate the expected forfeiture rate at the end of vesting periods ("**Forfeiture Rate**") of the restricted shares granted in order to determine the amount of share-based payment expenses charged to profit or loss. The Forfeiture Rate of the restricted shares awarded of our Group to managements and employees were assessed to be 15% to 30%, 25% to 45%, 25% to 45% and 25% to 45% as of December 31, 2020, 2021 and 2022 and June 30, 2023, respectively.

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Write-down of Inventories

Our management reviews the condition of inventories at each reporting date, and makes allowance for inventories that are identified as obsolete, slow-moving or no longer recoverable or suitable for use in production. We carry out the inventory review on a product-by-product basis and makes allowances by reference to the latest market prices and current market conditions.

Income Taxes and Deferred Income Tax

There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgment is required from us in determining the provisions for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

We recognize deferred income tax assets based on estimates that it is probable to generate sufficient taxable profits in the foreseeable future against which the deductible losses will be utilized. The recognition of deferred income tax assets mainly involves management's judgments and estimations about the timing and the amount of taxable profits of the companies who has tax losses. No deferred income tax asset has been recognized in respect of such tax losses due to the unpredictability of future taxable income.

Warranty Provisions

We provide product warranties on all new goods based on the contracts with its customers at the time of sale of goods. We accrue a warranty reserve for the goods sold by multiplying the expected unit costs for warranty services by the sales volume, which includes the best estimate of projected costs to repair or replace items under warranties. These estimates are primarily based on the estimates of the nature, frequency and average costs of future claims. These estimates are inherently uncertain given our relatively short history of sales, and changes to the historical or projected warranty experience may cause material changes to the warranty provisions in the future. The portion of the warranty reserve expected to be incurred within the next 12 months is included within the accrued a warranty provision and other current liabilities while the remaining balance is included within other non-current liabilities on the consolidated balance sheets. Warranty cost is recorded as a component of selling expenses in the consolidated statements of comprehensive loss. We re-evaluate the adequacy of the warranty accrual on a regular basis.

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DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

The following table sets forth 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,			
	2020		2021		2022		2022		2023	
	<i>(RMB in thousands, except for percentages)</i>									
	<i>(Unaudited)</i>									
Revenue	47,655	100.0%	178,258	100.0%	1,325,882	100.0%	359,171	100.0%	543,212	100.0%
Cost of sales	(38,059)	(79.9)%	(141,475)	(79.4)%	(1,215,309)	(91.7)%	(336,069)	(93.6)%	(502,173)	(92.4)%
Gross profit	9,596	20.1%	36,783	20.6%	110,573	8.3%	23,102	6.4%	41,039	7.6%
Selling expenses	(3,046)	(6.4)%	(9,403)	(5.3)%	(27,681)	(2.1)%	(16,096)	(4.5)%	(13,565)	(2.5)%
Administrative expenses	(8,591)	(18.0)%	(29,715)	(16.7)%	(41,517)	(3.1)%	(14,203)	(4.0)%	(38,382)	(7.1)%
Research and development expenses	(44,141)	(92.6)%	(54,948)	(30.8)%	(104,047)	(7.8)%	(46,430)	(12.9)%	(103,987)	(19.1)%
(Net impairment)/reversal of impairment losses on financial assets	(90)	(0.2)%	(1,453)	(0.8)%	(3,717)	(0.3)%	(1,471)	(0.4)%	2,989	0.6%
Other income	3,716	7.8%	3,421	1.9%	4,710	0.4%	473	0.1%	4,224	0.8%
Other gains/(losses) — net	(387)	(0.8)%	4,929	2.8%	(628)	(0.0)%	(567)	(0.2)%	6,133	1.1%
Operating loss	(42,943)	(90.1)%	(50,386)	(28.3)%	(62,307)	(4.7)%	(55,192)	(15.4)%	(101,549)	(18.7)%
Finance income	9	0.0%	94	0.1%	100	0.0%	85	0.0%	2,034	0.4%
Finance costs	(10,893)	(22.9)%	(413,907)	(232.2)%	(280,169)	(21.1)%	(245,325)	(68.3)%	(233)	(0.0)%
Finance (costs)/income — net	(10,884)	(22.9)%	(413,813)	(232.1)%	(280,069)	(21.1)%	(245,240)	(68.3)%	1,801	0.3%
Loss before income tax	(53,827)	(113.0)%	(464,199)	(260.4)%	(342,376)	(25.8)%	(300,432)	(83.6)%	(99,748)	(18.4)%
Income tax expenses	—	—	—	—	—	—	—	—	—	—
Loss for the year/period	(53,827)	(113.0)%	(464,199)	(260.4)%	(342,376)	(25.8)%	(300,432)	(83.6)%	(99,748)	(18.4)%
Other comprehensive income/(loss):										
Items that may be subsequently reclassified to profit or loss										
Currency translation differences	3	0.0%	(6)	(0.0)%	—	—	—	—	—	—
Loss and total comprehensive loss for the year attributable to the owners of the Company	(53,824)	(112.9)%	(464,205)	(260.4)%	(342,376)	(25.8)%	(300,432)	(83.6)%	(99,748)	(18.4)%

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ADJUSTED LOSS (NON-IFRS ACCOUNTING STANDARDS MEASURE)

To supplement our consolidated financial statements, which are presented in accordance with IFRS Accounting Standards, we also use the adjusted loss (Non-IFRS Accounting Standards measure) as an additional financial measure, which is not required by, or presented in accordance with, IFRS Accounting Standards. We believe that the presentation of non-IFRS Accounting Standards measures facilitates comparisons of operating performance from period to period and provides useful information to investors and others to understand and evaluate our consolidated results of operations in the same manner as our management.

We also believe that the non-IFRS Accounting Standards measures are appropriate for evaluating our operating performance. The use of this non-IFRS Accounting Standards measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial conditions as reported under IFRS Accounting Standards. In addition, this non-IFRS Accounting Standards measure may not be comparable to similar measures presented by other companies.

We define the adjusted loss (Non-IFRS Accounting Standards measure) as the loss for the year/period, excluding (i) share-based payment, (ii) financial cost on financial instruments with preferred rights at amortized cost, and (iii) listing expenses. Our management considered the share-based payment and financial cost on financial instruments with preferred rights at amortized cost as non-cash items. During the Track Record Period, we recorded financial instruments with preferred rights in connection with the issuance by our Company to Pre-IPO Investors of ordinary shares with preferred rights in Pre-IPO financings that conferred certain preferred rights, including redemption rights, upon such Pre-IPO Investors. We have ceased to record any such financial cost with respect to the preferred rights previously conferred upon the Pre-IPO Investors, because we and the related Pre-IPO Investors have mutually agreed to terminate such preferred rights.

The following table sets forth the reconciliations of our non-IFRS Accounting Standards measures for the period indicated with the nearest measured prepared in accordance with IFRS Accounting Standards:

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2020	2021	2022	2022	2023
	<i>(RMB in thousands)</i>				
	<i>(Unaudited)</i>				
Non-IFRS Accounting Standards measures					
Loss for the year/period	(53,827)	(464,199)	(342,376)	(300,432)	(99,748)
Add:					
Share-based payment	8,554	17,708	44,026	22,127	43,220
Financial cost on financial instruments with preferred rights at amortized cost	9,604	412,362	279,420	244,680	—
Listing expenses	—	—	2,056	—	10,367
	(35,669)	(34,129)	(16,874)	(33,625)	(46,161)
Adjusted loss (Non-IFRS Accounting Standards measure)	(35,669)	(34,129)	(16,874)	(33,625)	(46,161)

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Revenue

We generate revenue from (i) sales of autonomous driving solutions and products, (ii) rendering of autonomous driving-related R&D services, and (iii) sales of PCBA products. For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, our revenue amounted to RMB47.7 million, RMB178.3 million, RMB1,325.9 million, RMB359.2 million and RMB543.2 million, respectively. The following table sets forth a breakdown of our revenue both in absolute amount and as a percentage of our total revenue for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2020		2021		2022		2022		2023	
	<i>(RMB in thousands, except for percentages)</i>									
	<i>(Unaudited)</i>									
Autonomous driving solutions and products										
— AD domain controller solutions	—	—	86,010	48.2%	1,249,834	94.3%	335,959	93.5%	515,535	94.9%
— Intelligent front cameras	440	0.9%	144	0.1%	3,115	0.2%	796	0.3%	5,321	1.0%
<i>Subtotal</i>	440	0.9%	86,154	48.3%	1,252,949	94.5%	336,755	93.8%	520,856	95.9%
Autonomous driving-related R&D services	4,826	10.1%	34,503	19.4%	37,956	2.9%	5,460	1.5%	12,083	2.2%
Sales of PCBA products	42,389	89.0%	57,601	32.3%	34,977	2.6%	16,956	4.7%	10,273	1.9%
Total	47,655	100.0%	178,258	100.0%	1,325,882	100.0%	359,171	100.0%	543,212	100.0%

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Sales of Autonomous Driving Solutions and Products

During the Track Record Period, revenue generated from sales of autonomous driving solutions and products amounted to RMB0.4 million, RMB86.2 million, RMB1,252.9 million, RMB336.8 million and RMB520.9 million, respectively, accounting for 0.9%, 48.3%, 94.5%, 93.8% and 95.9% of our total revenue for the same periods, respectively. Our autonomous driving solutions and products can be classified into two categories, namely AD domain controller solutions and intelligent front cameras. The series production of our first SuperVision™ project in collaboration with Mobileye started in October 2021. For details, see “Business — Our Autonomous Driving Solutions and Products — Our Autonomous Driving Solution and Product Offerings — AD Domain Controllers — SuperVision™.” Since then, the sales of SuperVision™ has become our main source of revenue. In addition, a portion of our revenue was generated from the sales of intelligent front cameras, namely our iFC series.

Rendering of Autonomous Driving-related R&D Services

During the Track Record Period, we also generated revenue from provision of autonomous driving-related R&D services. Our R&D services are primarily focused on three aspects: (i) the development of software and hardware for the autonomous driving segment; (ii) the development of algorithms and functions for autonomous driving; and (iii) functional safety consulting and validation. During the Track Record Period, revenue generated from rendering autonomous driving-related R&D services amounted to RMB4.8 million, RMB34.5 million, RMB38.0 million, RMB5.5 million and RMB12.1 million, respectively, accounting for 10.1%, 19.4%, 2.9%, 1.5% and 2.2% of our total revenue for the same periods, respectively.

Sales of PCBA products

During the Track Record Period, we also generated revenue from sales of PCBA products to third parties. During the Track Record Period, revenue generated from sales of PCBA products amounted to RMB42.4 million, RMB57.6 million, RMB35.0 million, RMB17.0 million and RMB10.3 million, respectively, accounting for 89.0%, 32.3%, 2.6%, 4.7% and 1.9% of our total revenue for the same periods, respectively.

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Cost of Sales

Our cost of sales primarily consists of (i) raw materials and consumables used, primarily including automotive-grade chips, sensors, electronic units, and PCB, mechanical parts, fasteners and packaging materials, (ii) design and testing expenses, primarily including expenses incurred for the provision of autonomous driving-related R&D services, as well as for software verification and flashing in offering autonomous driving solutions, (iii) employee benefit expenses which include salaries and bonus, (iv) share-based payments, (v) depreciation and amortization expenses, and (vi) others, which primarily include travel expenses, freight expenses, tax and surcharges, provisions for impairment of inventories, and expenses relating to short term leases for production purpose. The table below sets forth a breakdown of our cost of sales by nature for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2020		2021		2022		2022		2023	
	<i>(RMB in thousands, except for percentages)</i>									
	<i>(Unaudited)</i>									
Raw materials and consumables used ⁽¹⁾										
— Base version of AD domain controllers procured from Mobileye	—	—	50,395	35.6%	783,828	64.5%	211,834	63.0%	430,887	80.4%
— Other raw materials and consumables used	27,370	71.9%	52,823	37.3%	344,324	28.3%	101,891	30.4%	78,473	15.7%
	27,370	71.9%	103,218	73.0%	1,128,152	92.8%	313,725	93.4%	482,360	96.1%
Design and testing expenses										
— Software verification and flashing in offering autonomous driving solutions ⁽²⁾	—	—	15,241	10.8%	28,225	2.3%	4,723	1.4%	6,003	1.2%
— Rendering of autonomous driving-related R&D services	2,014	5.3%	7,812	5.5%	13,855	1.1%	2,362	0.7%	3,608	0.7%
— Other design and development expenses	36	0.1%	42	0.0%	23	0.0%	14	0.0%	13	0.0%
	2,050	5.4%	23,095	16.3%	42,103	3.5%	7,099	2.1%	9,624	1.9%
Employee benefit expenses	3,112	8.2%	6,986	4.9%	25,608	2.1%	8,102	2.4%	4,945	1.0%
Share-based payments	738	1.9%	1,618	1.1%	4,916	0.4%	2,518	0.7%	147	0.0%
Depreciation and amortization expenses	3,099	8.1%	4,130	2.9%	5,511	0.5%	2,650	0.8%	2,334	0.5%
Others	1,690	4.4%	2,428	1.7%	9,018	0.7%	1,975	0.6%	2,763	0.6%
Total	38,059	100.0%	141,475	100.0%	1,215,309	100.0%	336,069	100.0%	502,173	100.0%

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Note:

- (1) During the Track Record Period, a significant portion of our costs for raw materials and consumables were attributable to the procurement of the base version of the AD domain controller for SuperVision™ from Mobileye.
- (2) In 2021, 2022, and for the six months ended June 30, 2022 and 2023, 100.0%, 99.5%, 99.0% and 93.1% of our design and testing expenses for software verification and flashing in relation to SuperVision™, respectively.

Gross Profit and Gross Profit Margin

The following table sets forth a breakdown of our gross profit and gross profit margin by business segments during the Track Record Period:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2020		2021		2022		2022		2023	
	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>(RMB in thousands, except for percentages)</i>										
<i>(Unaudited)</i>										
Autonomous driving solutions and products										
— AD domain controller solutions	-	-	4,549	5.3%	92,866	7.4%	21,099	6.3%	37,320	7.2%
— Intelligent front cameras	212	48.1%	75	52.0%	482	15.5%	(61)	(7.7)%	(609)	(11.4)%
Subtotal	212	48.1%	4,624	5.4%	93,348	7.5%	21,038	6.2%	36,711	7.0%
Autonomous driving-related R&D services	405	8.4%	23,625	68.5%	13,229	34.9%	(171)	(3.1)%	4,292	35.5%
Sales of PCBA products	8,979	21.2%	8,534	14.8%	3,996	11.4%	2,235	13.2%	36	0.3%
Total	9,596	20.1%	36,783	20.6%	110,573	8.3%	23,102	6.4%	41,039	7.6%

In 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, our gross profit margin was 20.1%, 20.6%, 8.3%, 6.4% and 7.6%, respectively. In 2020 and 2021, our gross profit margin remained relatively stable at 20.1% and 20.6%, respectively. Our gross profit margin decreased from 20.6% in 2021 to 8.3% in 2022, primarily because we generated a greater portion of revenue from sales of AD domain controller solutions following the series production of our first SuperVision™ project in collaboration with Mobileye in October 2021, which had a relatively low gross profit margin as compared to other business segments. Our gross profit margin increased from 6.4% for the six months ended June 30, 2022 to 7.6% for the six months ended June 30, 2023, primarily because we gradually achieved stronger economies of scale and had increasing bargaining power against suppliers following the series production of our products.

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Sales of AD domain controller solutions had a gross profit margin of 5.3% and 7.4% in 2021 and 2022, respectively. The increase in gross profit margin was primarily because we gradually achieved stronger economies of scale and had increasing bargaining power against suppliers following the series production of our first SuperVision™ project in collaboration with Mobileye in October 2021. The increase in gross profit margin of AD domain controller solutions from 6.3% for the six months ended June 30, 2022 to 7.2% for the six months ended June 30, 2023 was primarily because of our increasing bargaining power against suppliers following the increasing sales of our AD domain controller solutions.

Gross profit margin of intelligent front cameras remained relatively stable at 48.1% in 2020 and 52.0% in 2021, and decreased to 15.5% in 2022. The gross profit margin of intelligent front cameras remained relatively high in 2020 and 2021 and decreased in 2022 primarily because we generated a significant portion of revenue from sales of sample products prior to the series production of iFC 2.0 in August 2021. Sales of sample products generally had a relatively higher gross profit margin because the volume of sample sales is usually one single unit and sample products had a relatively high selling price per unit to reflect the high cost of raw materials and staff cost used and allocated for manufacturing each single unit. Customers of such sample sales were mainly OEMs, including Geely Group, and the majority of whom continued to purchase iFC 2.0 from us after the commencement of the series production. Gross profit margin of intelligent front cameras was a negative of 7.7% and a negative of 11.4% for the six months ended June 30, 2022 and 2023, respectively, primarily because we sold iFC products to a limited number of OEM customers. To ensure our products could be incorporated into such OEM customers' supply chains, we strategically adjusted our selling prices. By gaining favor from these OEMs, we believe we can not only enhance our market reputation but also make it easier to attract new OEM customers. As our products' reputation steadily grows, we will consistently adapt our pricing strategy to capitalize on our increased bargaining power.

Gross profit margin of autonomous driving-related R&D services increased from 8.4% in 2020 to 68.5% in 2021, and decreased to 34.9% in 2022. We recorded a negative gross profit margin of 3.1% of autonomous driving-related R&D services for the six months ended June 30, 2022. Gross profit margin of autonomous driving-related R&D services was 35.5% for the six months ended June 30, 2023. Such changes were primarily because our gross profit margin varied across different R&D projects and we generated a significant portion of revenue from certain R&D projects in relation to the development of autonomous driving solutions in 2021 and the first half of 2023, which had a relatively higher gross profit margin and we generated a significant portion of revenue from a R&D project in relation to the development of ADAS solutions with single camera in the first half of 2022, which had a relatively low gross profit margin. Our R&D services are charged on a project-by-project basis. When determining the prices of each R&D project, we generally consider (i) whether the R&D project are connected with our existing R&D activities thus requiring less costs and expenses, (ii) our strategic collaborative relationships with the R&D service customers, (iii) the potential of achieving future series production with a particular customer on the R&D projects, and (iv) the budget of R&D service customers. Taking into account the aforementioned factors, the service fees we charged varied across different R&D project and in turn affect our gross profit margins for different R&D projects.

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Gross profit margin of PCBA products decreased from 21.2% in 2020 to 14.8% in 2021, and further decreased to 11.4% in 2022. Gross profit margin of PCBA products decreased from 13.2% for the six months ended June 30, 2022 to 0.3% for the six months ended June 30, 2023. The decreases were primarily because (i) revenue generated from sales of PCBA products to certain of our customers was not recognized for the six months ended June 30, 2023, which shared a relatively higher gross profit margin; and (ii) we strategically adjusted the prices of our PCBA products delivered to our major customers of PCBA products in response to the intensified market competition.

Selling Expenses

Our selling expenses primarily consist of (i) share-based payments to our sales and marketing personnel, (ii) employee benefit expenses which include salaries and bonus of our sales and marketing personnel, (iii) warranty, which was in relation to after-sales quality guarantee of our products, (iv) advertising and publicity expenses, (v) business development expenses for sales and marketing purposes, (vi) travel expenses for sales and marketing purposes, (vii) depreciation and amortization expenses allocated to the sales and marketing department, and (viii) other miscellaneous expenses, such as training expenses and expenses relating to short term lease for sales and marketing purposes.

For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, we incurred selling expenses of RMB3.0 million, RMB9.4 million, RMB27.7 million, RMB16.1 million and RMB13.6 million, respectively, representing 6.4%, 5.3%, 2.1%, 4.5% and 2.5% of our revenue for the same periods, respectively. The following table sets forth a breakdown of our selling expenses for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2020		2021		2022		2022		2023	
	<i>(RMB in thousands, except for percentages)</i>									
	<i>(Unaudited)</i>									
Share-based payment	641	21.0%	5,437	57.8%	15,895	57.4%	12,496	77.6%	4,698	34.6%
Employee benefit expenses	1,547	50.8%	2,103	22.4%	4,410	15.9%	2,160	13.4%	2,507	18.5%
Warranty	—	—	198	2.1%	3,746	13.5%	553	3.4%	4,274	31.5%
Advertising and publicity expenses	633	20.8%	865	9.2%	2,157	7.8%	394	2.4%	1,115	8.2%
Business development expenses	22	0.7%	231	2.5%	736	2.7%	183	1.1%	641	4.7%
Travel expenses	124	4.1%	287	3.1%	467	1.7%	202	1.3%	226	1.7%
Depreciation and amortization expenses	37	1.2%	48	0.5%	41	0.1%	23	0.1%	31	0.2%
Others	42	1.4%	234	2.5%	229	0.8%	85	0.5%	73	0.5%
Total	3,046	100.0%	9,403	100.0%	27,681	100.0%	16,096	100.0%	13,565	100.0%

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Administrative Expenses

Our administrative expenses primarily consist of (i) employee benefit expenses which include salaries and bonus of our administrative personnel, (ii) share-based payments to our administrative personnel, (iii) professional fees paid to external consultants, accountants and legal advisors, (iv) depreciation and amortization expenses, (v) listing expenses, (vi) bank charges, (vii) electricity expenses, (viii) travel expenses for administrative purposes, (ix) training expenses, and (x) other miscellaneous expenses, such as expenses relating to short term leases for administrative purposes and office supplies used.

For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, we incurred administrative expenses of RMB8.6 million, RMB29.7 million, RMB41.5 million, RMB14.2 million and RMB38.4 million, respectively, representing 18.0%, 16.7%, 3.1%, 4.0% and 7.1% of our revenue for the same periods, respectively. The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2020		2021		2022		2022		2023	
	<i>(RMB in thousands, except for percentages)</i>									
	<i>(Unaudited)</i>									
Employee benefit expenses	4,460	51.9%	10,363	34.9%	18,521	44.6%	7,810	55.0%	11,868	30.9%
Share-based payments	560	6.5%	4,588	15.4%	10,992	26.5%	1,627	11.5%	10,649	27.7%
Professional fees	915	10.7%	10,499	35.3%	3,964	9.5%	1,966	13.8%	1,917	5.0%
Depreciation and amortization expenses	1,376	16.0%	1,100	3.7%	2,370	5.7%	1,199	8.4%	1,366	3.6%
Listing expenses	—	0.0%	—	0.0%	2,056	5.0%	—	0.0%	10,367	27.0%
Bank charges	22	0.3%	677	2.3%	839	2.0%	444	3.1%	95	0.2%
Electricity expenses	183	2.1%	365	1.2%	389	0.9%	175	1.2%	201	0.5%
Travel expenses	73	0.8%	870	2.9%	377	0.9%	149	1.1%	475	1.2%
Training expenses	331	3.9%	122	0.4%	104	0.3%	32	0.2%	54	0.2%
Others	671	7.8%	1,131	3.8%	1,905	4.6%	801	5.7%	1,390	3.7%
Total	8,591	100.0%	29,715	100.0%	41,517	100.0%	14,203	100.0%	38,382	100.0%

Research and Development Expenses

Our research and development expenses primarily consist of (i) employee benefit expenses which include salaries and bonus of our R&D personnel, (ii) share-based payments to our R&D personnel, (iii) design and development expenses for R&D purposes, (iv) depreciation and amortization expenses for R&D purposes, (v) raw materials and consumables used, (vi) travel expenses for R&D purposes, and (vii) other miscellaneous expenses, such as expenses relating to short term leases for R&D purposes and business development expenses. For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30,

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2022 and 2023, we incurred research and development expenses of RMB44.1 million, RMB54.9 million, RMB104.0 million, RMB46.4 million and RMB104.0 million, respectively. The following table sets forth a breakdown of our research and development expenses for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2020		2021		2022		2022		2023	
	<i>(RMB in thousands, except for percentages)</i>									
	<i>(Unaudited)</i>									
Employee benefit expenses	23,864	54.1%	32,418	59.0%	62,406	60.0%	25,910	55.8%	57,789	55.6%
Share-based payments	6,615	15.0%	6,065	11.0%	12,223	11.7%	5,487	11.8%	27,725	26.7%
Design and development expenses	8,328	18.9%	6,213	11.3%	14,677	14.1%	8,205	17.7%	10,783	10.4%
Depreciation and amortization expenses	3,044	6.9%	5,237	9.5%	6,031	5.8%	2,591	5.6%	4,978	4.8%
Raw materials and consumables used	465	1.1%	2,706	4.9%	4,235	4.1%	2,704	5.8%	480	0.5%
Travel expenses	696	1.6%	1,166	2.1%	2,978	2.9%	1,023	2.2%	1,104	1.0%
Others	1,129	2.6%	1,143	2.1%	1,497	1.4%	510	1.1%	1,128	1.0%
Total	44,141	100.0%	54,948	100.0%	104,047	100.0%	46,430	100.0%	103,987	100.0%

Net Impairment Losses on Financial Assets

Net impairment losses on financial assets primarily represent impairment losses of trade and notes receivables. For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022, we recorded net impairment losses on financial assets of RMB0.1 million, RMB1.5 million, RMB3.7 million and RMB1.5 million, respectively. For the six months ended June 30, 2023, we recorded reversal of impairment losses on financial assets of RMB3.0 million, respectively.

Other Income

Our other income primarily consists of government subsidies for our R&D expenditures and our manufacturing bases. For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, we incurred other income of RMB3.7 million, RMB3.4 million, RMB4.7 million, RMB0.5 million and RMB4.2 million, respectively. There are no unfulfilled conditions or other contingencies attaching to the subsidies recognized.

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Other Gains/(Losses) – Net

Our net other gains/(losses) primarily consist of (i) net fair value gains on financial assets at FVTPL in relation to gains from our wealth management products, (ii) net foreign exchange losses, (iii) net fair value losses or gains on derivative financial instruments, (iv) net gains or losses on disposals of property, plant and equipment, and intangible assets, (v) loss on liquidation of a subsidiary, and (vi) others. We incurred net other losses of RMB0.4 million, RMB0.6 million and RMB0.6 million for the year ended December 31, 2020 and 2022 and the six months ended June 30, 2022, respectively, and we recorded net other gains of RMB4.9 million and RMB6.1 million for the year ended December 31, 2021 and the six months ended June 30, 2023, respectively.

We incurred a loss of RMB9,000 in relation to the liquidation of our German subsidiary in 2021. We initially established our presence in Germany in July 2018, when we established a subsidiary with the primary goal of collaborating with local institutions to conduct preliminary research on advanced autonomous driving technologies (level 3 and above). However, after approximately two years of operation, we decided to dissolve the German subsidiary taking into account (i) the fact that we were primarily focused on the large-scale commercialization of autonomous driving solutions and products, and (ii) short-term unfeasibility of the technology and its limited potential to aid in the commercialization of our autonomous driving solutions and products. In March 2020, we submitted the dissolution application to the competent authority. The German subsidiary was subsequently liquidated and deregistered in November 2021. Prior to the liquidation, the German subsidiary had not been involved in any material non-compliance incidents or subject to any regulatory enquiry or investigation.

The table below sets forth a breakdown of our other gains and losses for the periods indicated.

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2020	2021	2022	2022	2023
	<i>(RMB in thousands, except for percentages)</i>				
	<i>(Unaudited)</i>				
Net fair value gains on financial assets at FVTPL	493	3,890	7,729	4,213	5,110
Net foreign exchange (losses)/gains	(870)	(212)	(6,284)	(2,945)	884
Net fair value (losses)/gains on derivative financial instruments	—	1,518	(2,252)	(2,252)	—

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	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2020	2021	2022	2022	2023
	<i>(RMB in thousands, except for percentages)</i>				
	<i>(Unaudited)</i>				
Net gains/(losses) on disposals of property, plant and equipment, and intangible assets	24	(266)	(73)	13	88
Loss on liquidation of a subsidiary	—	9	—	—	—
Others	(34)	(10)	252	404	51
Total	(387)	4,929	(628)	(567)	6,133

Finance Income

Our finance income primarily consists of interest income on cash at bank. In 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, we recorded finance income of RMB9.0 thousand, RMB94.0 thousand, RMB100.0 thousand, RMB85.0 thousand and RMB2,034.0 thousand, respectively.

Finance Costs

Our finance costs primarily consist of (i) interest expenses on bank borrowing; (ii) financial cost on financial instruments with preferred rights at amortized cost, which was in relation to the redemption and other preferred rights held by Pre-IPO investors; and (iii) interest and finance charges on lease liabilities. In 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, we recorded finance costs of RMB10.9 million, RMB413.9 million, RMB280.2 million, RMB245.3 million and RMB0.2 million, respectively.

During the Track Record Period, we recorded financial instruments with preferred rights in connection with the issuance by our Company to Pre-IPO Investors of ordinary shares with preferred rights in Pre-IPO financings that confer certain preferred rights, including redemption rights, upon such Pre-IPO Investors. Financial instruments with preferred rights were recorded as financial liabilities upon capital contribution by the related Pre-IPO Investors, because we do not control any of the triggering events of the redemption rights conferred upon the Pre-IPO Investors and accordingly do not consider the Shares issued to the Pre-IPO Investors as equity. The fair value for initial recognition represented the present value of the amount expected to be paid to the investors upon redemption which was assumed at the dates of issuance of the financial instruments. We have ceased to record any such financial cost with respect to the preferred rights previously conferred upon the Pre-IPO Investors, because we and the related Pre-IPO Investors have mutually agreed to terminate such preferred rights.

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The following table sets forth a breakdown of our finance costs for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2020		2021		2022		2022		2023	
	<i>(RMB in thousands, except for percentages)</i>									
	<i>(Unaudited)</i>									
Financial cost on financial instruments with preferred rights at amortized cost	9,604	88.2%	412,362	99.6%	279,420	99.7%	244,680	99.8%	—	—
Interest expenses on bank borrowings	910	8.4%	1,254	0.3%	484	0.2%	512	0.2%	137	58.8%
Interest and finance charges on lease liabilities	379	3.5%	291	0.1%	265	0.1%	133	0.0%	96	41.2%
Total	10,893	100.0%	413,907	100.0%	280,169	100.0%	245,325	100.0%	233	100.0%

Loss for the Year/Period

As a result of the foregoing, our net loss in 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023 was RMB53.8 million, RMB464.2 million, RMB342.4 million, RMB300.4 million and RMB99.7 million, respectively.

Income Tax Expense

Our Company obtained the High and New Technology Enterprises (“HNTe”) status in 2019 and hence is entitled to a preferential tax rate of 15% for a three-year period commencing 2019, which has been renewed for another three years starting from 2022.

Our subsidiaries are qualified as small low-profit enterprises and enjoy the preferential income tax policies. The subsidiaries’ effective corporate income tax rate was 20% during the Track Record Period. Since 2022, iMotion Electronics Technology (Suzhou) Co., Ltd. no longer qualified as Micro and Small Enterprises.

According to the relevant laws and regulations promulgated by the STA, enterprises engaging in research and development activities are entitled to claim 175% from 2018 onwards (subsequently raised to 200% from 2021 onwards) of their research and development expenses incurred as tax deductible expenses.

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The table below sets forth a reconciliation of the expected income tax calculated at the applicable corporate income tax rate and loss before income tax, with the actual corporate income tax during the Track Record Period:

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2020	2021	2022	2022	2023
	<i>(RMB in thousands, except for percentages)</i>				
	<i>(Unaudited)</i>				
Loss before income tax	(53,827)	(464,199)	(342,376)	(300,432)	(99,748)
Income tax credit computed at the applicable income tax rate of 25%	(13,457)	(116,050)	(85,593)	(75,108)	(24,937)
Tax effects of:					
Preferential tax rate	5,394	46,658	34,541	29,924	11,019
Expenses not deductible for taxation purposes	1,455	61,888	42,010	36,732	67
Super Deduction in respect of R&D expenditures	(2,831)	(5,208)	(10,450)	(4,479)	(9,952)
Utilization of previously unrecognized tax losses	(99)	—	(304)	—	(2,432)
Temporary differences for which no deferred income tax assets were recognized	1,350	2,054	8,147	3,757	6,839
Tax losses for which no deferred income tax asset was recognized	8,188	10,658	11,649	9,174	19,396
Income tax expense	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, expenses not deductible for taxation purposes amounted to RMB1.5 million, RMB61.9 million, RMB42.0 million, RMB36.7 million and RMB67.0 thousand, respectively, mainly representing the tax impact from financial cost on financial instruments with preferred rights at amortized cost.

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Impact of Foreign Exchange Fluctuation

In 2020, 2021 and 2022, we had net foreign exchange losses of RMB0.9 million, RMB0.2 million and RMB6.3 million, respectively. For the six months ended June 30, 2023, we had net foreign exchange gains of RMB0.9 million. Our net foreign exchange losses primarily represent losses resulting from the fluctuation of foreign exchange rate between the invoice date and the settlement date. During the Track Record Period, the fluctuation of our net foreign exchange losses or gains were primarily due to our exposure to changes in the foreign exchange rates of Renminbi to U.S. dollars in relation to our transactions with Mobileye and Geely Group. Our purchases from and the payables to Mobileye are denominated in U.S. dollars, while the sales to and receivables from Geely Group are denominated in Renminbi. The credit terms Mobileye granted to us is 30 days from the invoice date, which means the U.S. dollar-denominated payables are normally expected to be settled within a short-term with no material fluctuations in the exchange rate of Renminbi against U.S. dollars. However, due to the strength of the U.S. dollar, we recorded net foreign exchange loss of RMB6.3 million for the year ended December 31, 2022.

The following table sets forth the sensitivity at the end of each period during the Track Record Period to a hypothetical change in the exchange rate of Renminbi against U.S. dollars, with all other variables held constant, of our loss before income tax (as a result of foreign exchange gains/losses on translation of U.S. dollar denominated financial assets and liabilities).

	Loss before Income Tax			
	As of December 31,			As of June 30,
	2020	2021	2022	2023
If the U.S. dollars strengthened by 10% against Renminbi	RMB1.6 million lower	RMB0.6 million higher	RMB9.5 million higher	RMB8.0 million higher
If the U.S. dollars weakened by 10% against Renminbi	RMB1.6 million higher	RMB0.6 million lower	RMB9.5 million lower	RMB8.0 million lower

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The following table sets forth the sensitivity for each period during the Track Record Period to a hypothetical change in the exchange rate of Renminbi against U.S. dollars, with all other variables held constant, of our gross profit and gross profit margin (as a result of the foreign exchange fluctuation of U.S. dollars denominated transactions).

	Gross Profit/Gross Profit Margin			
	For the Year Ended December 31,			For the Six Months Ended June 30,
	2020	2021	2022	2023
If the U.S. dollars strengthened by 10% against Renminbi	RMB3.2 million/ 5.0 percentage points higher	RMB0.9 million/ 1.0 percentage point lower	RMB70.6 million/ 5.3 percentage points lower	RMB34.4 million/ 6.4 percentage points lower
If the U.S. dollars weakened by 10% against Renminbi	RMB3.2 million/ 5.7 percentage points lower	RMB0.9 million/ 1.1 percentage point higher	RMB70.6 million/ 5.4 percentage points higher	RMB34.4 million/ 6.4 percentage points higher

For details relating to our foreign exchange exposure, see “Risk Factors — Risks relating to government regulations — Fluctuations in exchange rates could result in foreign currency exchange losses or a decrease in our gross profit margin.”

DISCUSSION OF HISTORICAL OPERATING RESULTS

Six Months Ended June 30, 2023 Compared to Six Months Ended June 30, 2022

Revenue

Our revenue increased by 51.2% from RMB359.2 million for the six months ended June 30, 2022 to RMB543.2 million for the six months ended June 30, 2023. The increase in our revenue was primarily driven by an increase in the sales of autonomous driving solutions and products.

- Revenue from sales of AD domain controller solutions increased by 53.5% from RMB336.0 million for the six months ended June 30, 2022 to RMB515.5 million for the six months ended June 30, 2023, which was primarily due to a significant increase in the sales volume of SuperVision™ in line with our business expansion.
- Revenue from sales of intelligent front cameras increased significantly from RMB0.8 million for the six months ended June 30, 2022 to RMB5.3 million for the six months ended June 30, 2023, which was primarily due to a significant increase in the sales volume of iFC 2.0 in line with our business expansion.

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- Revenue from rendering of autonomous driving-related R&D services was RMB5.5 million and RMB12.1 million for the six months ended June 30, 2022 and 2023, respectively. The increase was primarily because we recognize revenue for autonomous driving-related R&D services on project basis and the increase in the six months ended June 30, 2023 was in relation to recognized revenue from certain R&D projects.
- Revenue from sales of PCBA products decreased by 39.4% from RMB17.0 million for the six months ended June 30, 2022 to RMB10.3 million for the six months ended June 30, 2023, which was primarily because we strategically focus on our core business which is sales of autonomous driving solutions and products.

Cost of Sales

Our cost of sales increased by 49.4% from RMB336.1 million for the six months ended June 30, 2022 to RMB502.2 million for the six months ended June 30, 2023, primarily due to the increase in sales volume for our autonomous driving solutions and products as a result of the success of SuperVision™ and iFC 2.0 products.

Gross Profit and Gross Profit Margin

Our gross profit increased by 77.6% from RMB23.1 million for the six months ended June 30, 2022 to RMB41.0 million for the six months ended June 30, 2023, which was in general driven by our rapid revenue growth.

- Gross profit of AD domain controller solutions increased by 76.8% from RMB21.1 million for the six months ended June 30, 2022 to RMB37.3 million for the six months ended June 30, 2023. The increase in gross profit was primarily driven by the rapid sales growth of SuperVision™.
- Gross profit of intelligent front cameras was a negative of RMB0.1 million for the six months ended June 30, 2022 and a negative of RMB0.6 million for the six months ended June 30, 2023. The changes was primarily because we strategically adjust our selling price downwards to establish collaborative relationship with certain OEM customers in terms of sales of intelligent front cameras.
- We recorded negative gross profit of RMB0.2 million of autonomous driving-related R&D services for the six months ended June 30, 2022. Gross profit of autonomous driving-related R&D services was RMB4.3 million for the six months ended June 30, 2023. The increase was because we recognize gross profit for autonomous driving-related R&D services on project basis and the increase in the six months ended June 30, 2023 was in relation to recognized gross profit from certain R&D projects.
- Gross profit of PCBA products decreased from RMB2.2 million for the six months ended June 30, 2022 to RMB36 thousand for the six months ended June 30, 2023. The decrease in gross profit was primarily because we strategically focused on our core business which is sales of autonomous driving solutions and products.

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Our gross profit margin increased from 6.4% for the six months ended June 30, 2022 to 7.6% for the six months ended June 30, 2023, primarily due to the increase in the gross profit margins of AD domain controller solutions.

- Gross profit margin of AD domain controller solutions increased from 6.3% for the six months ended June 30, 2022 to 7.2% for the six months ended June 30, 2023. The increase in gross profit margin was primarily because of our increasing bargaining power against suppliers following the increasing sales of our AD domain controller solutions.
- Gross profit margin of intelligent front cameras was a negative of 7.7% for the six months ended June 30, 2022 and a negative of 11.4% for the six months ended June 30, 2023. The decrease in gross profit margin was primarily because we strategically adjust our selling price downwards to establish collaborative relationship with certain OEM customers in terms of sales of intelligent front cameras.
- We recorded a negative gross profit margin of 3.1% of autonomous driving-related R&D services for the six months ended June 30, 2022. Gross profit margin of autonomous driving-related R&D services was 35.5% for the six months ended June 30, 2023. Our gross profit margin of autonomous driving-related R&D services varied across different projects.
- Gross profit margin of PCBA products decreased from 13.2% for the six months ended June 30, 2022 to 0.3% for the six months ended June 30, 2023. The decrease in gross profit margin was primarily because we have not delivered our PCBA products to some of our PCBA customers, who yielded higher gross margins for the six months ended June 30, 2022.

Selling Expenses

Our selling expenses decreased by 15.7% from RMB16.1 million for the six months ended June 30, 2022 to RMB13.6 million for the six months ended June 30, 2023, primarily because we recorded share-based payments of RMB4.7 million for the six months ended June 30, 2023, as compared to RMB12.5 million for the six months ended June 30, 2022. Such decrease was partially offset by an increase in warranty of RMB3.7 million.

Administrative Expenses

Our administrative expenses increased significantly from RMB14.2 million for the six months ended June 30, 2022 to RMB38.4 million for the six months ended June 30, 2023, which was primarily due to (i) an increase in listing expenses of RMB10.4 million, (ii) an increase in share-based payments to administrative personnel of RMB9.0 million and (iii) an increase in employee benefit expense of RMB4.1 million, which was as a result of the expansion of our administrative team and the growth in average salaries.

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Research and Development Expenses

Our research and development expenses increased significantly from RMB46.4 million for the six months ended June 30, 2022 to RMB104.0 million for the six months ended June 30, 2023, which was primarily due to (i) an increase in employee benefit expenses related to our R&D personnel of RMB31.9 million as a result of the expansion of our R&D team to 250 members as of June 30, 2023 and the growth in average salaries, and (ii) an increase in share-based payments to R&D personnel of RMB22.2 million.

(Net impairment)/reversal of impairment losses on financial assets

We recorded net impairment losses on financial assets of RMB1.5 million for the six months ended June 30, 2022 and reversal of net impairment losses on financial assets of RMB3.0 million for the six months ended June 30, 2023. The change was primarily due to an increase in our collection of trade and notes receivables.

Other Income

Our other income increased significantly from RMB0.5 million for the six months ended June 30, 2022 to RMB4.2 million for the six months ended June 30, 2023, primarily due to an increase in government subsidies for our research and development expenditures, our manufacturing bases to support our business expansion.

Other Gains/(Losses) — Net

We recorded net other losses of RMB0.6 million for the six months ended June 30, 2022 and net other gains of RMB6.1 million for the six months ended June 30, 2023. Such change was primarily because (i) we recorded net foreign exchange gains of RMB0.9 million for the six months ended June 30, 2023, as compared to net foreign exchange losses of RMB2.9 million for the six months ended June 30, 2022, and (ii) we recorded net fair value losses on derivative financial instruments of RMB2.3 million six months ended June 30, 2022, as compared to nil for the six months ended June 30, 2023.

Finance Income

Our financial income increased significantly from RMB85.0 thousand for the six months ended June 30, 2022 to RMB2.0 million for the six months ended June 30, 2023, primarily due to an increase in interest income on cash at banks in relation to our notice deposits and short-term time deposits.

Finance Costs

Our finance costs decreased significantly from RMB245.3 million for the six months ended June 30, 2022 to RMB0.2 million for the six months ended June 30, 2023, primarily due to a decrease in financial cost on financial instruments with preferred rights at amortized cost

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of RMB244.7 million, which was in relation to financial instruments with preferred rights in connection with the issuance by our Company to Pre-IPO Investors of ordinary shares in Pre-IPO financings that conferred certain preferred rights, including redemption rights, upon such Pre-IPO Investors. We and the related Pre-IPO Investors have mutually agreed to terminate such preferred rights in 2022, resulting in decreases in financial cost on financial instruments with preferred rights at amortized cost.

Loss for the Period

As a result of the foregoing, our net loss decreased by 66.8% from RMB300.4 million for the six months ended June 30, 2022 to RMB99.7 million for the six months ended June 30, 2023.

Year Ended December 31, 2022 Compared to the Year Ended December 31, 2021

Revenue

Our revenue increased significantly from RMB178.3 million in 2021 to RMB1,325.9 million in 2022. The increase in our revenue was primarily driven by an increase in the sales of autonomous driving solutions and products.

- Revenue from sales of AD domain controller solutions increased significantly from RMB86.0 million in 2021 to RMB1,249.8 million in 2022, which was primarily due to a significant increase in the sales volume of SuperVision™. Our first SuperVision™ project in collaboration with Mobileye started series production in October 2021.
- Revenue from sales of intelligent front cameras increased significantly from RMB0.1 million in 2021 to RMB3.1 million in 2022, which was primarily due to a significant increase in the sales volume of iFC 2.0, which started series production in August 2021.
- Revenue from rendering of autonomous driving-related R&D services remained relatively stable at RMB34.5 million in 2021 and RMB38.0 million in 2022.
- Revenue from sales of PCBA products decreased by 39.3% from RMB57.6 million in 2021 to RMB35.0 million in 2022, which was primarily because we strategically focus on our core business which is sales of autonomous driving solutions and products.

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Cost of Sales

Our cost of sales increased significantly from RMB141.5 million in 2021 to RMB1,215.3 million in 2022, primarily due to an increase of RMB1,024.9 million in raw materials and consumables used, which was in relation to the increase in sales volume for our autonomous driving solutions and products, primarily due to the success of SuperVision™ and iFC 2.0 products.

Gross Profit and Gross Profit Margin

Our gross profit increased significantly from RMB36.8 million in 2021 to RMB110.6 million in 2022, which was in general driven by our rapid revenue growth.

- Gross profit of AD domain controller solutions increased significantly from RMB4.5 million in 2021 to RMB92.9 million in 2022. The increase in gross profit was primarily driven by the rapid sales growth of SuperVision™.
- Gross profit of intelligent front cameras increased from RMB0.1 million in 2021 to RMB0.5 million in 2022. The increase in gross profit was primarily driven by sales growth of our iFC 2.0 after series production commenced in August 2021.
- Gross profit of autonomous driving-related R&D services decreased from RMB23.6 million in 2021 to RMB13.2 million in 2022. Such a decrease was primarily because our gross profit varied across different R&D projects and we generated a significant portion of revenue from a R&D project in relation to the development of advanced autonomous driving algorithms in 2021, which had a relatively high gross profit.
- Gross profit of PCBA products decreased from RMB8.5 million in 2021 to RMB4.0 million in 2022. The decrease in gross profit was primarily because we strategically focused on our core business which is sales of autonomous driving solutions and products.

Our gross profit margin decreased from 20.6% in 2021 to 8.3% in 2022, primarily because we generated a greater portion of revenue from sales of AD domain controller solutions in 2022 following the series production of the SuperVision™ projects in collaboration with Mobileye which had a lower gross profit margin as compared to other business segments.

- Gross profit margin of AD domain controller solutions increased from 5.3% in 2021 to 7.4% in 2022. The increase in gross profit margin was primarily because we gradually achieved stronger economies of scale and had increasing bargaining power against suppliers following the series production of our first SuperVision™ project in collaboration with Mobileye in October 2021.

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- Gross profit margin of intelligent front cameras decreased from 52.0% in 2021 to 15.5% in 2022. The decrease in gross profit margin was primarily because we generated a significant portion of revenue from sales of sample products prior to the series production of iFC 2.0 in August 2021, which had a relatively high gross profit margin because the volume of sample sales usually hovered around one single unit and sample products had a relatively high selling price per unit to reflect the high cost of raw materials and staff cost used and allocated for manufacturing each single unit.
- Gross profit margin of autonomous driving-related R&D services decreased from 68.5% in 2021 to 34.9% in 2022. Such a decrease was primarily because our gross profit margin varied across different R&D projects and we generated a significant portion of revenue from a R&D project in relation to the development of advanced autonomous driving algorithms in 2021, which had a relatively high gross profit margin.
- Gross profit margin of PCBA products decreased from 14.8% in 2021 to 11.4% in 2022. The decrease in gross profit margin was primarily because (i) we strategically adjusted the prices of our PCBA products delivered to our major customers in response to the intensified market competition, and (ii) the average prices for our raw materials increased from 2021 to 2022.

Selling Expenses

Our selling expenses increased significantly from RMB9.4 million in 2021 to RMB27.7 million in 2022, primarily due to (i) an increase in share-based payments to sales and marketing personnel of RMB10.5 million, (ii) an increase in employee benefit expenses of RMB2.3 million as a result of the growth in average salaries of our sales and marketing staff.

Administrative Expenses

Our administrative expenses increased by 39.7% from RMB29.7 million in 2021 to RMB41.5 million in 2022, which was primarily due to (i) an increase in employee benefit expense of RMB8.2 million, which was as a result of the expansion of our administrative team and the growth in average salaries, and (ii) an increase in share-based payments to administrative personnel of RMB6.4 million. Such increase was partially offset by a decrease in professional fees of RMB6.5 million.

Research and Development Expenses

Our research and development expenses increased significantly from RMB54.9 million in 2021 to RMB104.0 million in 2022, which was primarily due to (i) an increase in employee benefit expenses related to our R&D personnel of RMB30.0 million as a result of the expansion of our R&D team from 126 employees in 2021 to 245 employees in 2022 and the growth in

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average salaries, (ii) an increase in design and development expenses of RMB8.5 million in relation to more testing and validation activities conducted in 2022 as compared to 2021, and (iii) an increase in share-based payments to R&D personnel of RMB6.2 million.

Net Impairment Losses on Financial Assets

Our net impairment losses on financial assets increased from RMB1.5 million in 2021 to RMB3.7 million in 2022, primarily due to an increase in our loss allowance for trade and notes receivables, which was primarily in line with the increase in the balances of our trade and notes receivables as a result of our business expansion.

Other Income

Our other income increased by 37.7% from RMB3.4 million in 2021 to RMB4.7 million in 2022, primarily due to an increase in government subsidies for our research and development expenditures, our manufacturing bases and our capabilities of maintaining the R&D headcounts to support our business expansion.

Other Gains/(Losses) — Net

We recorded net other gains of RMB4.9 million in 2021 and net other losses of RMB0.6 million in 2022. Such a change was primarily due to (i) an increase in net foreign exchange losses of RMB6.1 million and (ii) net fair value losses on derivative financial instruments of RMB2.3 million in 2022, as compared to net fair value gains on derivative financial instruments of RMB1.5 million in 2021, which was in relation to the settlement of foreign exchange forward contracts in 2022; partially offset by an increase in net fair value gains on financial assets at FVTPL of RMB3.8 million.

Finance Income

Our financial income remained relatively stable at RMB94.0 thousand and RMB100.0 thousand in 2021 and 2022, respectively.

Finance Costs

Our finance costs decreased by 32.3% from RMB413.9 million in 2021 to RMB280.2 million in 2022, primarily due to a decrease in financial cost on financial instruments with preferred rights at amortized cost of RMB132.9 million, which was in relation to financial instruments with preferred rights in connection with the issuance by our Company to Pre-IPO Investors of ordinary shares in Pre-IPO financings that conferred certain preferred rights, including redemption rights, upon such Pre-IPO Investors. We and the related Pre-IPO Investors have mutually agreed to terminate such preferred rights in 2022, resulting in decreases in financial cost on financial instruments with preferred rights at amortized cost.

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Loss for the Year

As a result of the foregoing, our net loss decreased by 26.2% from RMB464.2 million in 2021 to RMB342.4 million in 2022.

Year Ended December 31, 2021 Compared to the Year Ended December 31, 2020

Revenue

Our revenue increased significantly from RMB47.7 million in 2020 to RMB178.3 million in 2021. The increase in our revenue was primarily driven by an increase in the sales of autonomous driving solutions and products.

- The series production of our first SuperVision™ project in collaboration with Mobileye commenced in October 2021. In 2021, revenue generated from AD domain controller solutions was RMB86.0 million.
- Revenue from sales of intelligent front cameras decreased from RMB0.4 million in 2020 to RMB0.1 million in 2021, which was because we primarily sold sample iFC products prior to the series production of iFC 2.0 in 2021. Prices and sales volume for sample iFC products were determined on a project-by-project basis and may vary significantly.
- Revenue from rendering of autonomous driving-related R&D services increased significantly from RMB4.8 million in 2020 to RMB34.5 million in 2021, primarily because we generated a significant portion of revenue from a R&D project in 2021, which was related to the development of advanced autonomous driving algorithms.
- Revenue from sales of PCBA products increased by 35.9% from RMB42.4 million in 2020 to RMB57.6 million in 2021, which was primarily due to an increase in the sales volume to certain customers.

Cost of Sales

Our cost of sales increased significantly from RMB38.1 million in 2020 to RMB141.5 million in 2021, primarily due to an increase of RMB75.8 million in raw materials and consumables used after the commencement of series production of our first SuperVision™ project in collaboration with Mobileye and iFC 2.0 in 2021.

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Gross Profit and Gross Profit Margin

Our gross profit increased significantly from RMB9.6 million in 2020 to RMB36.8 million in 2021, which was in general driven by our rapid revenue growth.

- The series production of our first SuperVision™ project in collaboration with Mobileye commenced in October 2021. In 2021, sales of AD domain controller solutions had a gross profit of RMB4.5 million.
- Gross profit of intelligent front cameras remained relatively stable at RMB0.2 million in 2020 and RMB0.1 million in 2021.
- Gross profit of autonomous driving-related R&D services increased significantly from RMB0.4 million in 2020 to RMB23.6 million in 2021. Such an increase was primarily because we generated a significant portion of revenue from a R&D project in 2021, which was related to the development of advanced autonomous driving algorithms and had a relatively high gross profit.
- Gross profit of PCBA products decreased from RMB9.0 million in 2020 to RMB8.5 million in 2021. Such a decrease was primarily because we strategically adjusted the prices of our PCBA products delivered to our major customers of PCBA products in response to the intensified market competition.

Our gross profit margin remained relatively stable at 20.1% in 2020 and 20.6% in 2021.

- In 2021, sales of AD domain controller solutions had a gross profit margin of 5.3%.
- Gross profit margin of intelligent front cameras remained relatively stable at 48.1% in 2020 and 52.0% in 2021.
- Gross profit margin of autonomous driving-related R&D services increased from 8.4% in 2020 to 68.5% in 2021. Such an increase was primarily because we generated a significant portion of revenue from a R&D project in 2021, which was related to the development of advanced autonomous driving algorithms and had a relatively high gross profit margin.
- Gross profit margin of PCBA products decreased from 21.2% in 2020 to 14.8% in 2021. Such a decrease was primarily because we strategically adjusted the prices of our PCBA products delivered to our major customers of PCBA products in response to the intensified market competition.

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Selling Expenses

Our selling expenses increased significantly from RMB3.0 million in 2020 to RMB9.4 million in 2021, primarily due to an increase in share-based payments to sales and marketing personnel of RMB4.8 million as a result of the expansion of our sales and marketing team in line with our business growth and growth in average salaries.

Administrative Expenses

Our administrative expenses increased significantly from RMB8.6 million in 2020 to RMB29.7 million in 2021, primarily due to (i) an increase in professional fees of RMB9.6 million as a result of an increase in consulting and other professional services we received to support our business growth, mainly including professional fees of RMB9.4 million paid to Huatai United Securities Co., Ltd., (華泰聯合證券有限責任公司) (“Huatai United”) a third party service provider which is committed to providing comprehensive financial services for corporations, institutional investors and governments, etc., for the consultation services provided in relation to our series B+ and series C rounds of financing, and (ii) an increase in employee benefit expense of RMB5.9 million, which was as a result of the expansion of our administrative team and the growth in average salaries.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, except for Huatai United being a related party of Huatai Financial Holdings (Hong Kong) Limited, one of our Joint Sponsors, and save as disclosed above and in the subsection headed “Directors, Supervisors and Senior Management – Board of Directors – Non-executive Directors”, to the best knowledge of our Company, there had been no past or present relationship, transaction or arrangement (family, employment, shareholding, trust, financing, or otherwise) between us, including our subsidiaries, directors, shareholders, senior management and any of their respective associates, with Huatai United, including its directors, shareholders, senior management and any of their respective associates.

Research and Development Expenses

Our research and development expenses increased by 24.5% from RMB44.1 million in 2020 to RMB54.9 million in 2021, primarily due to an increase in employee benefit expenses related to our R&D personnel of RMB8.6 million as a result of the expansion of our R&D team from 102 employees in 2020 to 126 employees in 2021 in line with the continuous advancement in our R&D capabilities.

Net Impairment Losses on Financial Assets

In 2020 and 2021, we recorded net impairment losses on financial assets of RMB0.1 million and RMB1.5 million. The increase was mainly due to an increase in our loss allowance for trade and notes receivables, which was in line with the increase in the balances of trade and notes receivables for the same period as a result of our business expansion.

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Other Income

Our other income remained relatively stable at RMB3.7 million in 2020 and RMB3.4 million in 2021.

Other Gains/(Losses) — Net

We recorded net other losses of RMB0.4 million and net other gains of RMB4.9 million in 2020 and 2021, respectively. The fluctuation was primarily due to an increase in net fair value gains on financial assets at FVTPL of RMB3.4 million.

Finance Income

Our finance income increased significantly from RMB9.0 thousand in 2020 to RMB94.0 thousand in 2021, primarily due to an increase in interest on our cash at bank.

Finance Costs

Our finance costs increased significantly from RMB10.9 million in 2020 to RMB413.9 million in 2021, primarily due to an increase in financial cost on financial instruments with preferred rights at amortized cost of RMB402.8 million, which was in relation to financial instruments with preferred rights in connection with the issuance by our Company to Pre-IPO Investors of ordinary shares in Pre-IPO financings that conferred certain preferred rights, including redemption rights, upon such Pre-IPO Investors.

Loss for the Year

As a result of the foregoing, we generated a net loss of RMB53.8 million in 2020 and RMB464.2 million in 2021.

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DISCUSSION OF CERTAIN KEY ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth a summary of our consolidated statement of financial position as of the dates indicated.

	As of December 31,			As of
	2020	2021	2022	June 30, 2023
	<i>(RMB in thousands)</i>			
ASSETS				
Non-current assets				
Property, plant and equipment	16,983	14,745	30,704	38,708
Right-of-use assets	6,599	39,352	37,408	35,461
Intangible assets	7,829	6,964	4,859	4,316
Financial assets at fair value				
through profit or loss	—	3,000	3,000	3,502
Other non-current assets	2,228	6,208	19,932	19,237
	<u>33,639</u>	<u>70,269</u>	<u>95,903</u>	<u>101,224</u>
Current assets				
Inventories	9,484	47,006	271,974	162,081
Other current assets	7,193	10,782	45,178	60,313
Trade and notes receivables	15,248	111,289	289,358	126,890
Financial assets at fair value				
through profit or loss	24,443	242,832	182,408	250,591
Derivative financial instruments	—	1,451	—	—
Restricted cash	300	833	835	300
Cash and cash equivalents	16,912	32,042	365,745	146,687
	<u>73,580</u>	<u>446,235</u>	<u>1,155,498</u>	<u>746,862</u>
Total assets	<u>107,219</u>	<u>516,504</u>	<u>1,251,401</u>	<u>848,086</u>
EQUITY				
Paid-in capital	7,569	9,087	—	—
Share capital	—	—	10,211	204,214
Treasury stock	(142,366)	(465,516)	—	—
Reserves	148,937	492,791	681,550	532,508
Accumulated losses	(130,497)	(594,696)	(25,294)	(125,207)
Total (deficits)/equity	<u>(116,357)</u>	<u>(558,334)</u>	<u>666,467</u>	<u>611,515</u>

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	As of December 31,			As of
	2020	2021	2022	June 30, 2023
	<i>(RMB in thousands)</i>			
LIABILITIES				
Non-current liabilities				
Lease liabilities	4,962	3,367	1,572	798
Contract liabilities	—	15,773	6,750	9,626
Provisions	—	132	3,281	5,187
Deferred income	300	1,217	883	717
Financial instruments with preferred rights at amortized cost	162,219	897,731	—	—
	<u>167,481</u>	<u>918,220</u>	<u>12,486</u>	<u>16,328</u>
Current liabilities				
Trade and notes payables	6,778	90,440	438,417	128,384
Other payables and accruals	10,574	27,275	53,879	55,704
Contract liabilities	11,675	753	26,545	29,949
Borrowings	25,029	35,538	49,004	—
Lease liabilities	2,039	2,546	3,341	2,482
Provisions	—	66	1,262	3,724
	<u>56,095</u>	<u>156,618</u>	<u>572,448</u>	<u>220,243</u>
Total liabilities	<u>223,576</u>	<u>1,074,838</u>	<u>584,934</u>	<u>236,571</u>
Total (deficits)/equity and liabilities	<u>107,219</u>	<u>516,504</u>	<u>1,251,401</u>	<u>848,086</u>
Net current assets	<u>17,485</u>	<u>289,617</u>	<u>583,050</u>	<u>526,619</u>

Property, Plant and Equipment

Our property, plant and equipment primarily consist of machinery and molds, vehicles, electronic equipment and others, furniture, leasehold improvements and construction in progress.

Our property, plant and equipment increased by 26.1% from RMB30.7 million as of December 31, 2022 to RMB38.7 million as of June 30, 2023, primarily due to the increase of construction in progress, which was in line with our business expansion. Our property, plant and equipment increased significantly from RMB14.7 million as of December 31, 2021 to

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RMB30.7 million as of December 31, 2022 primarily due to the increase of machinery and molds and electronic equipment and others used in our series production and rendering of services, which was in line with our business expansion. Our property, plant and equipment decreased by 13.2% from RMB17.0 million as of December 31, 2020 to RMB14.7 million as of December 31, 2021, primarily attributable to an increase in accumulated depreciation.

Right-of-use Assets

Our right-of-use assets represent carrying amounts of acquired land use rights and leased buildings for our operations and research and development activities. The lease of land use right has a fixed term of 30 years, and the lease of buildings typically has a fixed term of three to five years. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, we apply the definition of a contract and determine the period for which the contract is enforceable.

Right-of-use assets are depreciated on a straight-line basis over the shorter of their respective estimated useful life and the lease term. In addition, we reassess whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the Track Record Period, there was no such triggering event. See note 14 to the Accountant's Report in Appendix I to this prospectus for a detailed description of the change of right-of-use assets during the Track Record Period.

Our right-of-use assets decreased by 5.2% from RMB37.4 million as of December 31, 2022 to RMB35.5 million as of June 30, 2023, primarily due to the decrease of leases as a result of normal depreciation of right-of-use assets. Our right-of-use assets increased significantly from RMB6.6 million as of December 31, 2020 to RMB39.4 million as of December 31, 2021, primarily attributable to the increase of RMB33.9 million in land use rights as a result of the acquisition of the land use rights to construct our R&D headquarters in Suzhou in November 2021. Our right-of-use assets remained relatively stable at RMB39.4 million as of December 31, 2021 and RMB37.4 million as of December 31, 2022.

Other Non-current Assets

Our other non-current assets primarily represent (i) contract fulfillment costs, representing costs incurred more than one year in relation to the fulfillment of orders for our autonomous driving-related R&D services, which have not yet been recognized as cost of sales, (ii) prepayment for property, plant and equipment, and (iii) capitalized upfront fees we pre-paid to a customer as a condition precedent to fulfill orders for our autonomous driving products. We recorded other non-current assets of RMB2.2 million, RMB6.2 million and RMB19.9 million, as of December 31, 2020, 2021 and 2022, respectively. The increase was primarily attributable to the increase of capitalized upfront fees, as a result of our business expansion. Our other non-current assets decreased by 3.5% from RMB19.9 million as of December 31,

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2022 to RMB19.2 million as of June 30, 2023, primarily due to the decrease of capitalized upfront fees, mainly attributable to the amortization of part of upfront fees to net sales in relation to the transfer of relevant goods.

Inventories

Our inventories consist of (i) raw materials; (ii) semi-finished goods; (iii) work in progress; and (iv) finished goods. Raw materials primarily consist of materials for series production and research and development. Semi-finished goods are materials or components of the final products that may come from other raw materials or semi-finished goods. Work in progress is partially-completed goods that are still in the production process. Finished goods are products ready for transit at our production plants and products delivered to customers without acceptance. The following table sets forth a breakdown of our inventories as of the dates indicated and turnover days of our inventories for the periods indicated:

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	<i>(RMB in thousands)</i>			
Raw materials	5,730	7,325	36,700	101,248
Semi-finished goods	1,731	464	624	96
Work in progress	1,512	113	3,180	2,218
Finished goods	511	39,249	231,640	58,888
	9,484	47,151	272,144	162,450
Less: provisions for impairment of raw materials	—	(145)	(170)	(369)
Total	9,484	47,006	271,974	162,081
	For the Year Ended December 31,			For the Six Months Ended
	2020	2021	2022	June 30, 2023
Inventory turnover days ⁽¹⁾	91	122	82	58

Note:

- (1) Inventory turnover days are calculated by dividing the ending balance of inventories for the relevant period by cost of sales for the relevant period and multiplying by 365 days for the full-year period and 180 days for the six-month period.

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The table below sets forth in the aging analysis of our inventories based on goods received date as of the dates indicated:

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	<i>(RMB'000)</i>			
Within 1 year	9,097	46,821	270,989	159,136
1 to 2 years	387	40	976	2,610
2 to 3 years	—	290	17	585
Over 3 years	—	—	162	119
Total	9,484	47,151	272,144	162,450

Our inventories increased from RMB9.5 million as of December 31, 2020 to RMB47.0 million as of December 31, 2021, and further to RMB272.0 million as of December 31, 2022. Such an increase was primarily driven by the launch of SuperVision™ and iFC 2.0 products and the increases in their respective production volumes as a result of the robust demand. Our inventories decreased by 40.4% from RMB272.0 million as of December 31, 2022 to RMB162.1 million as of June 30, 2023, primarily due to a decrease of RMB172.8 million in finished goods, mainly associated with the recognition of cost of sales in early 2023 for the delivered finished goods at the end of 2022, partially offset by an increase of RMB64.5 million in raw materials prepared for the fulfillment of certain orders.

Our inventory turnover days increased from 91 days in 2020 to 122 days in 2021, as the series production of our first SuperVision™ project in collaboration with Mobileye started in the fourth quarter of 2021, resulting in a relatively high ending balance of inventories in 2021, while the cost of sales in 2021 was relatively low. Our inventory turnover days further decreased to 82 days in 2022 and 58 days for the six months ended June 30, 2023. The decrease from 2021 to 2022 was due to the increasing delivery and acceptance of SuperVision™ in 2022. The decrease from 2022 to the first half of 2023 was primarily due to the recognition of cost of sales in early 2023 for the delivered finished goods at the end of 2022, resulting in a relatively low ending balance of inventories for the six months ended June 30, 2023, while the total cost of sales for this half year was not low as a result of the successful delivery and acceptance of certain amounts of SuperVision™ and iDC Mid in the first half of 2023.

As of October 31, 2023, RMB117.4 million, or 72.4%, of our inventories as of June 30, 2023 had been subsequently sold or utilized.

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Other Current Assets

Our other current assets primarily consist of (i) other receivables, such as deposits for rental of buildings and customs deposits; (ii) prepayments incurred during the ordinary course of our business, such as prepayments for raw materials to our suppliers and capitalized upfront fees; (iii) contract fulfillment costs, representing costs incurred within one year directly in relation to the fulfillment of orders for our autonomous driving-related R&D services, such as costs for labor, which have not yet been recognized as cost of sales. Such contract fulfillment costs are amortized to cost of sales when the performance obligations in the orders are satisfied as well as the agreed deliverables are accepted by our customers; (iv) deferred listing expenses in relation to the Global Offering; and (v) deductible input VAT, representing the input VAT to be deducted for further VAT payments associated with the acquisition of property, plant and equipment, intangible assets and raw materials. The following table sets forth a breakdown of our other current assets as of the dates indicated:

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	<i>(RMB in thousands)</i>			
Other receivables, net	927	2,937	1,512	2,706
Prepayments	323	1,192	11,670	13,351
Contract fulfillment costs, net	1,255	5,417	28,246	31,601
Deferred listing expenses	–	–	1,754	9,444
Deductible input VAT	4,688	1,236	1,996	3,211
Total	7,193	10,782	45,178	60,313

Our other current assets increased by 33.5% from RMB45.2 million as of December 31, 2022 to RMB60.3 million as of June 30, 2023, primarily due to (i) an increase of RMB7.7 million in deferred listing expenses in relation to the engagement of agents, legal counsel and other professional service providers for the Global Offering; and (ii) an increase of RMB3.4 million in net contract fulfillment costs mainly associated with the fulfillment of orders we entered into in 2022 for the provision of autonomous driving-related R&D services.

Our other current assets increased significantly from RMB10.8 million as of December 31, 2021 to RMB45.2 million as of December 31, 2022, primarily due to (i) an increase of RMB22.8 million in net contract fulfillment costs, as a result of the increase of contracts entered into in 2022 in line with our business expansion; and (ii) an increase of RMB10.5 million in prepayments, mainly representing prepayments for raw materials and capitalized upfront fees, which was in line with our business expansion.

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Our other current assets increased by 49.9% from RMB7.2 million as of December 31, 2020 to RMB10.8 million as of December 31, 2021, primarily due to (i) an increase of RMB4.2 million in net contract fulfillment costs, (ii) an increase of RMB2.0 million in net other receivables, mainly attributable to the increase of customs deposits, as a result of the increase of imported materials for our business expansion, partially offset by a decrease of RMB3.5 million in deductible input VAT, due to the increase of output VAT outpacing the increase of input VAT, as a result of the increased sales of solutions and products in 2021 which generated more output VAT.

Trade and Notes Receivables

Our trade and notes receivables primarily consist of (i) notes receivables which represent bank acceptance notes aged less than six months; and (ii) trade receivables which represent receivables due from third parties. The following table sets forth a breakdown of our trade and notes receivables as of the dates indicated.

	As of December 31,			As of
	2020	2021	2022	June 30, 2023
	<i>(RMB in thousands)</i>			
Notes receivables	254	904	750	7,775
Provisions for impairment	—	—	—	—
	<u>254</u>	<u>904</u>	<u>750</u>	<u>7,775</u>
Trade receivables				
Due from third parties	15,201	112,041	293,978	121,438
Provisions for impairment	(207)	(1,656)	(5,370)	(2,323)
	<u>14,994</u>	<u>110,385</u>	<u>288,608</u>	<u>119,115</u>
Total	<u>15,248</u>	<u>111,289</u>	<u>289,358</u>	<u>126,890</u>

Trade Receivables

Our trade receivables primarily consist of outstanding amounts due from our customers for products we have sold and services we have provided in the ordinary course of our business. Our trading terms with our enterprise clients are mainly on credit. The credit period generally ranges from 30 days to 90 days. Trade receivables are generally settled in accordance with the terms of the respective contracts.

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The following table sets forth the aging analysis of our trade receivables based on revenue recognition date, as of the dates indicated and turnover days of our trade receivables for the periods indicated.

	As of December 31,			As of June 30,
	2020	2021	2022	2023
Within 3 months	14,117	111,462	273,481	36,349
3 to 6 months	1,084	194	20,031	38,626
6 to 12 months	—	385	466	46,034
Over 12 months	—	—	—	429
Total	15,201	112,041	293,978	121,438

	For the Year Ended December 31,			For the Six Months Ended June 30,
	2020	2021	2022	2023
Trade receivables turnover days ⁽¹⁾	116	229	81	40

Note:

- (1) Trade receivables turnover days are calculated by dividing the ending balance of trade receivables for the relevant period by the total revenue for the relevant period and multiplying by 365 days for the full-year period and 180 days for the six-month period.

Our trade receivables, net of provisions for impairment, increased significantly from RMB15.0 million as of December 31, 2020 to RMB110.4 million as of December 31, 2021, and further increased to RMB288.6 million as of December 31, 2022, which was in line with our business expansion and primarily due to the increase in our sales as a result of the launch of SuperVision™. Our trade receivables, net of provisions for impairment, decreased significantly from RMB288.6 million as of December 31, 2022 to RMB119.1 million as of June 30, 2023, mainly because of (i) our customers' settlement for sales accrued in the fourth quarter of 2022; and (ii) the decrease of sales in the first half of 2023 compared to the second half of 2022, which was attributable to the seasonal fluctuation of the market. See also "Business — Seasonality."

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Our trade receivables turnover days increased from 116 days in 2020 to 229 days in 2021, as the series production of our first SuperVision™ project started in the fourth quarter of 2021, resulting in a relatively high ending balance of our trade receivables in 2021, while the total revenue in 2021 was relatively low. Our trade receivables turnover days further decreased to 81 days in 2022 and 40 days for the six months ended June 30, 2023. The relatively long turnover days in 2022 were primarily in line with the increasing sales of SuperVision™. The relatively short turnover days in the first half of 2023 were mainly because of (i) our customers' settlement for sales accrued in the fourth quarter of 2022; and (ii) the decrease of sales in the first half of 2023 compared to the second half of 2022, which was attributable to the seasonal fluctuation of the market, resulting in a relatively low ending balance of our trade receivables for the six months ended June 30, 2023, while the total revenue for this half year was not low as a result of the successful delivery and acceptance of certain amounts of SuperVision™ and iDC Mid in the first half of 2023.

We have made periodic assessments as well as individual assessments on recoverability based on historical settlement records and adjusts for forward-looking information. We review our trade receivables balance and follow up with customers with past due trade receivables on a monthly basis. We recognize trade receivables as impaired and provision for doubtful debts with reference to the assessment on the expected loss based on a forward-looking basis. As of December 31, 2020, 2021 and 2022 and June 30, 2023, our provisions for impairment of trade receivables were RMB0.2 million, RMB1.7 million, RMB5.4 million and RMB2.3 million, respectively. We do not hold any collateral or other credit enhancements over our trade receivable balances. Trade receivables are non-interest-bearing.

Our Directors consider that there is no material recoverability issue with respect to the outstanding trade receivables and that our impairment allowance was adequate in light of the prevailing circumstances as of the Latest Practicable Date, based on (i) our periodic assessment to closely monitor our credit exposure and identify significant increases in credit risks and, where applicable, make timely allowance for expected credit losses, (ii) the stringent internal measures we have taken to enhance the management and collection of trade receivables, and (iii) the reliability and track record of settlement from our customers, which are mainly established companies well-known in the industry. See note 3.1(b)(ii) and note 19 to the Accountant's Report in Appendix I to this prospectus for details on our allowance for impairment of trade receivables.

As of October 31, 2023, RMB59.1 million, or 48.6%, of our trade receivables as of June 30, 2023 had been settled subsequently.

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Notes Receivables

Our notes receivables represent bank acceptance notes aged less than six months, which amounted to RMB0.3 million, RMB0.9 million, RMB0.8 million and RMB7.8 million as of December 31, 2020, 2021 and 2022 and June 30, 2023, respectively. The significant increase of notes receivables from December 31, 2022 to June 30, 2023 was primarily due to the increase in cooperation with certain OEM customers in the first half of 2023, where the notes were the main settlement method. As of October 31, 2023, RMB2.8 million, or 36.2% of our notes receivables as of June 30, 2023 had been settled subsequently.

Financial assets at FVTPL

Our financial assets at fair value through profit or loss (“**FVTPL**”) include (i) current financial assets at FVTPL, representing our investments in wealth management products issued by banks; and (ii) non-current financial assets at FVTPL, representing our investment in a unlisted investment with preferred rights. We make investments to improve returns on our excess liquidity. We manage and evaluate the performance of investments on a fair value basis in accordance with our risk management and investment strategy. The investment in financial assets at FVTPL after the Listing will be subject to the compliance with Chapter 14 of the Listing Rules.

The fair value measurement of these financial assets is categorized as level 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs. Level 3 inputs are unobservable inputs for the asset or liability. In relation to their valuation, with reference to the guidance under the “Guidance Note on Directors’ Duties in the Context of Valuations in Corporate Transactions” issued by the SFC in May 2017 applicable to directors of companies listed on the Stock Exchange, our Directors adopted the following procedures: (i) reviewed the terms of the relevant agreements; and (ii) sought assistance from qualified external valuer where appropriate. Based on the above procedures, our Directors are of the view that the valuation of our financial assets are fair and reasonable and our financial statements are properly prepared.

The details on the fair value estimation are disclosed in Note 3.3 to the Accountant’s Report as set out in Appendix I to this prospectus, which was reported on by the Reporting Accountant in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants. The Reporting Accountant’s opinion on the historical financial information of our Group for the Track Record Period as a whole is set out on pages I-1 to I-3 of Appendix I to this prospectus.

In relation to the valuation of the level 3 financial assets, the Joint Sponsors have performed relevant due diligence work in relation to the valuation of our Group’s financial assets measured within level 3 fair value measurement, namely unlisted investment with preferred rights and investments in wealth management products issued by banks (the “**FVTPL Level 3 Financial Assets**”), including: (i) reviewed the valuation report prepared by an

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independent third party valuer (the “Valuer”) and underlying documents of the FVTPL Level 3 Financial Assets to understand the assumptions, methodologies and considerations adopted in their respective valuation; (ii) discussed with the management team of our Group to understand the internal policy adopted by our Group that governs our investments decisions; and (iii) with reference to the Accountant’s Report and the relevant notes in the Accountant’s Report as contained in Appendix I to this Prospectus, discussed with the Reporting Accountant to understand the work they have performed in relation to the financial assets at fair value through profit or loss for the purpose of reporting on the historical financial information of the Group, as a whole, for the Track Record Period. Based on the due diligence conducted by the Joint Sponsors, nothing came to their attention to cast doubt on the Directors’ view on the valuation of our financial assets and our financial statements in material aspects.

We have investments in wealth management products amounting to RMB250.6 million as of June 30, 2023. The wealth management products we purchased were issued or sold by major and reputable financial institutions and are generally with comparatively low risks. The expected rates of return of such wealth management products that we held as of June 30, 2023 range from 0.5% to 3.0%. The underlying assets of the wealth management products primarily include monetary instruments, bonds, bond funds, central bank bills and other fixed income products and short-term financial instruments that we consider are of low risks and good liquidity. As of the Latest Practicable Date, to our best knowledge, all outstanding balance of the wealth management products we purchased as of June 30, 2023 had been recovered or could be redeemed on or shortly after the maturity date or requested redemption date during the business hours of the issuing financial institutions with the expected investment income. We generally do not hold our wealth management products for more than one year.

As part of our investment strategy, we will continue to use our cash surplus to purchase low-risk wealth management products. Our finance department is responsible for proposing, analyzing and evaluating potential investment in wealth management products and other financial assets. Investment proposals are subject to approvals by authorized personnel. Upon approvals, our finance department is responsible for purchasing such wealth management products and reviewing the performance of relevant wealth management products on a monthly basis. Our investment strategy related to financial products focuses on minimizing the financial risks by reasonably and conservatively matching the maturities or disposals of the portfolio to anticipated operating cash needs, while generating desirable investment returns for the benefits of our shareholders.

In assessing a proposal to invest in wealth management products, a number of criteria must be met, including, but not limited to (i) investment in high-risk products is prohibited; (ii) the primary objectives of investment activities are safety, liquidity and reasonable yield; (iii) the proposed investment must not interfere with our business operations or capital expenditures; and (iv) the wealth management products should be issued by a qualified financial institution.

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The following table sets forth our financial assets at FVTPL as of the dates indicated:

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	<i>(RMB in thousands)</i>			
Non-current assets				
Unlisted investment with preferred rights	—	3,000	3,000	3,502
Current assets				
Investments in wealth management products issued by banks and financial institutes	24,443	242,832	182,408	250,591
Total	<u>24,443</u>	<u>245,832</u>	<u>185,408</u>	<u>254,093</u>

Our financial assets at FVTPL amounted to RMB24.4 million, RMB245.8 million, RMB185.4 million and RMB254.1 million, as of December 31, 2020, 2021 and 2022 and June 30, 2023, respectively. During the Track Record Period, we purchased and redeemed wealth management products in accordance with our treasury management objective to improve returns on our available capital.

Cash and Cash Equivalents

Our cash and cash equivalents primarily represent cash at banks, net of restricted cash. As of December 31, 2020, 2021 and 2022, our cash and cash equivalents amounted to RMB16.9 million, RMB32.0 million and RMB365.7 million, respectively. The increase in cash and cash equivalents was primarily due to the proceeds we received from the Pre-IPO Investments. Our cash and cash equivalents decreased by 59.9% from RMB365.7 million as of December 31, 2022 to RMB146.7 million as of June 30, 2023, mainly in relation to the payment of employee salaries, the purchase of certain wealth management products and the repayment of bank borrowings, which were in line with our cash management policy.

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Trade and Notes Payables

Our trade and notes payables are primarily payables incurred for the purchase of raw materials used for our series production. The following table sets forth our trade and notes payables as of the dates indicated:

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	<i>(RMB in thousands)</i>			
Trade payables	6,778	83,930	291,910	118,803
Notes payables	—	6,510	146,507	9,581
Total	<u>6,778</u>	<u>90,440</u>	<u>438,417</u>	<u>128,384</u>

Trade Payables

Trade payables primarily represent amounts due to third parties for the procurement of raw materials. During the Track Record Period, our suppliers generally granted us credit periods of 30 days to 60 days upon receipt of the VAT invoices.

The following table sets forth the aging analysis of our trade payables based on purchase date as of the dates indicated and turnover days for the periods indicated:

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	<i>(RMB in thousands)</i>			
Up to 1 year	6,724	83,906	291,826	118,469
1 to 2 years	54	24	84	334
Total	<u>6,778</u>	<u>83,930</u>	<u>291,910</u>	<u>118,803</u>

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	For the Year Ended December 31,			For the Six Months Ended June 30,
	2020	2021	2022	2023
	Trade payables turnover days ⁽¹⁾	65	217	88

Note:

- (1) The trade payables turnover days are calculated by dividing the ending balance of trade payables for the relevant period by the cost of sales for the relevant period and multiplying by 365 days for the full-year period and 180 days for the six-month period.

Our trade payables increased significantly from RMB6.8 million as of December 31, 2020 to RMB83.9 million as of December 31, 2021 and further to RMB291.9 million as of December 31, 2022, as we purchased more materials for our series production in line with our business expansion. Our trade payables decreased by 59.3% from RMB291.9 million as of December 31, 2022 to RMB118.8 million as of June 30, 2023, primarily because (i) we settled large portion of trade payables as of December 31, 2022, and (ii) we lowered the procurement amount of raw materials, as a result of the decrease of sales in the first half of 2023 compared to the second half of 2022, which was attributable to the seasonal fluctuation of the market.

Our trade payables turnover days increased from 65 days in 2020 to 217 days in 2021, primarily because the series production of our first SuperVision™ project in collaboration with Mobileye started in the fourth quarter of 2021, resulting in a relatively high ending balance of our trade payables in 2021, while the total cost of sales in 2021 was relatively low. Our trade payables turnover days further decreased to 88 days in 2022 and 43 days for the six months ended June 30, 2023. The relatively long turnover days in 2022 were primarily due to the increasing procurement of raw materials, which was in response to the unstable supply chain and in line with our business expansion, and the relatively short turnover days in the first half of 2023 were mainly because (i) we settled large portion of trade payables as of December 31, 2022, and (ii) we lowered the procurement amount of raw materials, as a result of the decrease of sales in the first half of 2023 compared to the second half of 2022, which was attributable to the seasonal fluctuation of the market, resulting in a relatively low ending balance of our trade payables in the first half of 2023, while the total cost of sales were not low as a result of the successful delivery and acceptance of certain amount of SuperVision™ and iDC Mid in the first half of 2023.

As of October 31, 2023, RMB113.1 million, or 95.2%, of our trade payables as of June 30, 2023 had been settled subsequently.

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Notes Payables

Our notes payables represent bank acceptance notes issued to suppliers. Our notes payables increased from nil as of December 31, 2020 to RMB6.5 million as of December 31, 2021 and further to RMB146.5 million as of December 31, 2022. The increase in our notes payables was primarily due to the increase of bank acceptance notes to suppliers, which was in line with our business expansion. Our notes payables decreased by 93.5% from RMB146.5 million as of December 31, 2022 to RMB9.6 million as of June 30, 2023. The decrease in our notes payables was attributed primarily to our reduced procurement from camera and ultrasonic sensor suppliers for SuperVision™, for which we used notes as the main payment method. This decline was primarily because we discontinued the provision of cameras and ultrasonic sensors in SuperVision™ solution supplied to certain OEMs in the first half of 2023. As of October 31, 2023, RMB9.6 million, or 100% of our notes payables as of June 30, 2023 had been settled subsequently.

Other Payables and Accruals

Our other payables and accruals primarily consist of (i) payroll and welfare payables to certain employees; (ii) accruals incurred during the ordinary course of our business; (iii) other taxes payables, such as tariffs and VAT; (iv) payables for purchases of property, plant and equipment; (v) accrued listing expenses; and (vi) others, mainly representing payables to Mobileye in relation to the R&D services for the development of software utilized in SuperVision™.

The following table sets forth our other payables and accruals as of the dates indicated:

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	<i>(RMB in thousands)</i>			
Payroll and welfare payables	6,949	9,707	20,539	19,193
Accruals	2,925	3,225	5,089	3,261
Other taxes payables	290	332	8,830	5,269
Payables for purchases of property, plant and equipment	52	327	1,656	1,714
Accrued listing expenses	—	—	3,811	4,417
Others	358	13,684	13,954	21,850
Total	10,574	27,275	53,879	55,704

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Our other payables and accruals increased by 3.4% from RMB53.9 million as of December 31, 2022 to RMB55.7 million as of June 30, 2023, primarily due to an increase of RMB7.9 million in others, mainly representing payables to Mobileye in our rendering of certain R&D services to Geely Group, under which, we collected service fees from Geely Group that were payable to Mobileye who provided part of the R&D services in relation to its hardware and software used in SuperVision™, partially offset by a decrease of RMB3.6 million in other taxes payables associated with tariffs. The arrangement of payables to Mobileye is included in the framework purchasing agreement for SuperVision™ between Geely Group and our Company. See “Business — Our Customers — Our Relationship with Geely Group — Key Terms of The Framework Purchasing Agreement for SuperVision™.” When we receive such service fees from Geely Group, which are not yet paid to Mobileye, cash at bank is debited and other payables and accruals is credited. After the payment of such amount to Mobileye, we debit other payables and accruals and credit cash at bank. During the Track Record Period, we received nil, RMB26.5 million, RMB21.9 million and RMB16.8 million from Geely Group, respectively, and paid nil, RMB12.9 million, RMB22.5 million and RMB8.0 million, to Mobileye on behalf of Geely Group, respectively. As of October 31, 2023, no payables made on behalf of Geely Group as of June 30, 2023 had been subsequently settled. While Geely Group provides us with advance payments, our payment schedule to Mobileye follows a milestone-based approach, where payments are made upon achieving specific project milestones. For our relationships with Geely Group and Mobileye, see “Business — Our Customers — Our Relationship with Geely Group” and “Business — Our Suppliers — Our Relationship with Mobileye.”

Our other payables and accruals increased significantly from RMB27.3 million as of December 31, 2021 to RMB53.9 million as of December 31, 2022, primarily due to (i) an increase of RMB10.8 million in payroll and welfare payables, which was in line with the increase in personnel headcount and employee benefits as a result of the overall expansion of our Company; (ii) an increase of RMB8.5 million in taxes payables associated with tariffs; and (iii) an increase of RMB3.8 million in accrued listing expenses in relation to the Global Offering.

Our other payables and accruals increased significantly from RMB10.6 million as of December 31, 2020 to RMB27.3 million as of December 31, 2021, primarily due to an increase of RMB13.3 million in others, primarily due to the increase of rendering of certain R&D services to Geely Group in 2021, under which, we collected more service fees from Geely Group that were payable to Mobileye who provided part of the R&D services in relation to its hardware and software used in SuperVision™.

Contract liabilities

Our contract liabilities include (i) current contract liabilities, which primarily consist of the advance payments from our customers for our R&D services with a term of less than one year that had not been fully fulfilled. The recognition of revenue in relation to our current contract liabilities shall be done within one year; and (ii) non-current contract liabilities, which primarily consist of the advance payments from our customers for our R&D services with a term of over one year that had not been fully fulfilled.

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We recorded current contract liabilities of RMB11.7 million, RMB0.8 million, RMB26.5 million and RMB29.9 million as of December 31, 2020, 2021 and 2022 and June 30, 2023, respectively. We recorded non-current contract liabilities of nil, RMB15.8 million, RMB6.8 million and RMB9.6 million as of December 31, 2020, 2021 and 2022 and June 30, 2023, respectively. The changes were primarily associated with the transfer of control of the agreed-upon deliverables under relevant service contracts.

As of October 31, 2023, RMB10.1 million, or 25.4%, of our contract liabilities as of June 30, 2023 had been recognized as revenue.

Provisions

During the Track Record Period, our provisions were primarily related to (i) onerous contract to be executed; and (ii) product warranties. As of December 31, 2020, 2021 and 2022 and June 30, 2023, we recorded provisions of nil, RMB0.2 million, RMB4.5 million and RMB8.9 million, respectively. The increase was primarily in line with our business expansion. In particular, the amount of provisions made for warranty during the Track Record Period was calculated based on 1% of total revenue generated from the sale of certain relevant autonomous driving solutions and products, taking into consideration any product liability waivers granted by our customers. Additionally, the actual warranty expenses incurred for the years ended December 31, 2021 and 2022 and the six months ended June 30, 2023 were approximately RMB1.7 million in aggregate, which were adequately covered by the provisions made during the Track Record Period. As of June 30, 2023, the unused provision was approximately RMB8.9 million, and we considered that this amount was sufficient to cover the remaining warranty period for certain autonomous driving solutions and products provided to our customers. The estimation of the amount of provisions made has been reviewed by our management on an ongoing basis and adjusted to reflect the current best estimate. For details, see note 31 to the Accountants' Report set out in Appendix I to this prospectus.

Financial Instruments with Preferred Rights at Amortized Cost

During the Track Record Period, we recorded financial instruments with preferred rights in connection with the issuance by our Company to Pre-IPO Investors of ordinary shares with preferred rights in Pre-IPO financings that conferred certain preferred rights, including redemption rights, upon such Pre-IPO Investors. Financial instruments with preferred rights were recorded as financial liabilities upon capital contribution by the related Pre-IPO Investors, because we do not control any of the triggering events of the redemption rights conferred upon the Pre-IPO Investors and accordingly do not consider the ordinary shares with preferred rights issued to the Pre-IPO Investors as equity. We have ceased to record any such financial cost with respect to the preferred rights previously conferred upon the Pre-IPO Investors, because we and the related Pre-IPO Investors have mutually agreed to terminate such preferred rights.

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We recorded financial instruments with preferred rights at amortized cost of RMB162.2 million and RMB897.7 million as of December 31, 2020 and 2021, respectively, in relation to Series Pre-A to Series C1 Financing. We did not record financial instruments with preferred rights at amortized cost as of December 31, 2022 and June 30, 2023, as a result of the termination of the preferred rights from such financial instruments in 2022.

For a discussion of our issuance of financial instruments with preferred rights at amortized cost, see the section headed “History and Corporate Structure” in this prospectus. For further information regarding the financial instruments with preferred rights at amortized cost, see note 29 to the Accountant’s Report set out in Appendix I to this prospectus.

KEY FINANCIAL RATIOS

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

	For the Year Ended/As of December 31,			For the Six Months Ended/As of June 30,
	2020	2021	2022	2023
Gross profit margin (%) ⁽¹⁾	20.1	20.6	8.3	7.6
Adjusted net profit/(loss) margin (non-IFRS Accounting Standards measure) (%) ⁽²⁾	(74.8)	(19.1)	(1.3)	(8.5)
Current ratio ⁽³⁾	1.3	2.8	2.0	3.4
Quick ratio ⁽⁴⁾	1.1	2.5	1.5	2.7

Notes:

- (1) Gross profit margin equals gross profit divided by revenues for the year/period and multiplied by 100%.
- (2) Adjusted net profit/(loss) margin (non-IFRS Accounting Standards measure) equals adjusted profit/(loss) (non-IFRS Accounting Standards measure) divided by revenues for the year/period and multiplied by 100%.
- (3) Current ratio is calculated as total current assets divided by total current liabilities at the end of the year/period.
- (4) Quick ratio is calculated as current assets less inventories divided by current liabilities at the end of the year/period.

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LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period and up to the Latest Practicable Date, we funded our cash requirements principally from revenue from sales of products and rendering of services and proceeds received from Pre-IPO Investments. Our cash and cash equivalents represent cash at banks, net of restricted cash. We had cash and cash equivalents of RMB16.9 million, RMB32.0 million, RMB365.7 million and RMB146.7 million as of December 31, 2020, 2021 and 2022 and June 30, 2023, respectively. Going forward, we believe that our liquidity requirements will be satisfied by using a combination of revenue from sales of products and rendering of services, funds raised from the capital markets from time to time and the net proceeds received from the Global Offering.

Current Assets/Liabilities

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

	As of December 31,			As of	As of
	2020	2021	2022	June 30,	October 31,
				2023	2023
	<i>(RMB in thousands)</i>				<i>(Unaudited)</i>
Current Assets					
Inventories	9,484	47,006	271,974	162,081	249,614
Other current assets	7,193	10,782	45,178	60,313	67,066
Trade and notes receivables	15,248	111,289	289,358	126,890	262,559
Financial assets at fair value through profit or loss	24,443	242,832	182,408	250,591	181,048
Derivative financial instruments	—	1,451	—	—	—
Restricted cash	300	833	835	300	306
Cash and cash equivalents	16,912	32,042	365,745	146,687	57,555
Total current assets	73,580	446,235	1,155,498	746,862	818,148
Current Liabilities					
Trade and notes payables	6,778	90,440	438,417	128,384	166,209
Other payables and accruals	10,574	27,275	53,879	55,704	63,169
Contract liabilities	11,675	753	26,545	29,949	29,637
Borrowings	25,029	35,538	49,004	—	78,150
Lease liabilities	2,039	2,546	3,341	2,482	2,372
Provisions	—	66	1,262	3,724	4,773
Total current liabilities	56,095	156,618	572,448	220,243	344,310
Net current assets	17,485	289,617	583,050	526,619	473,838

FINANCIAL INFORMATION

Our net current assets decreased from RMB526.6 million as of June 30, 2023 to RMB473.8 million as of October 31, 2023, primarily due to the increase of our current liabilities outpacing the increase of our current assets. The increase of our current liabilities was primarily due to (i) an increase of RMB78.2 million in borrowings to support our daily operations; and (ii) an increase of RMB37.8 million in trade and notes payables, mainly as a result of the increased procurement of raw materials which was in line with the increase of customer orders in the four months ended October 31, 2023. The increase of our current assets was primarily due to (i) an increase of RMB87.5 million in inventories, mainly representing the increase of finished goods in October 2023 which were delivered to certain customers but the acceptance has not yet been obtained; and (ii) an increase of RMB135.7 million in trade and notes receivables, mainly representing the increase of trade receivables associated with the successful acceptance of certain finished goods in the four months ended October 2023, partially offset by (i) a decrease of RMB89.1 million in cash and cash equivalents mainly used for the increased procurement of raw materials as a result of the increase of customer orders, and the new construction in progress; and (ii) a decrease of RMB69.5 million in financial assets at FVTPL mainly because we redeemed certain wealth management products.

Our net current assets decreased from RMB583.1 million as of December 31, 2022 to RMB526.6 million as of June 30, 2023, primarily due to the decrease of our current assets outpacing the decrease of our current liabilities. The decrease of our current assets was primarily due to (i) a decrease of RMB219.1 million in cash and cash equivalents, mainly in relation to the payment of employee salaries, the purchase of certain wealth management products and the repayment of bank borrowings, which were in line with our cash management policy; (ii) a decrease of RMB162.5 million in trade and notes receivables, mainly as a result of our customers' settlement for sales accrued in the fourth quarter of 2022 and the decrease of sales in the first half of 2023 compared to the second half of 2022; and (iii) a decrease of RMB109.9 million in inventories, mainly attributable to the recognition of cost of sales for the delivered finished goods at the end of 2022. The decrease of our current liabilities was primarily due to (i) a decrease of RMB310.0 million in trade and notes payables primarily because we settled large portion of trade payables as of December 31, 2022 and lowered the procurement amount of raw materials as a result of the decrease of sales in the first half of 2023 compared to the second half of 2022, as well as the reduced procurement from camera and ultrasonic sensor suppliers for SuperVision™, for which we used notes as the main payment method; and (ii) a decrease of RMB49.0 million in borrowings as a result of the full settlement of our outstanding borrowings.

Our net current assets increased from RMB289.6 million as of December 31, 2021 to RMB583.1 million as of December 31, 2022, primarily due to (i) an increase of RMB333.7 million in cash and cash equivalents, as a result of the proceeds we received from the Series C Financing; (ii) an increase of RMB225.0 million in inventories which we accumulated in response to an increase in the demand for our solutions and products; (iii) an increase of RMB178.1 million in trade and notes receivables, primarily attributable to the increase in trade receivables due from third parties, which was in line with our business expansion, partially offset by an increase of RMB348.0 million in trade and notes payables, as we purchased more materials for our production in line with our business expansion in 2022.

FINANCIAL INFORMATION

Our net current assets increased from RMB17.5 million as of December 31, 2020 to RMB289.6 million as of December 31, 2021, primarily due to an increase of RMB218.4 million in financial assets at FVTPL, as we purchased more wealth management products in 2021; and (ii) an increase of RMB96.0 million in trade and notes receivables, primarily attributable to the increase of due from third parties, which was in line with our business expansion, partially offset by an increase of RMB83.7 million in trade and notes payables, as we purchased more materials for our series production in line with our business expansion in 2021.

Cash Flows

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

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2020	2021	2022	2022	2023
	<i>(RMB in thousands)</i>				
	<i>(Unaudited)</i>				
Operating cash flows before changes in working capital	(27,249)	(25,185)	(3,820)	(27,238)	(57,988)
Changes in working capital	3,405	(37,813)	(61,847)	(921)	(24,928)
Interest received	9	94	100	85	2,034
Net cash used in operating activities	(23,835)	(62,904)	(65,567)	(28,074)	(80,882)
Net cash (used in)/generated from investing activities	(33,138)	(256,339)	41,439	(14,039)	(80,170)
Net cash generated from/(used in) financing activities	70,828	334,601	355,909	77,094	(58,566)
Net increase/(decrease) in cash and cash equivalents	13,855	15,358	331,781	34,981	(219,618)
Cash and cash equivalents at the beginning of the year/period	3,066	16,912	32,042	32,042	365,745
Exchange (losses)/gains on cash and cash equivalents	(9)	(228)	1,922	632	560
Cash and cash equivalents at the end of year/period	16,912	32,042	365,745	67,655	146,687

FINANCIAL INFORMATION

Net Cash Used in Operating Activities

For the six months ended June 30, 2023, our net cash used in operating activities was RMB80.9 million. Our loss before income tax was RMB99.7 million for the same period. The difference between our loss before income tax and our net cash used in operating activities was primarily attributable to certain non-operating items, primarily including share-based payment expenses of RMB43.2 million; and changes in certain working capital items, primarily including (i) a decrease of RMB165.5 million in trade and notes receivables and (ii) a decrease of RMB109.7 million in inventories, partially offset by a decrease of RMB310.0 million in trade and notes payables.

For the year ended December 31, 2022, our net cash used in operating activities was RMB65.6 million. Our loss before income tax was RMB342.4 million for the same period. The difference between our loss before income tax and our net cash used in operating activities was primarily attributable to certain non-operating items, primarily including (i) net finance costs of RMB280.1 million and (ii) share-based payment expenses of RMB44.0 million; and changes in certain working capital items, primarily including (i) an increase in inventories of RMB225.0 million, (ii) an increase in trade and notes receivables of RMB181.8 million, and (iii) an increase in trade and notes payables of RMB348.0 million.

For the year ended December 31, 2021, our net cash used in operating activities was RMB62.9 million. Our loss before income tax was RMB464.2 million for the same period. The difference between our loss before income tax and our net cash used in operating activities was primarily attributable to certain non-operating items, primarily including (i) net finance costs of RMB413.8 million and (ii) share-based payment expenses of RMB17.7 million; and changes in certain working capital items, primarily including (i) an increase in trade and notes receivables of RMB97.5 million, (ii) an increase in trade and notes payables of RMB83.7 million, and (iii) an increase in inventories of RMB37.7 million.

For the year ended December 31, 2020, our net cash used in operating activities was RMB23.8 million. Our loss before income tax was RMB53.8 million for the same period. The difference between our loss before income tax and our net cash used in operating activities was primarily attributable to certain non-operating items, primarily including (i) net finance costs of RMB10.9 million and (ii) share-based payment expenses of RMB8.6 million; and changes in certain working capital items, primarily including an increase in contract liabilities of RMB11.0 million.

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Net Cash (Used in)/Generated from Investing Activities

For the six months ended June 30, 2023, our net cash used in investing activities was RMB80.2 million, primarily due to payments for financial assets at FVTPL of RMB1,345.4 million, partially offset by proceeds from disposals of financial assets at FVTPL of RMB1,281.8 million.

For the year ended December 31, 2022, our net cash generated from investing activities was RMB41.4 million, primarily due to proceeds from disposals of financial assets at FVTPL of RMB2,008.9 million, partially offset by (i) payments for financial assets at FVTPL of RMB1,940.7 million, and (ii) payments for property, plant and equipment of RMB24.4 million.

For the year ended December 31, 2021, our net cash used in investing activities was RMB256.3 million, primarily due to (i) payments for financial assets at FVTPL of RMB848.7 million, and (ii) payments for land use rights of RMB34.0 million, partially offset by proceeds from disposals of financial assets at FVTPL of RMB631.2 million.

For the year ended December 31, 2020, our net cash used in investing activities was RMB33.1 million, primarily due to (i) payments for financial assets at FVTPL of RMB65.2 million, and (ii) payments for property, plant and equipment of RMB2.9 million, partially offset by proceeds from disposals of financial assets at FVTPL of RMB41.3 million.

Net Cash Generated from/(Used in) Financing Activities

For the six months ended June 30, 2023, our net cash used in financing activities was RMB58.6 million, primarily due to repayments of borrowings of RMB48.9 million.

For the year ended December 31, 2022, our net cash generated from financing activities was RMB355.9 million, primarily due to proceeds from contributions from equity holders of RMB346.0 million.

For the year ended December 31, 2021, our net cash generated from financing activities was RMB334.6 million, primarily due to proceeds from contributions from equity holders of RMB327.7 million.

For the year ended December 31, 2020, our net cash generated from financing activities was RMB70.8 million, primarily due to (i) proceeds from contributions from equity holders of RMB58.9 million, and (ii) proceeds from borrowings of RMB27.0 million.

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INDEBTEDNESS

	As of December 31,			As of	As of
	2020	2021	2022	June 30,	October 31,
				2023	2023
	<i>RMB'000</i>				<i>(Unaudited)</i>
Current liabilities					
Borrowings	25,029	35,538	49,004	—	78,150
Lease liabilities	2,039	2,546	3,341	2,482	2,372
	<u>27,068</u>	<u>38,084</u>	<u>52,345</u>	<u>2,482</u>	<u>80,522</u>
Non-current liabilities					
Lease liabilities	4,962	3,367	1,572	798	886
Total indebtedness	<u>32,030</u>	<u>41,451</u>	<u>53,917</u>	<u>3,280</u>	<u>81,408</u>

Borrowings

As of December 31, 2020, 2021 and 2022, and June 30 and October 31, 2023, we had borrowings of RMB25.0 million, RMB35.5 million, RMB49.0 million, nil and RMB78.2 million, respectively. Our borrowings were primarily used to finance our increased working capital requirements driven by our business expansion during the Track Record Period. As of October 31, 2023, we had unutilized bank facilities of RMB650.0 million. The followings table sets forth our borrowings as of the dates indicated:

	As of December 31,			As of	As of
	2020	2021	2022	June 30,	October 31,
				2023	2023
	<i>(RMB in thousands)</i>				<i>(Unaudited)</i>
Borrowings included in current liabilities					
Bank borrowings	25,000 ⁽¹⁾	35,500 ⁽²⁾	—	—	77,874 ⁽⁴⁾
Other loans	—	—	48,857 ⁽³⁾	—	—
Interest payables	29	38	147	—	276
Total borrowings	<u>25,029</u>	<u>35,538</u>	<u>49,004</u>	<u>—</u>	<u>78,150</u>

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Notes:

- (1) Consisting of (a) short-term borrowings from a PRC bank with a principal amount of RMB23.0 million and an effective interest rate of 4.16% per annum. The bank borrowings were guaranteed by Mr. Song Yang; and (b) short-term borrowings from a PRC bank with a principal amount of RMB2.0 million and an effective interest rate of 4.79% per annum. Such bank borrowings were guaranteed by one of our subsidiaries, iMotion Electronics. We fully repaid the aforementioned bank borrowings and related interest in 2021 and the guarantee was released accordingly.
- (2) Short-term borrowings from a PRC bank with a principal amount of RMB35.5 million and an effective interest rate of 3.86% per annum. The bank borrowings were guaranteed by Mr. Song Yang. We fully repaid the aforementioned bank borrowings and related interest in 2022 and the guarantee was released accordingly.
- (3) Import bill advances paid by a PRC bank with amounts totaling RMB48.9 million and an effective interest rate of 2.4% per annum. Such loans were unsecured and unguaranteed. We fully repaid the aforementioned bank loans in 2023.
- (4) Consisting of (a) short-term borrowings from a PRC bank with a principal amount of US\$4.35 million and an effective interest rate of 5.80% per annum; and (b) short-term borrowings from a PRC bank with a principal amount of US\$6.5 million and an effective interest rate of 5.75% per annum. Such bank borrowings were unsecured and unguaranteed.

Lease Liabilities

Our lease liabilities are in relation to properties that we lease primarily for our offices and manufacturing plants. The following table sets forth the details of our lease liabilities as of the dates indicated:

	As of December 31,			As of June 30,	As of October 31,
	2020	2021	2022	2023	2023
	<i>(RMB in thousands)</i>				<i>(Unaudited)</i>
Current	2,039	2,546	3,341	2,482	2,372
Non-current	4,962	3,367	1,572	798	886
Total	7,001	5,913	4,913	3,280	3,258

During the Track Record Period and as of the Latest Practicable Date, none of our creditors of the indebtedness described above had claimed default against us to the best of our knowledge. Our Directors also confirm that we did not experience difficulty in obtaining borrowings, material default in payment on borrowings, payables to related parties, lessors, financial institutions or investors during the Track Record Period and up to the Latest Practicable Date.

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Save as disclosed above, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as of October 31, 2023.

CONTINGENT LIABILITIES

As of December 31, 2020, 2021 and 2022, June 30 and October 31, 2023, we did not have any material contingent liabilities, guarantees of any litigations or claims of material importance, pending or threatened against any member of our Company. Our Directors have confirmed that there had not been any material change in the contingent liabilities of our Company since October 31, 2023 and up to the Latest Practicable Date.

CAPITAL EXPENDITURES

The following table sets forth our capital expenditures for the years/periods indicated:

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2020	2021	2022	2022	2023
	<i>(RMB in thousands)</i>				
	<i>(Unaudited)</i>				
Payments for land use rights	—	34,021	—	—	—
Payments for property, plant and equipment	2,904	4,097	24,437	9,404	15,092
Payments for intangible assets	7,812	2,506	1,506	690	1,603
Total	<u>10,716</u>	<u>40,624</u>	<u>25,943</u>	<u>10,094</u>	<u>16,695</u>

Our capital expenditures in 2020, 2021 and 2022 were RMB10.7 million, RMB40.6 million and RMB25.9 million, respectively, primarily due to payments for land use rights and purchase of property, plant and equipment. Our capital expenditures for the six months ended June 30, 2023 were RMB16.7 million, primarily due to payments for property, plant and equipment.

We intend to fund our future capital expenditures with our existing cash balance, financial assets at FVTPL, revenue from sales of products and rendering of services, bank borrowings and proceeds from the Global Offering. See the section headed “Future Plans and Use of Proceeds” for more details. We may reallocate the fund to be utilized on capital expenditures based on our ongoing business needs.

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CONTRACTUAL OBLIGATIONS

Capital Commitments

As of December 31, 2021 and 2022 and June 30, 2023, we had capital commitments contracted, but not yet provided, of RMB0.4 million, RMB1.9 million and RMB137.3 million, respectively. Such capital commitments reflected the capital expenditure we contracted for but not provided on acquisition of property, plant and equipment.

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

RELATED PARTY TRANSACTIONS

Other than the emoluments paid or payable to our key management personnel, we did not enter into any material transactions with our related parties during the Track Record Period. Our Directors are of the view that the compensation payment to our key management personnel was conducted in the ordinary course of business on an arm's length basis and did not distort our results of operations or make our historical results not reflective of our future performance. See note 36 and note 37(a) to the Accountant's Report set out in Appendix I in this prospectus for details.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to a variety of market risks including credit risk and liquidity risk in the normal course of our business. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. For details of the risks to which we are exposed, see note 3 to the Accountant's Report set out in Appendix I in this prospectus.

LISTING EXPENSES

Based on the Offer Price of HK\$29.65 per Offer Share, the total estimated listing expenses in relation to the Global Offering is approximately RMB63.5 million, representing 10.6% of the total gross proceeds from the Global Offering of approximately HK\$655.7 million (RMB596.0 million). We had incurred listing expenses of RMB21.9 million as of June 30, 2023, of which RMB12.5 million has been charged to our consolidated statement of comprehensive income and RMB9.4 million was recognized as deferred listing expenses, which are expected to be recognized directly as a deduction from equity upon the Global Offering. We expect to incur additional listing expenses of approximately RMB41.6 million, of which RMB19.2 million is expected to be charged to our consolidated statement of comprehensive income and RMB22.4 million will be deducted from equity. The amount of the underwriting-related expenses of approximately RMB22.6 million, which mainly includes underwriting commission, is expected to be accounted for as a deduction from equity upon the

FINANCIAL INFORMATION

completion of the Global Offering. The amount of the non-underwriting-related expenses of approximately RMB40.9 million primarily include fees and expenses of legal advisers and accountants of RMB29.9 million and other fees and expenses of RMB10.9 million.

DIVIDENDS

We did not declare or pay dividends on our Shares during and after the Track Record Period. We currently expect to retain all future earnings for use in operation and expansion of our business, and do not anticipate paying cash dividends in the foreseeable future. The declaration and payment of any dividends in the future will be determined by our Board of Directors and subject to our Articles of Association and the PRC Company Law, and will depend on a number of factors, including our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant. As confirmed by our PRC Legal Advisors, any future net profit that we make will have to be applied to make up for our historically accumulated losses in accordance with the PRC laws, after which we will be obliged to allocate 10% of our profit to our statutory common reserve fund until such fund has reached more than 50% of our registered capital. We will therefore only be able to declare dividends after (i) all our historically accumulated losses have been made up for; and (ii) we have allocated sufficient profit to our statutory common reserve fund as described above. In light of our accumulated losses as disclosed in this prospectus, it is unlikely that we will be eligible to pay a dividend out of our profits in the foreseeable future.

WORKING CAPITAL CONFIRMATION

Taking into account the financial resources available to us, including our cash and cash equivalents on hand, current financial assets at FVTPL, internally generated funds, available facilities and the estimated net proceeds from the Global Offering, our Directors are of the view that we have sufficient working capital to meet our present needs and for the next 12 months from the date of this prospectus. Our Directors confirm that we had no material defaults in payment of trade and non-trade payables during the Track Record Period.

DISTRIBUTABLE RESERVES

As of June 30, 2023, we did not have any distributable reserves.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets attributable to equity holders of our Company prepared in accordance with Rule 4.29 of the Listing Rules and is set out below to illustrate the effect of the Global Offering on the audited consolidated net tangible assets attributable to equity holders of our Company as of June 30, 2023, as if the Global Offering had taken place on that date.

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The unaudited pro forma statement of adjusted consolidated net tangible assets attributable to the equity holders of our Company has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the consolidated net tangible assets attributable to the equity holders of our Company, had the Global Offering been completed as of June 30, 2023 or at any future dates following the Global Offering.

The following unaudited pro forma statement of adjusted consolidated net tangible assets attributable to the equity holders of our Company is prepared based on the audited consolidated net assets of our Group attributable to the equity holders as of June 30, 2023 as derived from the Accountant's Report as set out in Appendix I to this prospectus, and adjusted as follows:

	Audited consolidated net tangible assets of our Group attributable to the equity holders of our Company as of June 30, 2023	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to equity holders of our Company as of June 30, 2023	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the equity holders of our Company per Share	
	<i>RMB'000</i> <i>(Note 1)</i>	<i>RMB'000</i> <i>(Note 2)</i>	<i>RMB'000</i>	<i>RMB</i> <i>(Note 3)</i>	<i>HK\$</i> <i>(Note 4)</i>
Based on the Offer Price of HK\$29.65 per H Share	607,199	544,924	1,152,123	5.09	5.60

Notes:

- (1) The audited consolidated net tangible assets of our Group attributable to the equity holders of our Company as of June 30, 2023 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of our Group attributable to the equity holders of our Company as of June 30, 2023 of approximately RMB611,515,000 with adjustment for the intangible assets as of June 30, 2023 of approximately RMB4,316,000.
- (2) The estimated net proceeds from the Global Offering are based on 22,116,000 Offer Shares and the Offer Price of HK\$29.65 per Offer Share, after deduction of the underwriting fees and other related expenses (excluding RMB12,423,000 listing expenses which have been accounted for in the consolidated statement of comprehensive income up to June 30, 2023), without taking into account any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates.
- (3) The unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the equity holders of our Company per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 226,330,340 Shares were in issue assuming the Global Offering had taken place on June 30, 2023, without taking into account any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates.

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- (4) For the purpose of this unaudited pro forma adjusted consolidated net tangible assets, the amounts stated in Renminbi are converted to HK Dollars at the rate of RMB0.9088 to HK\$1.00, as set out in the section headed “Information about this Prospectus and the Global Offering” in this prospectus. No representation is made that the Renminbi have been, would have been or may be converted to HK Dollars, or vice versa, at that rate.
- (5) No adjustment has been made to reflect any trading results or other transactions of our Group entered into subsequent to June 30, 2023.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, the Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since June 30, 2023, which is the end date of the periods reported on in the Accountant’s Report included in Appendix I to this prospectus, and there is no event since June 30, 2023 that would materially affect the information as set out in the and the Accountant’s Report included in Appendix I to this prospectus.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See “Business — Our Strategies” for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$585.9 million, after deducting underwriting commissions, fees and estimated expenses payable by us in connection with the Global Offering, at the Offer Price of HK\$29.65 per Share. We currently intend to apply these net proceeds for the following purposes:

- Approximately 45.0% of the net proceeds or approximately HK\$263.7 million, for enhancing research and development of our autonomous driving solutions and products, with the detailed breakdown of the net proceeds to be allocated as follows:
 - (i) Approximately 20.0% of the net proceeds or approximately HK\$117.2 million will be used for expanding and upgrading our autonomous driving solution and product portfolio, primarily including (i) acquiring new R&D equipment, to facilitate our R&D process; (ii) introducing new technologies to expand our product portfolio; and (iii) expanding the R&D team responsible for the research and development of our autonomous driving solutions and products as well as enhancing their compensation. We plan to launch AD domain controllers and intelligent front cameras with more autonomous driving functions. We expect the series production of iDC High, a high computing power solution that supports full-scenario intelligent driving experience, to start in 2024. We plan to launch the iFC 3.0 solution in 2024, which is targeted to meet future C-NCAP and EURO-NCAP 5-star safety standards;
 - (ii) Approximately 15.0% of the net proceeds or approximately HK\$87.9 million will be used to fund the improvement of our data analytic capabilities. We intend to apply the net proceeds for (i) enhancing our high-performance data management system, which will involve testing and maintenance expenses as well as investment in expanding our data management team and enhancing their compensation; (ii) improving our data processing and training clusters, including leasing data centers to improve computing power, expanding R&D team responsible for data processing and enhancing their compensation, and upgrading our servers; and (iii) expanding overseas computing resources by leasing overseas data center infrastructure and establishing an overseas team to ensure its maintenance and operations. We believe the high-performance data management system will benefit us primarily in the following aspects: (i) it can enhance our data analytic efficiency, which is crucial for the development and constant improvement of autonomous driving algorithms. A high-performance data management system can quickly process large datasets, enabling faster algorithm iteration; (ii) it can improve our data privacy and security. Our OEM customers own the data collected by them and may transmit it to us for OTA

FUTURE PLANS AND USE OF PROCEEDS

updates or product maintenance in the future. We will have the authorization to use desensitized and anonymized data for research and development of our autonomous driving solutions and products. A high-performance data management system can help improve data security and privacy by implementing measures to protect against unauthorized access while also adhering to industry regulations and addressing privacy concerns; and (iii) by optimizing data management, processing, and analysis, a high-performance data management system can help control the overall costs associated with data management, enabling us to allocate resources to other critical aspects of our business. Our goal is to create an effective, automated, and intelligent data loop system in order to shorten the time it takes to develop new software using new data; and

- (iii) Approximately 10.0% of the net proceeds or approximately HK\$58.6 million will be used for the R&D of an integrated cockpit-driving platform for vehicles, including (i) acquiring new R&D equipment, to facilitate; (ii) introducing new technologies; and (iii) expanding the R&D team responsible for the R&D of integrated cockpit-driving platform as well as enhancing their compensation. In the initial stage, we will combine the SoC of the autonomous driving domain with the SoC of the intelligent cockpit domain, based on iDC High, to create a high-performance central computing platform that can be quickly implemented in different vehicle models. Subsequently, we will place greater emphasis on providing users with high-quality user experiences, offering them immersive entertainments such as 3D movies with enhanced performance or high-profile video games, in addition to excellent autonomous driving and fundamental intelligent cockpit functions.
- Approximately 35.0% of the net proceeds or approximately HK\$205.1 million, for capital expenditure in relation to our R&D headquarters, manufacturing premises and new production lines, including:
 - (i) Approximately 30.0% of the net proceeds or approximately HK\$175.8 million will be used to improve our series production capabilities of autonomous driving solutions and products, and finance the construction of our R&D headquarters and manufacturing premises. In particular, we plan to use our net proceeds in (i) the construction of the R&D headquarters and manufacturing building; (ii) the construction of laboratories required for the new R&D headquarters; (iii) other investments including but not limited to operating system and automated warehousing system for the R&D headquarters and manufacturing premises (in addition to production lines); and (iv) salaries of employees at the construction site. We expect to complete the construction of our R&D headquarters and manufacturing premises with a total of 70,000 sq.m. in Suzhou by the end of 2025. As of the Latest Practicable Date, we had obtained the land use right certificate and land use planning permit for the land to be used for our new R&D headquarters and manufacturing premises. As of

FUTURE PLANS AND USE OF PROCEEDS

the Latest Practicable Date, we had started the construction of our new R&D headquarters and manufacturing premises. We do not intend to renew the lease agreement for our corporate headquarters and manufacturing facilities, which will expire in 2025, once our R&D headquarters and manufacturing facilities are completed; and

- (ii) Approximately 5.0% of the net proceeds or approximately HK\$29.3 million will be used to enhance our production capacity and automation capabilities. As of the Latest Practicable Date, we had a semi-automatic iFC assembly line and an automatic iDC assembly line, as well as two SMT lines. The estimated annual production capacity of the Company's iFC assembly line and AD domain controller assembly line is approximately 129 thousand units and 212 thousand units, respectively, based on one shift with 11 working hours per day and 250 working days per year. Our two SMT lines have an estimated annual production capacity of approximately 1,168 thousand units of PCBA in aggregate, based on two shifts with 22 working hours per day and 26 working days per month. We plan to (i) set up a new automatic assembly line for iFC products by the end of 2023, which will have an annual production capacity of approximately 1,000,000 units (based on two shifts with 22 working hours per day and 26 working days per month), (ii) enhance our newly-added test line, which can be used to assemble AD domain controllers and is expected to have an annual production capacity of approximately 300,000 units (based on one shift with 11 working hours per day and 250 working days per year); and (iii) a new SMT line with an annual production capacity of approximately 600,000 to 700,000 units (based on two shifts with 22 working hours in aggregate per day and 26 working days per month). In comparison to our present two SMT lines, the new one is planned to have a higher production capacity and will be equipped with quality manufacturing equipment to manufacture PCBA with more printed electronic components and more sophisticated designs. In the future, we will continue to use our SMT lines, including the new SMT line we plan to purchase, to produce PCBA products as components of our own autonomous driving solutions and products.

FUTURE PLANS AND USE OF PROCEEDS

The following table sets forth additional details of the construction of our new R&D headquarters, manufacturing premises and new production lines, including the proposed timeline and estimated capital expenditure.

<u>Proposed Construction Plan</u>	<u>Estimated Capital Expenditure</u>	<u>Description</u>
Construction of the R&D headquarters and manufacturing building (Expected to be completed by June 2025)	RMB395 million	Including land acquisition costs, civil engineering expenses, decoration costs, and salaries of employees at the construction site, among others.
Acquirement of machinery (Including the new production lines) (Expected to be completed by December 2023)	RMB90 million	Primarily relating to construction of new production lines and the upgrade of existing production lines.
Construction of laboratories (Expected to be completed by October 2025)	RMB23 million	Constructing several laboratories to facilitate the R&D of autonomous driving solutions, primarily including an environmental laboratory, an electromagnetic compatibility laboratory, an optical laboratory, an electronics laboratory, test benches for software and a radar testing area.
Total	RMB508 million	

Note: The timeline and capital expenditures of our proposed construction plan are based on our best estimates taking into account the latest status of relevant projects, and the actual timing for execution of the construction plan may be subject to change based on various factors, including the sales growth of and market demand for autonomous driving solutions and products and our financial resources.

We expect to incur capital expenditure of approximately RMB508 million (equivalent to HK\$554.9 million) to implement the construction plan, of which approximately HK\$193.8 million will be financed by net proceeds from the Global Offering and remainder of approximately HK\$361.1 million will be financed by internal resources and bank borrowings.

FUTURE PLANS AND USE OF PROCEEDS

- Approximately 10.0% of the net proceeds or approximately HK\$58.6 million, for expanding our sales and service network, including:
 - (i) Approximately 5.0% of the net proceeds or approximately HK\$29.3 million will be used for enhancing our selling and marketing capabilities. In particular, we intend to further expand our sales and marketing team, to deepen our relationships with existing customers and diversify our customer base. We also intend to organize offline technology events and attend more industry exhibitions to promote our solutions and products, thereby exploring more collaboration opportunities with OEMs; and
 - (ii) Approximately 5.0% of the net proceeds or approximately HK\$29.3 million will be used to support our overseas expansion strategies and enhance our brand awareness. We will increase our investment in international markets, such as Europe and Southeast Asia. In particular, we will establish a subsidiary in Germany, which will be responsible for customer service, sales, and validation of autonomous driving solutions and products in relation to our business in Europe. We plan to allocate our net proceeds primarily in (i) investing in initial talent recruitment; (ii) acquiring autonomous driving system validation and verification equipment; (iii) leasing or purchasing office space, as well as any necessary renovations or modifications; and (iv) purchasing and installing the required office equipment. Our subsidiary and R&D center in Germany are expect to focus on two aspects of work: (i) providing services for domestic OEMs as they expand overseas; and (ii) establishing our own service point in Europe to develop business.

In 2018, the automotive industry witnessed a trend towards the research and development of level 3 and above autonomous driving technologies. In response to this trend, we initially established our presence in Germany in July 2018, when we established a subsidiary with the primary goal of collaborating with local institutions to conduct preliminary research on advanced autonomous driving technologies (level 3 and above). However, after approximately two years of operation, we decided to dissolve the German subsidiary taking into account (i) the fact that we decided to strategically focus on the large-scale commercialization of autonomous driving solutions and products, and concentrated our resources in China market and (ii) short-term unfeasibility of the technology and its limited potential to aid in the commercialization of our autonomous driving solutions and products. In March 2020, we submitted the dissolution application to the competent authority. The German subsidiary was subsequently liquidated and deregistered in November 2021. Since then, the autonomous driving industry has undergone significant expansion, and we have successfully established collaborations with several leading domestic OEMs, some of whom have intentions to export vehicles overseas. Based on these developments, we deem it necessary to establish a subsidiary in Germany to provide enhanced services and support to our OEM

FUTURE PLANS AND USE OF PROCEEDS

customers for their overseas plans. Our German subsidiary was established in October 2023. We anticipate that our subsidiary in Germany, located in Europe's automotive OEM hub, will be able to attract talent in the automotive and autonomous driving industries, facilitating our business expansion in Europe.

- Approximately 10.0% of the net proceeds or approximately HK\$58.6 million, for working capital and general corporate purposes.

We expect to finance the shortfall if the net proceeds of the Global Offering are less than our expected expenditure by using our internal funds and/or funds to be obtained from other financing activities, as appropriate.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by the relevant law and regulations, the unused net proceeds will only be held in short-term deposits with licensed banks or authorized financial institutions (as defined under the Securities and Futures Ordinance for Hong Kong based deposits or the applicable laws in the relevant jurisdiction for non-Hong Kong based deposits). We will make an appropriate announcement if there is any change to the above proposed use of proceeds.

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HONG KONG UNDERWRITERS

Citigroup Global Markets Asia Limited

Huatai Financial Holdings (Hong Kong) Limited

CCB International Capital Limited

DBS Asia Capital Limited

CMB International Capital Limited

Goldlink Securities Limited

Livermore Holdings Limited

Soochow Securities International Brokerage Limited

Mouette Securities Company Limited

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This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters.

The Global Offering comprises the Hong Kong Public Offering of initially 2,211,600 Hong Kong Offer Shares and the International Offering of initially 19,904,400 International Offer Shares, subject, in each case, to reallocation on the basis as described in the section headed “Structure of the Global Offering” in this prospectus.

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 2,211,600 Hong Kong Offer Shares (subject to reallocation) for subscription by way of the Hong Kong Public Offering on and subject to the terms and conditions of this prospectus and the Hong Kong Underwriting Agreement at the Offer Price.

UNDERWRITING

Subject to (i) the Listing Committee granting approval for the listing of, and permission to deal in, the H Shares pursuant to the Global Offering on the Main Board of the Stock Exchange and such approval not having been withdrawn; and (ii) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally and not jointly to apply or procure applications, on the terms and conditions of this prospectus, for their respective applicable proportions of the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering.

The Hong Kong Underwriting Agreement is conditional on, among other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters and the Capital Market Intermediaries) and the Joint Sponsors shall be entitled, in their absolute discretion and by giving notice to our Company, to terminate the Hong Kong Underwriting Agreement with immediate effect if prior to 8:00 a.m. on the Listing Date:

- (i) there shall develop, occur, exist or come into effect:
 - (a) any local, national, regional or international event, or series of events, or circumstance in the nature of force majeure (including, without limitation, any acts of government, declaration of a national, regional or international emergency or war, calamity, crisis, epidemic, pandemic, outbreaks, escalation, mutation or aggravation of diseases (including, without limitation, COVID-19, SARS, swine or avian flu, H5N1, H1N1, H7N9 and such related/mutated forms), economic sanctions, strikes, labor disputes, lock-outs, other industrial actions, fire, explosion, flooding, earthquake, tsunami, volcanic eruption, civil commotion, riots, rebellion, civil commotion, calamity, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism (whether or not responsibility has been claimed), economic sanctions, paralysis in government operations, interruptions or delay in transportation) in or affecting Hong Kong, the PRC, the United Kingdom, the United States or the European Union (or any member thereof) collectively, the “**Relevant Jurisdictions**”);
 - (b) any change or development involving a prospective change, or any event or circumstances or series of events likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, legal, fiscal, regulatory, currency, credit or market matters or conditions, equity securities or exchange control or any monetary or trading settlement system or other financial markets (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets), in or affecting any of the Relevant Jurisdictions;

UNDERWRITING

- (c) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in, securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Tokyo Stock Exchange;
- (d) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), New York (imposed at the U.S. Federal or New York State level or by any other competent authority), London, the PRC, the European Union (or any member thereof) or any of the other Relevant Jurisdictions (declared by the relevant authorities) or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any of the Relevant Jurisdictions;
- (e) any new laws or regulations or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or any governmental authority in or affecting any of the Relevant Jurisdictions;
- (f) the imposition of economic sanctions, or the withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions or any other jurisdiction relevant to any member of the Group;
- (g) there is an event, act or omission which gives or is likely to give rise to any liability of our Company or the warranting shareholder pursuant to the indemnities given by any of them under the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable;
- (h) any valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity;
- (i) any change or development involving a prospective change or amendment in or affecting taxation or foreign exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar, the Renminbi or US\$ against any foreign currencies, a change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar, Renminbi or US\$ is linked to any foreign currency or currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions or affecting an investment in the Offer Shares;

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- (j) other than with the prior written consent of the Overall Coordinators, the issue or requirement to issue by the Company of a supplement or amendment to this prospectus, the CSRC filings or other documents in connection with the offer and sale of the Offer Shares pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or the CSRC rules or upon any requirement or request of the Stock Exchange, the SFC and/or the CSRC;
- (k) any order or petition for the winding-up or liquidation of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group;
- (l) any litigation, dispute, legal action or claim or regulatory or administrative investigation or action being threatened or instigated or announced against any member of our Group, any Director or the warranting shareholder pursuant to the Hong Kong Underwriting Agreement;
- (m) any Director or member of senior management of our Company is being charged with an indictable offence or is prohibited by operation of law or otherwise disqualified from taking part in the management of a company or there is the commencement by any governmental, political or regulatory body of any investigation or other action against any Director or member of senior management of our Company in his or her capacity as such or any member of our Group or an announcement by any governmental, political or regulatory body that it intends to commence any such investigation or take any such action;
- (n) any contravention by our Company, any member of our Group, or any Director of any applicable laws and regulations or the Listing Rules;
- (o) any non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares), the CSRC filings or any aspect of the Global Offering with the Listing Rules, the CSRC rules or any other applicable laws and regulations; or

UNDERWRITING

- (p) any change or prospective change or development, or a materialization of, any of the risks set out in the section headed “Risk Factors” in this prospectus;

which, individually or in the aggregate, in the sole and absolute opinion of the Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters and the Capital Market Intermediaries):

- (A) has or will or may have a material adverse effect on the assets, liabilities, general affairs, business, management, prospects, shareholder’s equity, profit, losses, earnings, results of operations, performance, position or condition, financial or otherwise, of our Group as a whole or to any present or prospective shareholder of our Company in its capacity as such;
 - (B) has or will have or may have a material adverse effect on the success or marketability of the Global Offering or the level of applications or the distribution of the Offer Shares under the Hong Kong Public Offering or the level of interest under the International Offering;
 - (C) makes or will make or is likely to make it inadvisable, inexpedient, impracticable or incapable for the Hong Kong Public Offering and/or the International Offering to proceed or to market the Global Offering or the delivery or distribution of the Offer Shares on the terms and in the manner contemplated by the Offer-Related Documents (as defined below); or
 - (D) has or will or may have the effect of making any material part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or
- (ii) there has come to the notice of the Joint Sponsors and the Overall Coordinators that:
- (a) any statement contained in this prospectus, the formal notice and/or any notices, announcements, advertisements, communications or other documents (including any announcement, circular, document or other communication pursuant to the Hong Kong Underwriting Agreement) issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto (the “**Offer-Related Documents**”) but excluding information relating to the Underwriters) was, when it was issued, or has become, untrue, incorrect, inaccurate, incomplete in any material respects or misleading or deceptive, or that any estimate, forecast, expression of opinion, intention or expectation contained in any of such documents is not fair and honest and based on reasonable grounds or reasonable assumptions in any material respect;

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- (b) any of the CSRC filings relating to or in connection with the Global Offering, or any amendments or supplements thereto (in each case, whether or not approved by the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and the Capital Market Intermediaries, or any of them) containing any untrue, incorrect or inaccurate or alleged untrue, incorrect incomplete in any material respects or misleading or deceptive, or that any estimate, forecast, expression of opinion, intention or expectation contained in any of such documents is not fair and honest and based on reasonable grounds or reasonable assumptions in any material respect;
- (c) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from, or misstatement in, any of the Offer-Related Documents and the CSRC filings;
- (d) there is a material breach of any of the obligations imposed upon our Company or the warranting shareholder under the Hong Kong Underwriting Agreement or any member of the International Underwriting Agreement (other than upon any of the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators or the Underwriters), as applicable;
- (e) there is any material adverse change under the Hong Kong Underwriting Agreement;
- (f) there is a breach of, or any event or circumstance rendering untrue, incorrect, incomplete or misleading in any respect, any of the warranties given by our Company or the warranting shareholder in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable;
- (g) the approval of the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the H Shares in issue (including the H Shares to be converted from Domestic Shares (as defined in this prospectus)) and to be issued pursuant to the Global Offering, is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld;
- (h) any person (other than any of the Joint Sponsors and the Overall Coordinators) has withdrawn its consent to the issue of this prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears;
- (i) our Company withdraws this prospectus or the Global Offering;

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- (j) there is a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares pursuant to the terms of the Global Offering;
- (k) the Chairman, any other Director, chief executive officer, or the chief financial officer is vacating his or her office;
- (l) any Director or member of senior management of our Company is being charged with an indictable offence or is prohibited by operation of law or otherwise disqualified from taking part in the management of a company;
- (m) any cornerstone investor fails or is unlikely to fulfil its obligations to make payment on or before the specified deadline under the respective agreement; or
- (n) a material portion of the orders placed or confirmed in the bookbuilding process, or of the investment commitments made by any cornerstone investors under agreements signed with such cornerstone investors, have been withdrawn, terminated or cancelled.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Company

In accordance with Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that we will not, without the prior consent of the Stock Exchange and unless in compliance with the requirements of the Listing Rules, allot or issue or agree to allot or issue any Shares or other securities convertible into equity securities of the Company (including warrants or other convertible securities and whether or not such allotment or issuance of Shares or securities will be completed within six months from the Listing Date), whether or not of a class already listed, except in certain circumstances prescribed in Rule 10.08 of the Listing Rules.

Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to us and to the Stock Exchange that, except pursuant to the Global Offering, he/it shall not, and shall procure that the relevant registered holders of the Shares in which he/it is beneficially interested shall not:

- (a) in the period commencing on the date by reference to which disclosure of his/its shareholding is made in this prospectus and ending on the date which is six months from the Listing Date (the “**First Six-month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/it is shown by this prospectus to be the beneficial owner (as defined in the Listing Rules (the “**Relevant Securities**”)); and

UNDERWRITING

- (b) in the period of six months commencing on the date on which the First Six-month Period expires (the “**Second Six-month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of the Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, that, he/it would cease to be our controlling shareholder.

In addition, pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has also irrevocably undertaken to the Stock Exchange and us that, within the period commencing on the date of this prospectus and ending on the date which is 12 months from the Listing Date, he/it will:

- (a) when he/it pledges or charges any Shares or securities of our Company beneficially owned by him/it in favor of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform us in writing of such pledge or charge together with the number of securities so pledged or charged; and
- (b) when he/it receives any indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or securities of our Company will be disposed of, immediately inform us in writing of any such indications.

We will inform the Stock Exchange as soon as we have been informed of the above matters (if any) by our Controlling Shareholders and announce such as soon as possible after being so informed by our Controlling Shareholders.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

Pursuant to the Hong Kong Underwriting Agreement, our Company has undertaken to each of the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries not to, without the prior written consent of the Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters and the Capital Market Intermediaries) and unless in compliance with the Listing Rules during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the last date of the six months after the Listing Date (the “**First Six-Month Period**”):

- (i) offer, allot, issue, sell, accept subscription for, contract to allot, issue or sell, contract or agree to allot, issue or sell, assign, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, right or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, or otherwise transfer or dispose of or create an encumbrance under the Hong Kong Underwriting Agreement (the “**Encumbrance**”) over, or agree to transfer or dispose of or create an Encumbrance over, either directly

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or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in any H Shares or other equity securities of our Company, as applicable, or any interests in any of the foregoing (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, or any warrants or other rights to subscribe for, any H Shares or other equity securities of our Company, as applicable, or any interests in any of the foregoing), or deposit any H Shares or other equity securities of our Company, as applicable, with a depositary in connection with the issue of depositary receipts); or

- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership (legal or beneficial) of any H Shares or other equity securities of our Company, as applicable, or any interest therein (including, without limitation, any securities of which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any H Shares or other equity securities of our Company, as applicable, or any interests in any of the foregoing); or
- (iii) enter into any transaction with the same economic effect as any transaction described in paragraphs (i) or (ii) above; or
- (iv) offer to or contract to or agree to or announce, or publicly disclose that our Company will or may enter into any transaction described in paragraphs (i), (ii) or (iii) above,

in each case, whether any of the transactions specified in paragraphs (i), (ii) or (iii) above is to be settled by delivery of H Shares or other equity securities of our Company, as applicable, in cash or otherwise (whether or not the issue of such H Shares or other shares or securities of our Company will be completed within the First Six-Month Period), provided that the foregoing restrictions shall not apply to the issue of the Shares by our Company pursuant to the Global Offering. In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), our Company enters into any of the transactions specified in paragraphs (i), (ii) and (iii) above or offers to or agrees to or contracts to, or announces, or publicly discloses, any intention to, enter into any such transactions, our Company shall take all reasonable steps to ensure that we will not create a disorderly or false market in the H Shares or other securities of our Company. The warranting shareholder under the Hong Kong Underwriting Agreement undertakes to each of the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries to procure the Company to comply with the undertakings in the paragraph above.

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Undertakings by our Controlling Shareholders

Pursuant to the Hong Kong Underwriting Agreement, each of our Controlling Shareholders has undertaken to each of our Company, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries that, without the prior written consent of the Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters and the Capital Market Intermediaries) and unless in compliance with the Listing Rules (including pursuant to Note (2) to Rule 10.07 of the Listing Rules):

- (a) During the First Six-Month Period, each of our Controlling Shareholders will not:
 - (i) offer, pledge, charge, sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant, or purchase any option, warrant, contract or right to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any H Shares or other equity securities of our Company or any interest in any of the foregoing (including, but not limited to, any securities that are convertible into or exchangeable or exercisable for, or that represent the right to receive, or any warrants or other rights to purchase, any H Shares or other securities of our Company), or deposit with a depository in connection with the issue of depository receipts any Shares or other securities of our Company beneficially owned by him as at the Listing Date (the “**Locked-up Securities**”);
 - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of, any Locked-up Securities;
 - (iii) enter into any transaction with the same economic effect as any transaction specified in paragraphs (i) and (ii) above; or
 - (iv) offer to or contract to or announce, or agree to or publicly disclose that it/he will or may enter into any transaction described in paragraphs (i), (ii) or (iii) above,

in each case, whether any such transaction described in paragraphs (i), (ii) or (iii) above is to be settled by delivery of such H Shares or other securities of our Company, in cash or otherwise (whether or not the settlement or delivery of such H Shares or other securities will be completed within the First Six-Month Period); and

UNDERWRITING

- (b) in Second Six Month Period, each of our Controlling Shareholders will not and will procure that the relevant registered holder(s) will not enter into any of the transactions specified in the Hong Kong Underwriting Agreement or offer to or agree to do any of the foregoing or announce any intention to do so if, immediately following such transaction or action, they will cease to be controlling shareholders (as defined in the Listing Rules) of our Company; and until the expiry of the Second Six-Month Period, in the event that they enter into any such transactions described in paragraphs (i), (ii) or (iii) above or offers to or agrees to or announce any intention to effect any such transaction, they will take all reasonable steps to ensure that they will not create a disorderly or false market in the Shares or other securities of our Company. The warranting shareholder under the Hong Kong Underwriting Agreement undertakes to each of the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries to procure each of the Controlling Shareholders to comply with the undertakings herein.

INTERNATIONAL OFFERING

International Underwriting Agreement

In connection with the International Offering, it is expected that our Company will enter into the International Underwriting Agreement with the Joint Sponsors, the Overall Coordinators and the International Underwriters. Under the International Underwriting Agreement, the International Underwriters will, subject to certain conditions set out therein, severally and not jointly, agree to procure subscribers or purchasers for, or to purchase, their respective proportions of the International Offer Shares being offered under the International Offering (subject to, among other, any reallocation between the International Offering and the Hong Kong Public Offering).

It is expected that the International Underwriting Agreement may be terminated on similar grounds as those in the Hong Kong Underwriting Agreement. Potential investors should note that if the International Underwriting Agreement is not entered into, or is terminated, the Global Offering will not proceed.

Our Company has agreed to indemnify the International Underwriters against certain liabilities, including liabilities under the U.S. Securities Act.

UNDERWRITING

UNDERWRITING COMMISSIONS AND LISTING EXPENSES

The Underwriters and the Capital Market Intermediaries will receive an underwriting commission equal to 2.5% of the aggregate Offer Price payable for the Offer Shares (the “**Fixed Fees**”). Our Company may, at our sole and absolute discretion, pay to one or more Underwriters or Capital Market Intermediaries an additional incentive fee up to 2.0% of the Offer Price payable for the Offer Shares (the “**Discretionary Fees**”). The ratio of the Fixed Fees and the Discretionary Fees (if fully paid) payable to all Underwriters and Capital Market Intermediaries is therefore approximately 55.6:44.4. For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Offering, to the relevant International Underwriters. Each of the Joint Sponsors is entitled to sponsor fee in the amount of US\$200,000.

The aggregate underwriting commissions and fees (including the incentive fees and assuming full payment), together with the Stock Exchange listing fees, the SFC transaction levy, AFRC transaction levy the Stock Exchange trading fee, legal and other professional fees, printing and other expenses relating to the Global Offering, are estimated to be approximately HK\$69.8 million in aggregate, and are to be borne by us.

ACTIVITIES BY SYNDICATE MEMBERS

We describe below a variety of activities that each of the Underwriters and the Capital Market Intermediaries of the Hong Kong Public Offering and the International Offering (together, the “**Syndicate Members**”) and their affiliates, may individually undertake, and which do not form part of the underwriting process. When engaging in any of these activities, it should be noted that the Syndicate Members are subject to restrictions, including the following:

- (a) under the agreement among the Syndicate Members, all of them must not make bids or purchases or effect any other transactions (including but not limited to issuing any option or derivative or structured product which has, as its underlying asset, any Offer Shares), whether in the open market or otherwise, for the purpose of or with a view to creating actual, or apparent, active trading in the Offer Shares or raising, stabilizing or maintaining the price of the Offer Shares to or at levels other than those which might otherwise prevail in the open market; and
- (b) all of them must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

UNDERWRITING

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the accounts of others. In relation to the H Shares, those activities could include acting as agent for buyers and sellers of the H Shares, entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have the H Shares as their or part of their underlying assets. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling the H Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to issues by the Syndicate Members or their affiliates of any listed securities having the H Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the H Shares in most cases.

These activities may affect the market price or value of the H Shares, the liquidity or trading volume in the H Shares, and the volatility of the H Shares' share price, and the extent to which this occurs from day to day cannot be estimated.

UNDERWRITERS' AND CAPITAL MARKET INTERMEDIARIES' INTEREST IN OUR GROUP

Except as disclosed in this prospectus and the obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement, none of the Underwriters and the Capital Market Intermediaries has any shareholding interest in any member of our Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

JOINT SPONSORS' INDEPENDENCE

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- (i) the Hong Kong Public Offering of initially 2,211,600 Offer Shares (subject to reallocation as mentioned below) in Hong Kong as described in “– The Hong Kong Public Offering” below in this section; and
- (ii) the International Offering of initially 19,904,400 Offer Shares (subject to reallocation) (a) in the United States solely to QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act, and (b) outside the United States in offshore transactions in reliance on Regulation S and the applicable laws of the jurisdiction where those offers and sales occur, as described in “– The International Offering” below in this section.

Investors may either apply for the Hong Kong Offer Shares under the Hong Kong Public Offering, or apply for or indicate an interest for the International Offer Shares under the International Offering, but may not do both.

The 22,116,000 Offer Shares in the Global Offering will represent approximately 9.8% of our enlarged share capital immediately after the completion of the Global Offering. The underwriting arrangements, and the respective Underwriting Agreements, are summarized in the section headed “Underwriting” in this prospectus.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering may be subject to reallocation as described in “– The Hong Kong Public Offering – Reallocation” below in this section.

References in this prospectus to applications, application or subscription monies or procedure for applications relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 2,211,600 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering. The Hong Kong Offer Shares will represent approximately 0.98% of our Company’s enlarged share capital immediately after completion of the Global Offering.

STRUCTURE OF THE GLOBAL OFFERING

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in “– Conditions of the Global Offering” below in this section.

Allocation

Allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary depending on the number of Hong Kong Offer Shares validly applied for by applicants. We may, if necessary, allocate the Hong Kong Offer Shares on the basis of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of the Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be divided equally into two pools (subject to reallocation at odd lot size): pool A and pool B, both of which are available on an equitable basis to successful applicants with any odd board lots being allocated to pool A:

Pool A: the Offer Shares will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription price of HK\$5 million (excluding the brokerage, the SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee payable) or less; and

Pool B: the Offer Shares will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription price of more than HK\$5 million (excluding the brokerage, the SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee payable) and up to the total value of pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in the pool and be allocated accordingly.

STRUCTURE OF THE GLOBAL OFFERING

For the purpose of this subsection only, the “subscription price” for the Offer Shares means the price payable on application therefor. Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 50% of the Hong Kong Offer Shares initially comprised in the Hong Kong Public Offering (being 1,105,800 Hong Kong Offer Shares) will be rejected.

Reallocation

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation under the Listing Rules. In accordance with the clawback requirements set forth in paragraph 4.2 of Practice Note 18 of the Listing Rules and the Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, if the Offer Shares under the International Offering are fully subscribed or over-subscribed and the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering. As a result of such reallocation, the total number of Hong Kong Offer Shares will be increased to 6,634,800 Offer Shares (in the case of (i)), 8,846,400 Offer Shares (in the case of (ii)) and 11,058,000 Offer Shares (in the case of (iii)), representing approximately 30%, 40% and 50% of the Offer Shares initially available under the Global Offering, respectively. In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B in equal proportion and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Overall Coordinators deem appropriate.

If (i) the Offer Shares under the International Offering are fully subscribed or over-subscribed, and if the number of Offer Shares validly applied for in the Hong Kong Public Offering represents more than 100%, but less than 15 times, of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering; or (ii) the Offer Shares under the International Offering are not fully subscribed, and if the number of Offer Shares validly applied for in the Hong Kong Public Offering represents more than 100% of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, the Overall Coordinators (for themselves and on behalf of the Underwriters) may, at its discretion, reallocate the Offer Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering, provided that the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering following such reallocation shall not be more than 4,423,200 Offer Shares, representing two times the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, in accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange.

STRUCTURE OF THE GLOBAL OFFERING

Subject to the above, the Overall Coordinators (for themselves and on behalf of the Underwriters) shall have the discretion to reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering, regardless of whether any reallocation pursuant to paragraph 4.2 of Practice Note 18 of the Listing Rules is triggered.

If the Hong Kong Public Offering is not fully subscribed for, the Overall Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering in such proportions as the Overall Coordinators deem appropriate.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offering are required to pay, on application, the Offer Price of HK\$29.65 per H Share in addition to any brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee payable on each Offer Share, amounting to a total of HK\$2,994.90 for one board lot of 100 H Shares. Further details are set out below in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

THE INTERNATIONAL OFFERING

Number of Offer Shares offered

Subject to the reallocation as described above, our Company will be initially offering for subscription under the International Offering 19,904,400 Offer Shares, representing approximately 90% of the Offer Shares under the Global Offering and approximately 8.8% of our enlarged issued share capital immediately after completion of the Global Offering.

Allocation

The International Offering will include selective marketing of the International Offer Shares to QIBs in the United States and institutional and professional investors and other investors anticipated to have a sizeable demand for such International Offer Shares in other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Prospective professional, institutional and other investors

STRUCTURE OF THE GLOBAL OFFERING

will be required to specify the number of International Offer Shares under the International Offering they would be prepared to acquire. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Allocation of International Offer Shares pursuant to the International Offering will be determined by the Overall Coordinators (for themselves and on behalf of the Underwriters) and will be based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Overall Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered the International Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Overall Coordinators so as to allow it to identify the relevant application under the Hong Kong Public Offering and to ensure that they are excluded from any application of the Hong Kong Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued pursuant to the International Offering may change as a result of the clawback arrangement described in the subsection headed “— The Hong Kong Public Offering – Reallocation” above, and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

PRICING AND ALLOCATION

If you apply for the Offer Shares under the Hong Kong Public Offering, you must pay the Offer Price of HK\$29.65 per Offer Share, plus 1.0% brokerage, 0.0027% SFC transaction levy, 0.00015% AFRC transaction levy and 0.00565% Stock Exchange trading fee, amounting to a total of HK\$2,994.90 for one board lot of 100 H Shares.

The International Underwriter will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire at the Offer Price. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

The Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective investors during the book-building process, and with the prior consent of our Company, reduce the number of Offer Shares and/or the Offer Price below that stated in this prospectus prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a situation, our Company will, as soon as practicable following the decision to make such reduction and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, post a notice on the website of the Stock Exchange (www.hkexnews.hk) and the website of our Company (www.imotion.ai) (the contents of the website do not form a part of this prospectus). Our Company will also, as soon as practicable following the decision to make such change, issue a supplemental prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the Offer Price. The Global Offering must first be canceled and subsequently relaunched on FINI pursuant to the supplemental prospectus.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any notice of a reduction in the number of Offer Shares and/or the Offer Price may not be made until the last day for lodging applications under the Hong Kong Public Offering. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon with our Company and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) will under no circumstances be set outside the Offer Price stated in this prospectus. However, if the number of Offer Shares and/or the Offer Price is reduced, the Company will issue a supplemental prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the Offer Price. The Global Offering must first be canceled and subsequently relaunched on FINI pursuant to the supplemental prospectus.

The indication of the level of interest in the International Offering, the basis of allotment of the Offer Shares available under the Hong Kong Public Offering and the results of allocations in the Hong Kong Public Offering are expected to be made available in a variety of channels in the manner described in the section headed “How to Apply for Hong Kong Offer Shares – D. Despatch/Collection of Share Certificates and Refund of Application Monies” in this prospectus.

UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is conditional upon the International Underwriting Agreement being signed and becoming unconditional.

STRUCTURE OF THE GLOBAL OFFERING

We expect to enter into the International Underwriting Agreement relating to the International Offering on Monday, December 19, 2023. The underwriting arrangements under the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in the section headed “Underwriting” in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Hong Kong Offer Shares is conditional on, among others:

- (i) the Listing Committee granting approval for the listing of, and permission to deal in, the H Shares in issue and to be issued pursuant to the Global Offering on the Main Board of the Stock Exchange and such approval not subsequently having been withdrawn or revoked prior to the Listing Date;
- (ii) the execution and delivery of the International Underwriting Agreement on or around Monday, December 19, 2023; and
- (iii) the obligations of the Hong Kong Underwriters and the Capital Market Intermediaries under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters and the Capital Market Intermediaries under the International Underwriting Agreement becoming unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement, as the case may be (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 30 days after the date of this prospectus.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse, and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company on the website of the Stock Exchange (www.hkexnews.hk) and on the website of our Company (www.imotion.ai) on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set forth in the section headed “How to Apply for Hong Kong Offer Shares – D. Despatch/Collection of Share Certificates and Refund of Application Monies” in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

STRUCTURE OF THE GLOBAL OFFERING

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the H Shares in issue and to be issued by us pursuant to the Global Offering.

Except that we have applied for the Listing on the Stock Exchange, no part of our Company's share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or proposed to be sought in the near future.

H SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made to enable the H Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the H Shares and our Company complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, December 20, 2023, it is expected that dealings in our H Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, December 20, 2023.

Our H Shares will be traded in board lots of 100 H Shares each and the stock code of the H Shares is 1274.

HOW TO APPLY FOR HONG KONG OFFER SHARES

IMPORTANT NOTICE TO INVESTORS OF HONG KONG OFFER SHARES

FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offer and below are the procedures for application.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the “HKEXnews > New Listings > New Listing Information” section, and our website at www.imotion.ai.

The contents of this prospectus are identical to the prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

A. APPLICATION FOR HONG KONG OFFER SHARES

1. Who Can Apply

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are 18 years of age or older; and
- have a Hong Kong address (*for the White Form eIPO service only*).

Unless permitted by the Listing Rules or a waiver and/or consent has been granted by the Stock Exchange to us, you cannot apply for any Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are an existing Shareholder or close associates; or
- are a Director, a Supervisor or any of his/her close associates.

2. Application Channels

The Hong Kong Public Offering period will begin at 9:00 am on Tuesday, December 12, 2023 and end at 12:00 noon on Friday, December 15, 2023 (Hong Kong time).

HOW TO APPLY FOR HONG KONG OFFER SHARES

To apply for Hong Kong Offer Shares, you may use one of the following application channels:

<u>Application Channel</u>	<u>Platform</u>	<u>Target Investors</u>	<u>Application Time</u>
White Form eIPO service	www.eipo.com.hk H Share Registrar	Investors who would like to receive a physical Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in your own name.	From 9:00 am on Tuesday, December 12, 2023 to 11:30 a.m on Friday, December 15, 2023, Hong Kong time. The latest time for completing full payment of application monies will be 12:00 noon on Friday, December 15, 2023, Hong Kong time.
HKSCC EIPO channel	Your broker or custodian who is a HKSCC Participant will submit an EIPO application on your behalf through HKSCC's FINI system in accordance with your instruction.	Investors who would not like to receive a physical Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in the name of HKSCC Nominees, deposited directly into CCASS and credited to your designated HKSCC Participant's stock account.	Contact your broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian.

The **White Form eIPO** service and the HKSCC EIPO channel are facilities subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day of the application period to apply for Hong Kong Offer Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES

For those applying through the **White Form eIPO** service, once you complete payment in respect of any application instructions given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. If you are a person for whose benefit the electronic application instructions are given, you shall be deemed to have declared that only one set of electronic application instructions has been given for your benefit. If you are an agent for another person, you shall be deemed to have declared that you have only given one set of electronic application instructions for the benefit of the person for whom you are an agent and that you are duly authorized to give those instructions as an agent.

For the avoidance of doubt, giving an application instruction under the **White Form eIPO** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you apply through the **White Form eIPO** service, you are deemed to have authorized the **White Form eIPO** service provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

By instructing your broker or custodian to apply for the Hong Kong Offer Shares on your behalf through the HKSCC EIPO Channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to apply for Hong Kong Offer Shares on your behalf and to do on your behalf all the things stated in this prospectus and any supplement to it.

For those applying through HKSCC EIPO channel, an actual application will be deemed to have been made for any application instructions given by you or for your benefit to HKSCC (in which case an application will be made by HKSCC Nominees on your behalf) provided such application instruction has not been withdrawn or otherwise invalidated before the closing time of the Hong Kong Public Offer.

HKSCC Nominees will only be acting as a nominee for you and neither HKSCC nor HKSCC Nominees shall be liable to you or any other person in respect of any actions taken by HKSCC or HKSCC Nominees on your behalf to apply for Hong Kong Offer Shares or for any breach of the terms and conditions of this prospectus.

HOW TO APPLY FOR HONG KONG OFFER SHARES

3. Information Required to Apply

You must provide the following information with your application:

<u>For Individual/Joint Applicants</u>	<u>For Corporate Applicants</u>
<ul style="list-style-type: none">■ Full name(s)² as shown on your identity document■ Identity document's issuing country or jurisdiction■ Identity document type, with order of priority:<ul style="list-style-type: none">i. HKID card; orii. National identification document; oriii. Passport; and■ Identity document number	<ul style="list-style-type: none">■ Full name(s)² as shown on your identity document■ Identity document's issuing country or jurisdiction■ Identity document type, with order of priority:<ul style="list-style-type: none">i. LEI registration document; orii. Certificate of incorporation; oriii. Business registration certificate; oriv. Other equivalent document; and■ Identity document number

Notes:

1. If you are applying through the **White Form eIPO** service, you are required to provide a valid e-mail address, a contact telephone number and a Hong Kong Address. You are also required to declare that the identity information provided by you follows the requirements as described in Note 2 below. In particular, where you cannot provide a HKID number, you must confirm that you do not hold a HKID card.
2. The applicant's full name as shown on their identity document must be used. If an applicant's identity document contains both an English and Chinese name, both English and Chinese names must be used. Otherwise, either English or Chinese names will be accepted. The order of priority of the applicant's identity document type must be strictly followed and where an individual applicant has a valid HKID card, the HKID number must be used when making an application to subscribe for shares in a public offer. Similarly for corporate applicants, a LEI number must be used if an entity has a LEI certificate.
3. If the applicant is a trustee, the client identification data ("CID") of the trustee, as set out above, will be required. If the applicant is an investment fund (i.e. a collective investment scheme, or CIS), the CID of the asset management company or the individual fund, as appropriate, which has opened a trading account with the broker will be required, as above.
4. The maximum number of joint applicants on FINI is capped at 4 in accordance with market practice.
5. If you are applying as a nominee, you must provide: (i) the full name (as shown on the identity document), the identity document's issuing country or jurisdiction, the identity document type; and (ii), the identity document number, for each of the beneficial owners or, in the case(s) of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

HOW TO APPLY FOR HONG KONG OFFER SHARES

6. If you are applying as an unlisted company and (i) the principal business of that company is dealing in securities; and (ii) you exercise statutory control over that company, then the application will be treated as being for your benefit and you should provide the required information in your application as stated above.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange or any other stock exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

For those applying through HKSCC EIPO channel, and making an application under a power of attorney, we and the Overall Coordinators, as our agent, have discretion to consider whether to accept it on any conditions we think fit, including evidence of the attorney’s authority.

Failing to provide any required information may result in your application being rejected.

4. Permitted Number of Hong Kong Offer Shares for Application

Board lot size : 100 Shares

Permitted number of Hong Kong Offer Shares for application and amount payable on application/successful allotment : Hong Kong Offer Shares are available for application in specified board lot sizes only. Please refer to the amount payable associated with each specified board lot size in the table below.

The Offer Price is HK\$29.65 per Share. If you are applying through the HKSCC EIPO channel, you are required to pre-fund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong.

By instructing your broker or custodian to apply for the Hong Kong Offer Shares on your behalf through the HKSCC EIPO Channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to arrange payment of the Offer Price, brokerage, SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy by debiting the relevant nominee bank account at the Designated Bank for your broker or custodian.

If you are applying through the **White Form eIPO** service, you may refer to the table below for the amount payable for the number of Shares you have selected. You must pay the respective maximum amount payable on application in full upon application for Hong Kong Offer Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES

No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable ⁽²⁾ on application
	HK\$		HK\$		HK\$		HK\$
100	2,994.90	3,000	89,847.06	50,000	1,497,451.01	400,000	11,979,608.10
200	5,989.81	4,000	119,796.08	60,000	1,796,941.21	450,000	13,477,059.11
300	8,984.70	5,000	149,745.10	70,000	2,096,431.42	500,000	14,974,510.13
400	11,979.61	6,000	179,694.12	80,000	2,395,921.62	600,000	17,969,412.16
500	14,974.51	7,000	209,643.14	90,000	2,695,411.82	700,000	20,964,314.18
600	17,969.42	8,000	239,592.16	100,000	2,994,902.03	800,000	23,959,216.20
700	20,964.31	9,000	269,541.18	150,000	4,492,353.03	900,000	26,954,118.23
800	23,959.22	10,000	299,490.20	200,000	5,989,804.06	1,000,000	29,949,020.26
900	26,954.12	20,000	598,980.40	250,000	7,487,255.07	1,105,800 ⁽¹⁾	33,117,626.59
1,000	29,949.02	30,000	898,470.61	300,000	8,984,706.08		
2,000	59,898.04	40,000	1,197,960.81	350,000	10,482,157.09		

- (1) Maximum number of Hong Kong Offer Shares you may apply for.
- (2) This is 50% of the Hong Kong Public Offer Shares offered, and the amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) or to the Share Registrar (for applications made through the application channel of the Hong Kong Share Registrar) while the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy will be paid to the SFC, the Stock Exchange and the AFRC, respectively.

5. Multiple Applications Prohibited

You or your joint applicant(s) shall not make more than one application for your own benefit, except where you are a nominee and provide the information of the underlying investor in your application as required under the paragraph headed “— A. Application for Hong Kong Offer Shares — 3. Information Required to Apply” in this section. If you are suspected of submitting or cause to submit more than one application, all of your applications will be rejected.

Multiple applications made either through (i) the **White Form eIPO** service, (ii) HKSCC EIPO channel, or (iii) both channels concurrently are prohibited and will be rejected. If you have made an application through the **White Form eIPO** service or HKSCC EIPO channel, you or the person(s) for whose benefit you have made the application shall not apply for any International Offer Shares.

6. Terms and Conditions of An Application

By applying for Hong Kong Offer Shares through the **White Form eIPO** service or HKSCC EIPO channel, you (or as the case may be, HKSCC Nominees will do the following things on your behalf):

- (i) undertake to execute all relevant documents and instruct and authorise us and/or the Overall Coordinators, as our agents, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association, and (if you are applying through the HKSCC EIPO channel) to deposit the allotted Hong Kong Offer Shares directly into CCASS for the credit of your designated HKSCC Participant’s stock account on your behalf;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (ii) confirm that you have read and understand the terms and conditions and application procedures set out in this prospectus and the designated website of the **White Form eIPO** service (or as the case may be, the agreement you entered into with your broker or custodian), and agree to be bound by them;
- (iii) (if you are applying through the HKSCC EIPO channel) agree to the arrangements, undertakings and warranties under the participant agreement between your broker or custodian and HKSCC and observe the General Rules of HKSCC and the HKSCC Operational Procedures for giving application instructions to apply for Hong Kong Offer Shares;
- (iv) confirm that you are aware of the restrictions on offers and sales of shares set out in this prospectus and they do not apply to you, or the person(s) for whose benefit you have made the application;
- (v) confirm that you have read this prospectus and any supplement to it and have relied only on the information and representations contained therein in making your application (or as the case may be, causing your application to be made) and will not rely on any other information or representations;
- (vi) agree that the Relevant Persons⁽¹⁾, the H Share Registrar and HKSCC will not be liable for any information and representations not in this prospectus and any supplement to it;
- (vii) agree to disclose the details of your application and your personal data and any other personal data which may be required about you and the person(s) for whose benefit you have made the application to us, the Relevant Persons, the H Share Registrar, HKSCC, HKSCC Nominees, the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, for the purposes under the paragraph headed “— G. Personal Data — 3. Purposes” and “— G. Personal Data — 4. Transfer of personal data” in this section;
- (viii) agree (without prejudice to any other rights which you may have once your application (or as the case may be, HKSCC Nominees’ application) has been accepted) that you will not rescind it because of an innocent misrepresentation;
- (ix) agree that subject to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any application made by you or HKSCC Nominees on your behalf cannot be revoked once it is accepted, which will be evidenced by the notification of the result of the ballot by the H Share Registrar by way of publication of the results at the time and in the manner as specified in the paragraph headed “— B. Publication of Results” in this section;

¹ Relevant Persons would include the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediates and any of their or the Company’s respective directors, supervisors, officers, employees, partners, agents or representatives and any other parties involved in the Global Offering.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (x) confirm that you are aware of the situations specified in the paragraph headed “— C. Circumstances In Which You Will Not Be Allocated Hong Kong Offer Shares” in this section;
- (xi) agree that your application or HKSCC Nominees’ application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- (xii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Articles of Association and laws of any place outside Hong Kong that apply to your application and that neither we nor the Relevant Persons will breach any law inside and/or outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;
- (xiii) confirm that (a) your application or HKSCC Nominees’ application on your behalf is not financed directly or indirectly by the Company, any of the directors, chief executives, substantial Shareholder(s) or existing shareholder(s) of the Company or any of its subsidiaries or any of their respective close associates; and (b) you are not accustomed or will not be accustomed to taking instructions from the Company, any of the directors, chief executives, substantial shareholder(s) or existing shareholder(s) of the Company or any of its subsidiaries or any of their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Shares registered in your name or otherwise held by you;
- (xiv) warrant that the information you have provided is true and accurate;
- (xv) confirm that you understand that we and the Overall Coordinators will rely on your declarations and representations in deciding whether or not to allocate any Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xvi) agree to accept Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;
- (xvii) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving electronic application instructions to HKSCC directly or indirectly or through the application channel of the H Share Registrar or by any one as your agent or by any other person; and

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (1) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving electronic application instructions to HKSCC and (2) you have due authority to give electronic application instructions on behalf of that other person as its agent.

B. PUBLICATION OF RESULTS

Results of Allocation

You can check whether you are successfully allocated any Hong Kong Offer Shares through:

<u>Platform</u>	<u>Date/Time</u>
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Applying through **White Form eIPO** service or HKSCC EIPO channel:

Website	The designated results of allocation at www.iporesults.com.hk (alternatively: www.eipo.com.hk/eIPOAllotment)	24 hours, from 11:00 p.m. and Tuesday, December 19, 2023 to 12:00 midnight and Monday, December 25, 2023 (Hong Kong time)
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The full list of (i) wholly or partially successful applicants using the **White Form eIPO** service and HKSCC EIPO channel, and (ii) the number of Hong Kong Offer Shares conditionally allotted to them, among other things, will be displayed on the “Allotment Results” page of the **White Form eIPO** service at www.iporesults.com.hk (alternatively: www.eipo.com.hk/eIPOAllotment).

The Stock Exchange’s website at www.hkexnews.hk and our website at www.imotion.ai which will provide links to the above mentioned websites of the H Share Registrar.

Telephone	+852 2862 8555 – the allocation results telephone enquiry line provided by the Hong Kong Share Registrar	No later than 11:00 p.m. on Tuesday, December 19, 2023 (Hong Kong time). between 9:00 a.m. and 6:00 p.m., from Wednesday, December 20, 2023 to Wednesday, December 27, 2023 (Hong Kong time) on a business day
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For those applying through HKSCC EIPO channel, you may also check with your broker or custodian from 6:00 p.m. on Monday, December 18, 2023 (Hong Kong time).

HOW TO APPLY FOR HONG KONG OFFER SHARES

HKSCC Participants can log into FINI and review the allotment result from 6:00 p.m. on Monday, December 18, 2023 on a 24-hour basis and should report any discrepancies on allotments to HKSCC as soon as practicable.

Allocation Announcement

We expect to announce the level of indications of interest in the Global Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of Hong Kong Offer Shares on the Stock Exchange's website at www.hkexnews.hk and our website at www.imotion.ai by no later than 11:00 p.m. on Tuesday, December 19, 2023 (Hong Kong time).

C. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which Hong Kong Offer Shares will not be allocated to you or the person(s) for whose benefit you are applying for:

1. If your application is revoked:

Your application or the application made by HKSCC Nominees on your behalf may be revoked pursuant to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

2. If we or our agents exercise our discretion to reject your application:

We, the Overall Coordinators, the H Share Registrar and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

3. If the allocation of Hong Kong Offer Shares is void:

The allocation of Hong Kong Offer Shares will be void if the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies us of that longer period within three weeks of the closing date of the application lists.

4. If:

- you make multiple applications or suspected multiple applications. You may refer to the paragraph headed “– A. Application for Hong Kong Offer Shares – 5. Multiple Applications Prohibited” in this section on what constitutes multiple applications;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- your application instruction is incomplete;
- your payment (or confirmation of funds, as the case may be) is not made correctly;
- the Underwriting Agreements do not become unconditional or are terminated;
- we or the Overall Coordinators believe that by accepting your application, it or we would violate applicable securities or other laws, rules or regulations.

5. If there is money settlement failure for allotted Shares:

Based on the arrangements between HKSCC Participants and HKSCC, HKSCC Participants will be required to hold sufficient application funds on deposit with their Designated Bank before balloting. After balloting of Hong Kong Offer Shares, the Receiving Bank will collect the portion of these funds required to settle each HKSCC Participant's actual Hong Kong Public Offer Share allotment from their Designated Bank.

There is a risk of money settlement failure. In the extreme event of money settlement failure by a HKSCC Participant (or its Designated Bank), who is acting on your behalf in settling payment for your allotted shares, HKSCC will contact the defaulting HKSCC Participant and its Designated Bank to determine the cause of failure and request such defaulting HKSCC Participant to rectify or procure to rectify the failure.

However, if it is determined that such settlement obligation cannot be met, the affected Hong Kong Offer Shares will be reallocated to the Global Offering. Hong Kong Offer Shares applied for by you through the broker or custodian may be affected to the extent of the settlement failure. In the extreme case, you will not be allocated any Hong Kong Offer Shares due to the money settlement failure by such HKSCC Participant. None of us, the Relevant Persons, the H Share Registrar and HKSCC is or will be liable if Hong Kong Offer Shares are not allocated to you due to the money settlement failure.

D. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND OF APPLICATION MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made through the HKSCC EIPO channel where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application.

Share certificates will only become valid evidence of title at 8:00 a.m. on Wednesday, December 20, 2023 (Hong Kong time), provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so entirely at their own risk.

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The right is reserved to retain any Share certificate(s) and (if applicable) any surplus application monies pending clearance of application monies.

The following sets out the relevant procedures and time:

	<u>White Form eIPO service</u>	<u>HKSCC EIPO channel</u>
Despatch/collection of Share certificate²		
For physical share certificates of 1,000,000 or more Offer Shares issued under your own name	Collection in person: from H Share Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong Time: from 9:00 a.m. to 1:00 p.m. on Wednesday, December 20, 2023 (Hong Kong time)	Share certificate(s) will be issued in the name of HKSCC Nominees, deposited into CCASS and credited to your designated HKSCC Participant's stock account No action by you is required

If you are an individual, you must not authorise any other person to collect for you. If you are a corporate applicant, your authorised representative must bear a letter of authorization from your corporation stamped with your corporation's chop.

Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.

Note: If you do not collect your Share certificate(s) personally within the time above, it/they will be sent to the address specified in your application instructions by ordinary post at your own risk

² Except in the event of any Severe Weather Signals (as defined below) in force in Hong Kong on the business day before the Listing Date rendering it impossible for the relevant share certificates to be dispatched to HKSCC in a timely manner, the Company shall procure the H Share Registrar to arrange for delivery of the supporting documents and share certificates in accordance with the contingency arrangements as agreed between them. You may refer to "— E. Severe Weather Arrangements" in this section.

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	<u>White Form eIPO service</u>	<u>HKSCC EIPO channel</u>
For physical share certificates of less than 1,000,000 Offer Shares issued under your own name	Your Share certificate(s) will be sent to the address specified in your application instructions by ordinary post at your own risk Time: Tuesday, December 19, 2023	
Refund mechanism for surplus application monies paid by you		
Date	Wednesday, December 20, 2023	Subject to the arrangement between you and your broker or custodian
Responsible party	H Share Registrar	Your broker or custodian
Application monies paid through single bank account	White Form e-Refund payment instructions to your designated bank account	Your broker or custodian will arrange refund to your designated bank account subject to the arrangement between you and it
Application monies paid through multiple bank accounts	Refund cheque(s) will be despatched to the address as specified in your application instructions by ordinary post at your own risk	

E. SEVERE WEATHER ARRANGEMENTS

The Opening and Closing of the Application Lists

The application lists will not open or close on Friday, December 15, 2023 if, there is/are:

- a tropical cyclone warning signal number 8 or above;
- a black rainstorm warning; and/or
- Extreme Conditions,

(collectively, “**Severe Weather Signals**”),

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, December 15, 2023.

Instead they will open between 11:45 a.m. and 12:00 noon and/or close at 12:00 noon on the next business day which does not have **Severe Weather Signals** in force at any time between 9:00 a.m. and 12:00 noon.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Prospective investors should be aware that a postponement of the opening/closing of the application lists may result in a delay in the listing date. Should there be any changes to the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made and published on the Stock Exchange’s website at www.hkexnews.hk and our website at www.imotion.ai of the revised timetable.

If a **Severe** Weather Signal is hoisted on Tuesday, December 19, 2023, the H Share Registrar will make appropriate arrangements for the delivery of the share certificates to the CCASS Depository’s service counter so that they would be available for trading on Wednesday, December 20, 2023.

If a **Severe** Weather Signal is hoisted on Wednesday, December 20, 2023: for physical share certificates of 1,000,000 or more offer shares issued under your own name, you may pick them up from the H Share Registrar’s office after the **Severe** Weather Signal is lowered or cancelled (e.g. in the afternoon of Wednesday, December 20, 2023 or on Thursday, December 21, 2023).

If a **Severe** Weather Signal is hoisted on Tuesday, December 19, 2023: for physical share certificates of less than 1,000,000 of offer shares issued under your own name, despatch will be made by ordinary post when the post office re-opens after the **Severe** Weather Signal is lowered or cancelled (e.g. in the afternoon of Tuesday, December 19, 2023 or on Wednesday, December 20, 2023).

Prospective investors should be aware that if they choose to receive physical share certificates issued in their own name, there may be a delay in receiving the share certificates.

F. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

You should seek the advice of your broker or other professional advisor for details of the settlement arrangement as such arrangements may affect your rights and interests.

HOW TO APPLY FOR HONG KONG OFFER SHARES

G. PERSONAL DATA

The following Personal Information Collection Statement applies to any personal data collected and held by the Company, the H Share Registrar, the receiving bank and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. This personal data may include client identifier(s) and your identification information. By giving application instructions to HKSCC, you acknowledge that you have read, understood and agree to all of the terms of the Personal Information Collection Statement below.

1. Personal Information Collection Statement

This Personal Information Collection Statement informs the applicant for, and holder of, Hong Kong Offer Shares, of the policies and practices of the Company and the H Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

2. Reasons for the collection of your personal data

It is necessary for applicants and registered holders of Hong Kong Offer Shares to ensure that personal data supplied to the Company or its agents and the H Share Registrar is accurate and up-to-date when applying for Hong Kong Offer Shares or transferring Hong Kong Offer Shares into or out of their names or in procuring the services of the H Share Registrar.

Failure to supply the requested data or supplying inaccurate data may result in your application for Hong Kong Offer Shares being rejected, or in the delay or the inability of the Company or the H Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of Hong Kong Offer Shares which you have successfully applied for and/or the despatch of Share certificate(s) to which you are entitled.

It is important that applicants for and holders of Hong Kong Offer Shares inform the Company and the H Share Registrar immediately of any inaccuracies in the personal data supplied.

3. Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund cheque and **White Form** e-refund payment instruction(s), where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- registering new issues or transfers into or out of the names of the holders of the Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the register of members of the Company;
- verifying identities of applicants for and holders of the Shares and identifying any duplicate applications for the Shares;
- facilitating Hong Kong Offer Shares balloting;
- establishing benefit entitlements of holders of the Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from the Company and its subsidiaries;
- compiling statistical information and profiles of the holder of the Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable the Company and the H Share Registrar to discharge their obligations to applicants and holders of the Shares and/or regulators and/or any other purposes to which applicants and holders of the Shares may from time to time agree.

4. Transfer of personal data

Personal data held by the Company and the H Share Registrar relating to the applicants for and holders of Hong Kong Offer Shares will be kept confidential but the Company and the H Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- the Company's appointed agents such as financial advisers, receiving bank and overseas principal share registrar;
- HKSCC or HKSCC Nominees, who will use the personal data and may transfer the personal data to the H Share Registrar for the purposes of providing its services or facilities or performing its functions in accordance with its rules or procedures and operating FINI and CCASS (including where applicants for the Hong Kong Offer Shares request a deposit into CCASS);
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to the Company or the H Share Registrar in connection with their respective business operation;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, including for the purpose of the Stock Exchange's administration of the Listing Rules and the SFC's performance of its statutory functions; and
- any persons or institutions with which the holders of Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or brokers etc.

5. Retention of personal data

The Company and the H Share Registrar will keep the personal data of the applicants and holders of Hong Kong Offer Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

6. Access to and correction of personal data

Applicants for and holders of Hong Kong Offer Shares have the right to ascertain whether the Company or the H Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. The Company and the H Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to the Company and the H Share Registrar, at their registered address disclosed in the section headed "Corporate Information" in this prospectus or as notified from time to time, for the attention of the company secretary, or the H Share Registrar for the attention of the privacy compliance officer.

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of 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.



羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF IMOTION AUTOMOTIVE TECHNOLOGY (SUZHOU) CO., LTD. AND CITIGROUP GLOBAL MARKETS ASIA LIMITED, HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED AND CCB INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of iMotion Automotive Technology (Suzhou) Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-93, which comprises the consolidated balance sheets as at 31 December 2020, 2021, 2022 and 30 June 2023, the balance sheets of the Company as at 31 December 2020, 2021, 2022 and 30 June 2023, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023 (the "Track Record Period") and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-93 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 12 December 2023 (the "Prospectus") in connection with the initial listing of the H shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation sets out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation sets out in Note 2.1 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 purposes of the accountant's report, a true and fair view of the financial position of the Company as at 31 December 2020, 2021, 2022 and 30 June 2023 and the consolidated financial position of the Group as at 31 December 2020, 2021 and 2022 and 30 June 2023 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation sets out in Note 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2022 and other explanatory information (the “Stub Period Comparative Financial Information”). The directors of the Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the International Auditing and Assurance Standards Board (“IAASB”). A review consists of making inquiries, 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 International 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 Comparative Financial Information, for the purposes of the accountant’s report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**Adjustments**

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 40 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 12 December 2023

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers Zhong Tian LLP (普華永道中天會計師事務所(特殊普通合夥)) in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("IAASB") (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand of RMB (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended 31 December			Six months ended	
		2020 RMB'000	2021 RMB'000	2022 RMB'000	30 June 2022 RMB'000 (Unaudited)	2023 RMB'000
Revenue	5	47,655	178,258	1,325,882	359,171	543,212
Cost of sales	8	(38,059)	(141,475)	(1,215,309)	(336,069)	(502,173)
Gross profit		9,596	36,783	110,573	23,102	41,039
Selling expenses	8	(3,046)	(9,403)	(27,681)	(16,096)	(13,565)
Administrative expenses	8	(8,591)	(29,715)	(41,517)	(14,203)	(38,382)
Research and development expenses	8	(44,141)	(54,948)	(104,047)	(46,430)	(103,987)
(Net impairment)/reversal of impairment losses on financial assets	3.1(b)	(90)	(1,453)	(3,717)	(1,471)	2,989
Other income	6	3,716	3,421	4,710	473	4,224
Other (losses)/gains – net	7	(387)	4,929	(628)	(567)	6,133
Operating loss		(42,943)	(50,386)	(62,307)	(55,192)	(101,549)
Finance income	10	9	94	100	85	2,034
Finance costs	10	(10,893)	(413,907)	(280,169)	(245,325)	(233)
Finance (costs)/income – net	10	(10,884)	(413,813)	(280,069)	(245,240)	1,801
Loss before income tax		(53,827)	(464,199)	(342,376)	(300,432)	(99,748)
Income tax expense	11	–	–	–	–	–
Loss for the year/period		(53,827)	(464,199)	(342,376)	(300,432)	(99,748)
Other comprehensive income/(loss): <i>Items that may be subsequently reclassified to profit or loss</i>						
Currency translation differences		3	(6)	–	–	–
Loss and total comprehensive loss for the year/period attributable to the equity holders of the Company		(53,824)	(464,205)	(342,376)	(300,432)	(99,748)
Loss per share attributable to the equity holders of the Company (in RMB)						
Basic and diluted loss per share	12	(0.37)	(2.80)	(1.77)	(1.61)	(0.49)

CONSOLIDATED BALANCE SHEETS

	<i>Note</i>	As at 31 December			As at
		2020	2021	2022	30 June
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2023</i> <i>RMB'000</i>
ASSETS					
Non-current assets					
Property, plant and equipment	15	16,983	14,745	30,704	38,708
Right-of-use assets	14	6,599	39,352	37,408	35,461
Intangible assets	16	7,829	6,964	4,859	4,316
Financial assets at fair value					
through profit or loss	21	–	3,000	3,000	3,502
Other non-current assets	17	2,228	6,208	19,932	19,237
		<u>33,639</u>	<u>70,269</u>	<u>95,903</u>	<u>101,224</u>
Current assets					
Inventories	18	9,484	47,006	271,974	162,081
Other current assets	20	7,193	10,782	45,178	60,313
Trade and notes receivables	19	15,248	111,289	289,358	126,890
Financial assets at fair value					
through profit or loss	21	24,443	242,832	182,408	250,591
Derivative financial					
instruments	23	–	1,451	–	–
Restricted cash	22	300	833	835	300
Cash and cash equivalents	22	16,912	32,042	365,745	146,687
		<u>73,580</u>	<u>446,235</u>	<u>1,155,498</u>	<u>746,862</u>
Total assets		<u>107,219</u>	<u>516,504</u>	<u>1,251,401</u>	<u>848,086</u>
EQUITY					
Paid-in capital	24	7,569	9,087	–	–
Share capital	25	–	–	10,211	204,214
Treasury stock	26	(142,366)	(465,516)	–	–
Reserves	26	148,937	492,791	681,550	532,508
Accumulated losses		<u>(130,497)</u>	<u>(594,696)</u>	<u>(25,294)</u>	<u>(125,207)</u>
Total (deficits)/equity		<u>(116,357)</u>	<u>(558,334)</u>	<u>666,467</u>	<u>611,515</u>

	Note	As at 31 December			As at
		2020	2021	2022	30 June
		RMB'000	RMB'000	RMB'000	2023
					RMB'000
LIABILITIES					
Non-current liabilities					
Lease liabilities	14	4,962	3,367	1,572	798
Contract liabilities	5	–	15,773	6,750	9,626
Provisions	31	–	132	3,281	5,187
Deferred income	32	300	1,217	883	717
Financial instruments with preferred rights at amortized cost	29	162,219	897,731	–	–
		<u>167,481</u>	<u>918,220</u>	<u>12,486</u>	<u>16,328</u>
Current liabilities					
Trade and notes payables	33	6,778	90,440	438,417	128,384
Other payables and accruals	34	10,574	27,275	53,879	55,704
Contract liabilities	5	11,675	753	26,545	29,949
Borrowings	30	25,029	35,538	49,004	–
Lease liabilities	14	2,039	2,546	3,341	2,482
Provisions	31	–	66	1,262	3,724
		<u>56,095</u>	<u>156,618</u>	<u>572,448</u>	<u>220,243</u>
Total liabilities		<u>223,576</u>	<u>1,074,838</u>	<u>584,934</u>	<u>236,571</u>
Total (deficits)/equity and liabilities		<u>107,219</u>	<u>516,504</u>	<u>1,251,401</u>	<u>848,086</u>
Net current assets		<u>17,485</u>	<u>289,617</u>	<u>583,050</u>	<u>526,619</u>

BALANCE SHEETS OF THE COMPANY

	<i>Note</i>	As at 31 December			As at
		2020	2021	2022	30 June
		RMB'000	RMB'000	RMB'000	2023
				RMB'000	
ASSETS					
Non-current assets					
Property, plant and equipment	15	5,280	5,844	24,154	33,042
Right-of-use assets	14	2,925	36,869	36,117	34,766
Intangible assets	16	6,715	6,002	3,999	4,280
Investments in subsidiaries	13	36,602	48,702	51,712	66,732
Other non-current assets	17	2,228	6,208	19,932	19,237
		<u>53,750</u>	<u>103,625</u>	<u>135,914</u>	<u>158,057</u>
Current assets					
Inventories	18	1,648	40,880	232,390	106,451
Other current assets	20	10,451	11,104	44,906	58,897
Trade and notes receivables	19	2,767	91,342	303,087	149,746
Financial assets at fair value through profit or loss	21	24,443	242,832	182,408	250,591
Derivative financial instruments	23	–	1,451	–	–
Restricted cash	22	300	833	835	300
Cash and cash equivalents	22	15,658	21,674	356,904	140,387
		<u>55,267</u>	<u>410,116</u>	<u>1,120,530</u>	<u>706,372</u>
Total assets		<u>109,017</u>	<u>513,741</u>	<u>1,256,444</u>	<u>864,429</u>
EQUITY					
Paid-in capital	24	7,569	9,087	–	–
Share capital	25	–	–	10,211	204,214
Treasury stock	26	(142,366)	(465,516)	–	–
Reserves	26	148,905	492,791	681,550	532,343
Accumulated losses		<u>(114,695)</u>	<u>(580,693)</u>	<u>(12,493)</u>	<u>(122,364)</u>
Total (deficits)/equity		<u>(100,587)</u>	<u>(544,331)</u>	<u>679,268</u>	<u>614,193</u>

		As at 31 December			As at
	Note	2020	2021	2022	30 June
		RMB'000	RMB'000	RMB'000	2023
					RMB'000
LIABILITIES					
Non-current liabilities					
Lease liabilities	14	2,333	2,022	1,572	798
Contract liabilities		–	15,773	6,750	9,626
Provisions	31	–	132	3,281	5,187
Deferred income	32	300	1,217	883	717
Financial instruments with preferred rights at amortized cost	29	162,219	897,731	–	–
		<u>164,852</u>	<u>916,875</u>	<u>12,486</u>	<u>16,328</u>
Current liabilities					
Trade and notes payables	33	50	79,429	434,104	132,462
Other payables and accruals	34	7,117	24,151	51,783	65,976
Contract liabilities		11,672	750	26,542	29,945
Borrowings	30	25,029	35,538	49,004	–
Lease liabilities	14	884	1,263	1,995	1,801
Provisions	31	–	66	1,262	3,724
		<u>44,752</u>	<u>141,197</u>	<u>564,690</u>	<u>233,908</u>
Total liabilities		<u>209,604</u>	<u>1,058,072</u>	<u>577,176</u>	<u>250,236</u>
Total (deficits)/equity and liabilities		<u>109,017</u>	<u>513,741</u>	<u>1,256,444</u>	<u>864,429</u>
Net current assets		<u>10,515</u>	<u>268,919</u>	<u>555,840</u>	<u>472,464</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	<i>Note</i>	Attributable to the equity holders of the Company					Total <i>RMB'000</i>
		Paid-in	Share	Treasury	Accumulated		
		capital	capital	stock	Reserves	losses	
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January 2020		7,018	–	(83,516)	82,081	(76,670)	(71,087)
Comprehensive loss							
Loss for the year		–	–	–	–	(53,827)	(53,827)
Other comprehensive income		–	–	–	3	–	3
		<u>–</u>	<u>–</u>	<u>–</u>	<u>3</u>	<u>(53,827)</u>	<u>(53,824)</u>
Transactions with the equity holders of the Company							
Capital contributions from the equity holders of the Company	24, 26	551	–	–	58,299	–	58,850
Recognition of financial instruments with preferred rights at amortized cost	29	–	–	(58,850)	–	–	(58,850)
Share-based payment	27	–	–	–	8,554	–	8,554
		<u>551</u>	<u>–</u>	<u>(58,850)</u>	<u>66,853</u>	<u>–</u>	<u>8,554</u>
As at 31 December 2020		<u>7,569</u>	<u>–</u>	<u>(142,366)</u>	<u>148,937</u>	<u>(130,497)</u>	<u>(116,357)</u>

	Note	Attributable to the equity holders of the Company					Total
		Paid-in	Share	Treasury	Accumulated		
		capital	capital	stock	Reserves	losses	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2021		7,569	–	(142,366)	148,937	(130,497)	(116,357)
Comprehensive loss							
Loss for the year		–	–	–	–	(464,199)	(464,199)
Other comprehensive loss		–	–	–	(6)	–	(6)
		–	–	–	(6)	(464,199)	(464,205)
Transactions with the equity holders of the Company							
Capital contributions from the equity holders of the Company	24, 26	1,518	–	–	326,178	–	327,696
Recognition of financial instruments with preferred rights at amortized cost	29	–	–	(323,150)	–	–	(323,150)
Reclassification to profit or loss on liquidation of a subsidiary		–	–	–	(26)	–	(26)
Share-based payment	27	–	–	–	17,708	–	17,708
		1,518	–	(323,150)	343,860	–	22,228
As at 31 December 2021		<u>9,087</u>	<u>–</u>	<u>(465,516)</u>	<u>492,791</u>	<u>(594,696)</u>	<u>(558,334)</u>

	Note	Attributable to the equity holders of the Company					Total
		Paid-in	Share	Treasury	Reserves	Accumulated	
		capital	capital	stock		losses	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2022		9,087	–	(465,516)	492,791	(594,696)	(558,334)
Comprehensive loss							
Loss for the year		–	–	–	–	(342,376)	(342,376)
Transactions with the equity holders of the Company							
Capital contributions from the equity holders of the Company	24, 26	1,124	–	–	344,876	–	346,000
Recognition of financial instruments with preferred rights at amortized cost	29	–	–	(346,000)	–	–	(346,000)
Derecognition of financial instruments with preferred rights at amortized cost	29	–	–	811,516	711,635	–	1,523,151
Conversion into a joint stock company	25, 26	(10,211)	10,211	–	(911,778)	911,778	–
Share-based payment	27	–	–	–	44,026	–	44,026
		(9,087)	10,211	465,516	188,759	911,778	1,567,177
As at 31 December 2022		–	10,211	–	681,550	(25,294)	666,467

	<i>Note</i>	Attributable to the equity holders of the Company					Total <i>RMB'000</i>
		Paid-in	Share	Treasury	Accumulated		
		capital	capital	stock	Reserves	losses	
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January 2023		–	10,211	–	681,550	(25,294)	666,467
Comprehensive loss							
Loss for the period		–	–	–	–	(99,748)	(99,748)
Provision of safety fund surplus reserve	26	–	–	–	340	(340)	–
Utilisation of safety fund surplus reserve	26	–	–	–	(175)	175	–
		–	–	–	165	(99,913)	(99,748)
Transactions with the equity holders of the Company							
Capitalization Issue	25, 26	–	194,003	–	(194,003)	–	–
Share-based payment	27	–	–	–	44,796	–	44,796
		–	194,003	–	(149,207)	–	44,796
As at 30 June 2023		<u>–</u>	<u>204,214</u>	<u>–</u>	<u>532,508</u>	<u>(125,207)</u>	<u>611,515</u>

	Note	Attributable to the equity holders of the Company					Total
		Paid-in	Share	Treasury	Accumulated		
		capital	capital	stock	Reserves	losses	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2022		9,087	–	(465,516)	492,791	(594,696)	(558,334)
Comprehensive loss							
Loss for the period		–	–	–	–	(300,432)	(300,432)
Transactions with the equity holders of the Company							
Capital contributions from the equity holders of the Company	24, 26	358	–	–	98,142	–	98,500
Recognition of financial instruments with preferred rights at amortized cost	29	–	–	(98,500)	–	–	(98,500)
Share-based payment	27	–	–	–	22,127	–	22,127
		358	–	(98,500)	120,269	–	22,127
As at 30 June 2022							
<i>(Unaudited)</i>		9,445	–	(564,016)	613,060	(895,128)	(836,639)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended 31 December			Six months ended 30 June	
		2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 (Unaudited)	2023 RMB'000
Cash flows from operating activities						
Net cash used in operations	35	(23,844)	(62,998)	(65,667)	(28,159)	(82,916)
Interest received from cash at banks	10	9	94	100	85	2,034
Net cash used in operating activities		<u>(23,835)</u>	<u>(62,904)</u>	<u>(65,567)</u>	<u>(28,074)</u>	<u>(80,882)</u>
Cash flows from investing activities						
Payments for land use right	14	–	(34,021)	–	–	–
Payments for property, plant and equipment		(2,904)	(4,097)	(24,437)	(9,404)	(15,092)
Payments for intangible assets		(7,812)	(2,506)	(1,506)	(690)	(1,603)
Government grants received in relation to acquisition of non-current assets		–	1,000	–	–	–
Proceeds from sale of property, plant and equipment		48	717	30	30	100
Proceeds from disposals of financial assets at fair value through profit or loss	3.3(c)	41,250	631,231	2,008,902	820,935	1,281,795
Payments for financial assets at fair value through profit or loss	3.3(c)	(65,200)	(848,730)	(1,940,749)	(824,109)	(1,345,370)
Proceeds from settlement of derivative financial instruments		–	67	–	–	–
Payments for settlement of derivative financial instruments		–	–	(801)	(801)	–
Proceeds from sale of a subsidiary		1,480	–	–	–	–
Net cash (used in)/ generated from investing activities		<u>(33,138)</u>	<u>(256,339)</u>	<u>41,439</u>	<u>(14,039)</u>	<u>(80,170)</u>

	Note	Year ended 31 December			Six months ended 30 June	
		2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 (Unaudited)	2023 RMB'000
Cash flows from financing activities						
Proceeds from contributions from the equity holders of the Company	24, 26	58,850	327,696	346,000	98,500	–
Payments of lease liabilities	35(d)	(2,125)	(2,350)	(3,073)	(1,373)	(1,729)
Repayments of borrowings	35(d)	(12,000)	(25,000)	(35,500)	(19,500)	(48,857)
Proceeds from borrowings	35(d)	27,000	35,500	48,857	–	–
Interest paid for borrowings	35(d)	(897)	(1,245)	(375)	(533)	(284)
Payments for listing expenses		–	–	–	–	(7,696)
Net cash generated/ (used in) from financing activities		<u>70,828</u>	<u>334,601</u>	<u>355,909</u>	<u>77,094</u>	<u>(58,566)</u>
Net increase/(decrease) in cash and cash equivalents		<u>13,855</u>	<u>15,358</u>	<u>331,781</u>	<u>34,981</u>	<u>(219,618)</u>
Cash and cash equivalents at beginning of the year/period		3,066	16,912	32,042	32,042	365,745
Exchange (losses)/gains on cash and cash equivalents	7	<u>(9)</u>	<u>(228)</u>	<u>1,922</u>	<u>632</u>	<u>560</u>
Cash and cash equivalents at end of the year/period	22	<u><u>16,912</u></u>	<u><u>32,042</u></u>	<u><u>365,745</u></u>	<u><u>67,655</u></u>	<u><u>146,687</u></u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION

iMotion Automotive Technology (Suzhou) Co., Ltd. was incorporated in Suzhou on December 27, 2016 as a limited liability company. The address of its registered office is G2-1901 1902 2002, No. 88 Jinji Lake Avenue, Suzhou Industrial Park, Suzhou, Jiangsu Province, the PRC.

Upon approval by the shareholders' general meeting held in November 2022, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC and changed its registered name from "iMotion Automotive Technology (Suzhou) Co., Ltd. (知行汽車科技(蘇州)有限公司)" to "iMotion Automotive Technology (Suzhou) Co., Ltd. (知行汽車科技(蘇州)股份有限公司)" on 29 December 2022.

The Company and its subsidiaries (together, "the Group") are principally engaged in the development, manufacture and sale of autonomous driving products and solutions.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES

The material accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied throughout the Track Record Period, unless otherwise stated.

2.1 Basis of preparation

(i) Compliance with IFRS

The Historical Financial Information have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB").

(ii) Historical cost convention

The Historical Financial Information have been prepared on a historical cost basis, except for the certain financial assets and liabilities that are measured at fair value.

(iii) New or amended standards not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for the Track Record Period and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

The followings are new standards, amendments to existing standards and new interpretations that have been issued but are not effective for the Track Record Period and have not been early adopted by the Group. The Group plans to adopt these new standards, amendments to standards and annual improvements when they become effective:

Standards and amendments	Effective for accounting periods beginning on or after
IFRS 16 (Amendment) 'Lease Liability in a Sale and Leaseback'	1 January 2024
IAS 1 (Amendment) 'Non-current Liabilities with Covenants'	1 January 2024
IAS 1 (Amendment) 'Classification of Liabilities as Current or Non-current'	1 January 2024
IFRS 7 (Amendment) and IAS 7 (Amendment) 'Supplier Finance Arrangements'	1 January 2024
IAS 21 (Amendment) 'Lack of Exchangeability'	1 January 2025
IAS 12 (Amendment) 'International Tax Reform – Pillar Two Model Rules'	Note
IFRS 10 (Amendment) and IAS 28 (Amendment) 'Sale or contribution of Assets between an Investor and its Associate or Joint Venture'	To be determined

Note: On 23 May 2023, the IASB issued amendments to IAS 12 – International Tax Reform – Pillar Two Model Rules, which became effective immediately. The disclosures in respect of the current tax expense related to the Pillar Two income taxes and the known or reasonably estimable exposure to Pillar Two income taxes are required for annual reporting periods beginning on or after 1 January 2023, but they are not required to be disclosed in interim financial reports for any interim period ending on or before 31 December 2023.

The Group has already commenced an assessment of the impact of these new or revised standards. According to the preliminary assessment made by the Group, no significant impact on the financial performance and positions of the Group is expected when they become effective.

2.2 Principles of consolidation and equity accounting

Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred;
- amount of any non-controlling interest in the acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss.

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive loss of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

The chief operating decision-maker ("CODM"), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that makes strategic decisions.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company and the companies in PRC is RMB. The functional currency of the company in Germany is Euro. The Historical Financial Information are presented in RMB which is the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year/period end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income on a net basis within other gains/(losses).

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their costs, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

Machineries	5-10 years
Vehicles	5 years
Furniture	5 years
Equipments	3-5 years
Leasehold improvements	Over the shorter of their expected useful lives and the lease terms

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "other gains/(losses) – net" in the consolidated statement of comprehensive income.

Construction in progress represents unfinished construction and equipment under construction or pending for installation, and is stated at cost less impairment losses. Cost comprises direct costs of construction including borrowing costs attributable to the construction during the period of construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use.

2.8 Intangible assets

(a) Purchased software

Acquired software is recognized at historical cost and subsequently carried at cost less accumulated amortization and accumulated impairment losses. The Group's software is amortized on a straight-line basis over their estimated useful lives of 3 years.

(b) Research and development

Research and development cost comprise all costs that are directly attributable to research and development activities (relating to the design and testing of new or improved autonomous driving products) or that can be allocated on a reasonable basis to such activities. Research and development costs are recognized as intangible assets when the following criteria are met:

- the technical feasibility of completing the intangible assets so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible assets;
- the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Other development expenditures that do not meet these criteria are charged to expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

2.9 Impairment of non-financial assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.10 Financial assets**(a) Classification**

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- those to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in "other gains/(losses) – net". Impairment losses are presented as separate line item in the consolidated statement of comprehensive income.
- **FVPL:** Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within "other gains/(losses) – net" in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in profit or loss and presented in “other gains/(losses) – net” in the consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment

The Group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For cash and cash equivalents and restricted cash, the expected credit loss risk is considered immaterial.

For trade and notes receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

In addition, management also reviews the credit risk of individual debtors by considering the relationship with customers and their financial position to assess whether further provision was needed at the end of the reporting period.

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheets where the Group currently has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2.12 Trade receivables

Trade receivables are amounts due from customers for goods sold or services rendered in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), it is classified as current asset. If not, it is presented as non-current asset.

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See Note 19 for further information about the Group's accounting for trade receivables and Note 3.1(b) for a description of the Group's impairment policies.

2.13 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivative financial instruments are recognized in profit or loss.

2.14 Inventories

Raw materials, semi-finished goods, work in progress and finished goods are stated at the lower of cost and net realizable value. Cost comprises direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. 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.

2.15 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.16 Paid-in capital/share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.17 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2.18 Financial instruments with preferred rights at amortized cost

A contract that contains an obligation for the Group to purchase the Group's equity instruments for cash or another financial asset gives rise to a financial liability for the present value of the redemption amount. Even if the Group's obligations to purchase are conditional on the counterparty exercising a right to redeem, the financial instruments with preferred rights are recognized as financial liability initially at the present value of the redemption amount and subsequently measured at amortized cost with interest charged in finance costs.

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, canceled or have expired. The carrying amount of the financial instruments derecognized was credited into the equity.

2.19 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are removed from the consolidated balance sheets when the obligation specified in the contract is discharged, canceled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.20 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other borrowing costs are expensed in the period in which they are incurred.

2.21 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred income tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. However, deferred income tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred income tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset where there is a legally enforceable right to offset current income tax assets and liabilities and where the deferred income tax balances relate to the same taxation authority. Current income tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred income tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity respectively.

2.22 Employee benefits**(a) Short-term obligations**

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated balance sheets.

(b) Pension obligations

In accordance with the rules and regulations in the PRC, the employees of the Group participate in various defined contribution retirement benefit plans organized by the relevant municipal and provincial governments in the PRC under which the Group and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to certain ceiling. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in an independent fund managed by the PRC government. The Group's contributions to these plans are expensed as incurred.

(c) *Housing funds, medical insurances and other social insurances*

The employees of the Group are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(d) *Bonus plan*

The expected cost of bonuses is recognized as a liability when the Group has a present legal or constructive obligation for payment of bonus as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans are expected to be settled within 1 year and are measured at the amounts expected to be paid when they are settled.

(e) *Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

2.23 Share-based payment

The fair value of awarded shares granted to employees under the ESOP less amount paid by employees is recognized as an employee benefits expense over the relevant service period, being the vesting period of the shares, and the credit is recognized in equity in the share-based payment reserves. The fair value of the shares is measured at the grant date. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of shares that are expected to vest based on the service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Where there is any modification of terms and conditions which increases the fair value of the equity instruments granted, the Group includes the incremental fair value granted in the measurement of the amount recognized for the services received over the remainder of the vesting period. The incremental fair value is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. An expense based on the incremental fair value is recognized over the period from the modification date to the date when the modified equity instruments vest in addition to any amount in respect of the original instrument, which should continue to be recognized over the remainder of the original vesting period. Where shares are forfeited due to a failure by the employee to satisfy the service conditions, any expenses previously recognized in relation to such shares are reversed effective at the date of the forfeiture.

The grant of share-based payments by the shareholders to the employees of the subsidiaries are treated as a capital contribution to subsidiaries in the separate financial statements of the Company. The fair value of employee services received, determined by reference to the grant date fair value, is recognised over the vesting period as an increase to investments in subsidiaries undertakings, with a corresponding adjustment to equity in the separate financial statements of the Company.

2.24 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Where the grants related to an expense item, it is recognised as income on a systematic basis over the period that the costs, which it is intended to compensate, are expensed. Where the grants related to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset on straight-line basis.

2.25 Revenue recognition

The Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer:

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

When allocating the transaction price to each performance obligation identified in the contract, the Group determines the stand-alone selling price at contract inception of the distinct good or service underlying each performance obligation in the contract and allocate the transaction price in proportion to those stand-alone selling prices.

In determining whether revenue of the Group should be reported gross or net is based on a continuing assessment of various factors. When determining whether the Group is acting as the principal or agent in offering goods or services to the customer, the Group needs to first identify who controls the specified goods or services before they are transferred to the customer. The Group follows the accounting guidance for principal-agent considerations to assess whether the Group controls the specified goods or service before it is transferred to the customer, the indicators of which including but not limited to (a) whether the entity is primarily responsible for fulfilling the promise to provide the specified service; (b) whether the entity has inventory risk before the specified service has been transferred to a customer; and (c) whether the entity has discretion in establishing the prices for the specified goods or service. The management considers the above factors in totality, as none of the factors individually are considered presumptive or determinative, and applies judgment when assessing the indicators depending on each different circumstances.

The Group mainly provides autonomous driving related R&D services to OEMs to develop software, hardware, algorithm and function for autonomous driving solution for vehicle models in such OEMs' pipelines, and when such R&D is successfully validated, the OEMs would engage the Group for the production and sales of such autonomous driving solutions. Other than the above core business in relation to the autonomous driving solutions, the Group also engaged in manufacture and sale of printed circuit board assembly (PCBA) products to certain customers by using surface-mount technology ("SMT").

The following is a description of the accounting policy for the principal revenue streams of the Group:

(a) Sales of autonomous driving products and solutions and PCBA parts

Revenue generates from sales of autonomous driving products and solutions primarily includes its main products autonomous driving (AD) domain controllers and intelligent front cameras to OEMs, which is recognised at the point in time when it satisfies a performance obligation by transferring control over a product to a customer,

generally upon the acceptance of the products. For PCBA parts with revenue recognized at a point in time, the Company recognizes revenue upon transfer of control, which generally occurs upon shipment to the customers and transfer of title and risk of loss under standard commercial terms (typically DAP or EXW). The revenue is measured based on consideration, less value-added tax, specified in a contract with a customer, as well as adjusted for any variable consideration (i.e., price concessions or annual price adjustments) based on contract terms and historical patterns.

(b) Provision of autonomous driving related R&D services

The Group provides autonomous driving services to OEMs, including (i) software and hardware development in autonomous driving segment; (ii) autonomous driving algorithm and function development; and (iii) functional safety consulting and validation service. The Group recognizes revenue at a point in time when performance obligations are satisfied as well as the agreed deliverables are accepted by customers. The Group does not have any enforceable right to payment before the agreed deliverables are accepted by customers.

Contract fulfillment costs represents costs that relate directly to a contract for autonomous driving related R&D services provided by the Group, primarily including direct labor, direct materials and allocations of costs incurred in providing the promised services directly to the customers. When performance obligations are satisfied as well as the agreed deliverables are accepted by the customers, the Group recognizes revenue and the accumulated cost in relation to fulfill the contract were transferred to cost of sales. The contract fulfillment costs are amortized to cost of sales on a project basis according to the terms specified in the underlying contracts, which is consistent with the transfer of relevant goods or service. The Group recognized an impairment loss in profit or loss to the extent that the carrying amount of contract fulfillment costs recognized exceeds the remaining amount of consideration that the Group expected to receive in exchange for such services. In addition, the Group makes payments to customers in conjunction with ongoing business. Certain customer payments (i.e. upfront fees) are considered to be an incremental cost to obtain a contract as they are directly attributable to a contract. In these cases, the customer payment is capitalized and amortized to revenue based on the transfer of goods or services to which the upfront payment relates.

2.26 Provisions

Provisions for product warranties and onerous contracts, etc. are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The increase in the provisions due to the passage of time is recognized as interest expense.

2.27 Leases

The Group leases buildings and land use right as lessee. Rental contracts are typically made for fixed periods of 3 to 5 years and 30 years respectively.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain various different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments (if applicable):

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;

- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing; and
- makes adjustments specific to the lease, e.g., term, country, currency and security.

If a readily observable amortizing loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group use that rate as a starting point to determine the incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each reporting period.

Right-of-use assets are measured at cost comprising the following (if applicable):

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

2.28 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets, see Note 7 below.

Interest income on financial assets at amortized cost is recognized in profit or loss as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see Note 10 below. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.29 Loss per share

(a) Basic loss per share

Basic loss per share is calculated by dividing:

- the loss attributable to the equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, and
- by the weighted average number of ordinary shares outstanding during the financial year/period, adjusted for bonus elements in ordinary shares issued during the year/period and excluding treasury stock.

(b) Diluted loss per share

Diluted loss per share adjusts the figures used in the determination of basic loss per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's risk management is predominantly controlled by the treasury department under policies approved by the Board of Directors of the Company (the "Board"). The Group's treasury department identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the Group entities' functional currency. The Group's businesses are principally conducted in RMB. The majority of assets is denominated in RMB. The majority of non-RMB assets and liabilities are cash and cash equivalents, trade receivables and trade payables denominated in USD and EUR. The Group is subject to foreign exchange risk arising from future commercial transactions and recognised assets and liabilities which are denominated in non-RMB and net investment in foreign operations.

The Group manages its foreign exchange risk by closely monitoring the movement of the foreign currency rates. Cash repatriation from the PRC are subject to the rules and regulations of foreign exchange control promulgated by the PRC government. Additionally, the Group enters into forward exchange contracts to mitigate the foreign exchange risk. The Group did not have other significant exposure to foreign exchange risk.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the respective dates of consolidated statements of financial position are as follows:

	As at 31 December			As at
	2020	2021	2022	30 June
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Assets				
USD	16,415	34,258	33,842	7,662
EUR	95	–	–	–
	<u>16,510</u>	<u>34,258</u>	<u>33,842</u>	<u>7,662</u>
Liabilities				
USD	<u>308</u>	<u>40,254</u>	<u>129,215</u>	<u>87,171</u>

The Group is primarily exposed to changes in RMB/USD exchange rates. As at 31 December 2020, 2021 and 2022 and 30 June 2023, if the USD strengthened/weakened by 10% against the RMB, with all other variables held constant, loss before income tax for the year/period then ended would have been approximately RMB1,611,000 lower/higher and RMB600,000, RMB9,537,000 and RMB7,951,000 higher/lower respectively as a result of foreign exchange gains/losses on translation of USD denominated financial assets and liabilities.

(ii) *Cash flow and fair value interest rate risk*

As the Group has no significant interest-bearing assets except for cash and cash equivalents, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest-rate risk mainly arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest-rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest-rate risk. The interest rates and terms of repayments of borrowings are disclosed in Note 30. The Group did not use any interest rate swap contracts or other financial instruments to hedge against its interest rate risk for the reporting period.

As at 31 December 2020, 2021 and 2022, if the Group's interest rates on borrowings obtained at variable rates had been higher/lower by 0.5%, loss before income tax for the year then ended would have been approximately RMB97,000, RMB139,000 and RMB137,000 higher/lower respectively.

(iii) *Price risk*

The Group's exposure to equity securities price risk arises from investments held by the Group and classified in the balance sheet as at fair value through profit or loss (FVPL) (Note 21). Loss before income tax for the year/period would decrease/increase as a result of gains/losses on securities classified as at FVPL. As at 31 December 2021 and 2022 and 30 June 2023, if the prices of investments rise/fall by 10% while holding all other variables constant, loss before income tax for the year/period then ended would be approximately RMB300,000 and RMB350,000 lower/higher respectively.

To manage its price risk arising from investments in securities, the group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the group.

(b) *Credit risk*

Credit risk arises from cash and cash equivalents, restricted cash, wealth management products as well as trade and notes receivables and other receivables. The carrying amount of each class of the above financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

Risk management

To manage this risk, cash and cash equivalents and wealth management products are mainly placed with state-owned or reputable financial institutions in Mainland China which are all high-credit-quality financial institutions.

To manage risk arising from trade and notes receivables, the Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and management performs ongoing credit evaluations of the counterparties. Trade and notes receivables have been grouped based on shared credit risk characteristics and aging to measure the expected credit losses. Trade and note receivables are written off when there is no reasonable expectation of recovery. Impairment losses on trade and notes receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

For other financial assets carried at amortized cost (excluding deferred listing expenses, input Value Added Tax (“VAT”) to be deducted, contract fulfilment costs and prepayments), management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experiences.

Impairment of financial assets

The Group has three types of financial assets that are subject to the expected credit loss model:

- cash and cash equivalents, restricted cash and wealth management products;
- trade and notes receivables;
- other receivables.

(i) Cash and cash equivalents, restricted cash and wealth management products

To manage risk arising from cash and cash equivalents, the Group only transacts with state-owned or reputable financial institutions in Mainland China. There has been no recent history of default in relation to these financial institutions. These instruments are considered to have low credit risk because they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term. Cash and cash equivalents are also subject to the impairment requirements of IFRS 9, while the identified impairment loss was immaterial.

(ii) Trade and notes receivables

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade and notes receivables. To measure the expected credit losses, trade and notes receivables have been grouped based on shared credit risk characteristics and aging.

The Group calculates expected loss rates based on the exposure at default and the expected loss rates. The determination of the expected loss rates is based on the probability of default and the loss given default with reference to the credit ratings of counter parties at the end of each reporting period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

When considering forward-looking information, the Group takes different economic scenarios into consideration. The Group regularly monitors and reviews the assumptions and parameters related to the calculation of expected loss rates, including the risk of economic downturn, external market environment, technological environment, changes in customer conditions, Gross Domestic Product (“GDP”), Consumer Price Index (“CPI”), etc. In 2022, the Group considered the uncertainty caused by COVID-19 and updated the relevant assumptions and parameters.

Individually impaired trade receivables are related to customers who are experiencing unexpected economic difficulties. The Group expects that the amounts of the receivables will partially or entirely have difficulty to be recovered and has recognized impairment losses.

The Group's trade receivables mainly consist of amounts due from customers for goods sold or services rendered as described in Note 19.

As at 31 December 2021 and 2022 and 30 June 2023, the Group had certain concentrations of credit risk as 81.39%, 95.59% and 88.59% of the Group's trade receivables due from its largest customer, Geely Group, respectively.

(iii) Other receivables

Other receivables mainly include refundable deposits, payments on behalf of employees and others. All of the Group's financial assets at amortized cost are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition as described in Note 20.

Trade and other receivables are written off when there is no reasonable expectation of recovery.

Impairment losses on trade and other receivables are presented as net impairment losses within operating loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

The movement of loss allowance for trade and notes receivables and other receivables during the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023 is as follows:

	Trade and notes receivables	Other receivables	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Opening loss allowance as at 1 January 2020	(116)	(15)	(131)
(Increase)/decrease in loss allowance recognized in profit or loss during the year	(91)	1	(90)
As at 31 December 2020	<u>(207)</u>	<u>(14)</u>	<u>(221)</u>
As at 1 January 2021	(207)	(14)	(221)
Increase in loss allowance recognized in profit or loss during the year	(1,449)	(4)	(1,453)
As at 31 December 2021	<u>(1,656)</u>	<u>(18)</u>	<u>(1,674)</u>
As at 1 January 2022	(1,656)	(18)	(1,674)
Increase in loss allowance recognized in profit or loss during the year	(3,714)	(3)	(3,717)
As at 31 December 2022	<u>(5,370)</u>	<u>(21)</u>	<u>(5,391)</u>
As at 1 January 2023	(5,370)	(21)	(5,391)
Decrease/(increase) in loss allowance recognized in profit or loss during the period	3,047	(58)	2,989
As at 30 June 2023	<u>(2,323)</u>	<u>(79)</u>	<u>(2,402)</u>

	Trade and notes receivables	Other receivables	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January 2022	(1,656)	(18)	(1,674)
Increase in loss allowance recognized in profit or loss during the period	(1,457)	(14)	(1,471)
As at 30 June 2022 (Unaudited)	<u>(3,113)</u>	<u>(32)</u>	<u>(3,145)</u>

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate cash and cash equivalents to meet the Group's liquidity requirements.

Maturities of financial liabilities

The table below analyzes the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 31 December 2020				
Borrowings (including interest payables)	25,596	–	–	25,596
Trade and notes payables (Note 33)	6,724	54	–	6,778
Other payables and accruals (excluding payroll and welfare payables and other tax payables) (Note 34)	3,204	131	–	3,335
Lease liabilities	2,322	2,429	2,788	7,539
	<u>37,846</u>	<u>2,614</u>	<u>2,788</u>	<u>43,248</u>
As at 31 December 2021				
Borrowings (including interest payables)	36,359	–	–	36,359
Trade and notes payables (Note 33)	90,416	24	–	90,440
Other payables and accruals (excluding payroll and welfare payables and other tax payables) (Note 34)	17,149	50	37	17,236
Lease liabilities	2,767	2,864	607	6,238
	<u>146,691</u>	<u>2,938</u>	<u>644</u>	<u>150,273</u>

	Less than 1 year <i>RMB'000</i>	Between 1 and 2 years <i>RMB'000</i>	Between 2 and 5 years <i>RMB'000</i>	Total <i>RMB'000</i>
As at 31 December 2022				
Borrowings (including interest payables)	49,183	–	–	49,183
Trade and notes payables (<i>Note 33</i>)	438,333	84	–	438,417
Other payables and accruals (excluding payroll and welfare payables and other tax payables) (<i>Note 34</i>)	24,442	68	–	24,510
Lease liabilities	3,493	1,273	343	5,109
	<u>515,451</u>	<u>1,425</u>	<u>343</u>	<u>517,219</u>
As at 30 June 2023				
Trade and notes payables (<i>Note 33</i>)	128,384	–	–	128,384
Other payables and accruals (excluding payroll and welfare payables and other tax payables) (<i>Note 34</i>)	31,242	–	–	31,242
Lease liabilities	2,565	815	–	3,380
	<u>162,191</u>	<u>815</u>	<u>–</u>	<u>163,006</u>

As at 31 December 2020 and 2021, the financial instruments with preferred rights at amortized cost as described in Note 29 of approximately RMB162,219,000 and RMB897,731,000 were not managed by maturing date and were all reclassified to equity in 2022.

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital by regularly reviewing the capital structure. As a part of this review, management of the Company considers the cost of capital and the risks associated with the issued share capital. The Group may adjust the amounts of dividends paid to equity holders, return capital to equity holders, issue new shares or repurchase the Company's shares. In the opinion of the management of the Company, the Group's capital risk is low. As a result, capital risk is not significant for the Group and measurement of capital management is not a tool currently used in the internal management reporting procedures of the Group.

As at 31 December 2020, 2021 and 2022 and 30 June 2023, the debt equity ratio were as follows:

	As at 31 December			As at
	2020	2021	2022	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net debt/(cash) (<i>Note 35</i>)	152,894	661,308	(497,236)	(397,500)
Total (deficits)/equity	(116,357)	(558,334)	666,467	611,515
Net debt equity ratio	N/A	N/A	N/A	N/A

3.3 Fair value estimation

(a) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognized and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

- Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.
- Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted investment with preferred rights securities.

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 December 2020, 2021 and 2022 and 30 June 2023:

	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
As at 31 December 2020				
Assets				
Financial assets at FVPL (<i>Note 21</i>)	–	–	24,443	24,443
	<u>–</u>	<u>–</u>	<u>24,443</u>	<u>24,443</u>
As at 31 December 2021				
Assets				
Financial assets at FVPL (<i>Note 21</i>)	–	–	245,832	245,832
Derivative financial instruments (<i>Note 23</i>)	–	1,451	–	1,451
	<u>–</u>	<u>1,451</u>	<u>245,832</u>	<u>247,283</u>
As at 31 December 2022				
Assets				
Financial assets at FVPL (<i>Note 21</i>)	–	–	185,408	185,408
	<u>–</u>	<u>–</u>	<u>185,408</u>	<u>185,408</u>
As at 30 June 2023				
Assets				
Financial assets at FVPL (<i>Note 21</i>)	69,794	–	184,299	254,093
	<u>69,794</u>	<u>–</u>	<u>184,299</u>	<u>254,093</u>

The Group's policy is to recognize transfers into and out of fair value hierarchy levels as at the end of each reporting period.

(b) Valuation techniques used to determine level 2 and level 3 fair values

Specific valuation techniques used to value financial instruments include:

Quoted market prices or dealer quotes for similar instruments; and

For forward currency forwards – the present value of future cash flows based on forward exchange rates at the balance sheet date;

For unlisted investment with preferred rights securities, the Group used its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each date of statement of financial position. Back-solve method was used to determine the share value held by the Group and an equity allocation based on Option Pricing Model (“OPM model”) is performed as well.

Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

There were no changes in valuation techniques during the Track Record Period.

The fair value of trade and notes receivables, other receivables, restricted cash and cash and cash equivalents approximated their carrying amounts.

The fair value of trade and notes payables, other payables and accruals (excluding payroll and welfare payables and other tax payables) and current borrowings approximated their carrying amounts.

(c) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023:

	Financial assets at FVPL RMB'000
As at 1 January 2020	–
Acquisitions	65,200
Disposals	(41,250)
Fair value changes	493
As at 31 December 2020	24,443
As at 1 January 2021	24,443
Acquisitions	848,730
Disposals	(631,231)
Fair value changes	3,890
As at 31 December 2021	245,832
As at 1 January 2022	245,832
Acquisitions	1,940,749
Disposals	(2,008,902)
Fair value changes	7,729
As at 31 December 2022	185,408
As at 1 January 2023	185,408
Acquisitions	1,275,705
Disposals	(1,281,795)
Fair value changes	4,981
As at 30 June 2023	184,299

More details about the financial assets at FVPL as at 31 December 2020, 2021 and 2022 and 30 June 2023 have been presented in Note 21.

(d) There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the Track Record Period.

(e) *Valuation inputs and relationships to fair value*

The following table summarizes the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements.

As at 31 December 2020

Description	Fair value RMB'000	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Wealth management products ("WMPs")	24,443	Expected rate of return	2.58%-3.08%	The higher the expected rate of return, the higher the fair value

As at 31 December 2021

Description	Fair value RMB'000	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
WMPs	242,832	Expected rate of return	2.63%-4.55%	The higher the expected rate of return, the higher the fair value

As at 31 December 2022

Description	Fair value RMB'000	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
WMPs	182,408	Expected rate of return	2.2%-4.2%	The higher the expected rate of return, the higher the fair value

As at 30 June 2023

Description	Fair value RMB'000	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
WMPs	180,797	Expected rate of return	1.23%-3.00%	The higher the expected rate of return, the higher the fair value
Unlisted investment with preferred rights	3,502	Risk free interest rate and volatility	Risk free interest rate: 2.4% Volatility: 51%	The higher the risk free interest rate and volatility, the lower the fair value

As at 31 December 2020, 2021 and 2022 and 30 June 2023, if expected rate of return higher/lower by 0.5%, fair value of financial assets at FVPL would have been approximately RMB38,200, RMB234,000, RMB331,800 and RMB268,000 higher/lower respectively.

All of these WMPs are sponsored and managed by state-owned or reputable national banks and financial institutes in the PRC. These WMPs are short-term investments which are denominated in RMB. The expected rate of return of the WMPs are updated by the security companies and banks periodically on a quarterly or more frequent basis. Management uses the expected rate of return for approximation for cash flow assessment in evaluating the fair values of the WMPs.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Historical Financial Information requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgment in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year/period are addressed below.

(a) Fair value of financial assets at FVPL

The fair value of financial assets that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Changes in these assumptions and estimates could materially affect the respective fair value of these investments. Details of the assumptions and estimates in determination of the fair value are disclosed in Note 3.3.

(b) Recognition of share-based payment expenses

As detailed in Note 27, certain shares transfer and grant of shares under the share award schemes have resulted in share-based payments expenses.

The Group has engaged an independent valuer to determine the total fair value of the equity incentive awards granted to employees. The discounted cash flow method and back-solve method were used to determine the total equity value of the Company and then equity allocation model was adopted to determine the fair value of the equity incentive awards. Significant estimates on assumptions, such as risk-free interest rate, volatility and dividend yield are made based on management's best estimates. Further details are included in Note 27.

As the awards granted in equity-settled share-based payment plan are conditional on a Qualified Initial Public Offerings ("QIPO"). The Group has estimated whether the QIPO is probable or not and QIPO date when they calculated share-based payment expenses at each reporting period end. Since QIPO condition is considered as vesting condition, the entity also needs to consider when the QIPO is probable. If the service period under the service condition ends before QIPO, then the vesting period will end on QIPO date; if the service period under the service condition ends after QIPO, then the vesting period will end according to the service conditions. As at 30 June 2023, the Group assessed it is probable that the performance condition (i.e., QIPO) will be achieved in the future.

The Group also has to estimate the expected forfeiture rate at the end of vesting periods ("Forfeiture Rate") of the restricted shares granted in order to determine the amount of share-based payment expenses charged to profit or loss. The Forfeiture Rate of the restricted shares awarded of the Group to managements and employees were assessed to be 15% to 30%, 25% to 45%, 25% to 45% and 25% to 45% as at 31 December 2020, 2021 and 2022 and 30 June 2023, respectively.

(c) Write-down of inventories

The Group's management reviews the condition of inventories, as stated in Note 18 to the Historical Financial Information, at each reporting date, and makes allowance for inventories that are identified as obsolete, slow-moving or no longer recoverable or suitable for use in production. The Group carries out the inventory review on a product-by-product basis and makes allowances by reference to the latest market prices and current market conditions.

(d) Income taxes and deferred income tax

There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgment is required from the Group in determining the provisions for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group recognizes deferred income tax assets based on estimates that it is probable to generate sufficient taxable profits in the foreseeable future against which the deductible losses will be utilized. The recognition of deferred income tax assets mainly involves management's judgments and estimations about the timing and the amount of taxable profits of the companies who has tax losses. No deferred income tax asset has been recognized in respect of such tax losses due to the unpredictability of future taxable income and details of unrecognized tax losses have been set out in Note 11.

(e) Warranty provisions

The Group provides product warranties on all new goods based on the contracts with its customers at the time of sale of goods. The Group accrues a warranty reserve for the goods sold by multiplying the expected unit costs for warranty services by the sales volume, which includes the best estimate of projected costs to repair or replace items under warranties. These estimates are primarily based on the estimates of the nature, frequency and average costs of future claims. These estimates are inherently uncertain given the Group's relatively short history of sales, and changes to the historical or projected warranty experience may cause material changes to the warranty provisions in the future. The portion of the warranty reserve expected to be incurred within the next 12 months is included within the accrued a warranty provision included in other current liabilities while the remaining balance is included within other non-current liabilities on the consolidated balance sheets. Warranty cost is recorded as a component of selling expenses in the consolidated statements of comprehensive loss. The Group re-evaluates the adequacy of the warranty accrual on a regular basis.

5 REVENUE AND SEGMENT INFORMATION

(a) Description of segments and principal activities

During the Track Record Period, the Group is engaged in the production, research and development and sales of autonomous driving products and solutions in the PRC. The executive directors of the Company (i.e., the CODM) review the operating results of the business as one operating segment to make strategic decisions and resources allocation. Therefore, the Group regards that there is only one segment which is used to make strategic decisions.

Geographical information

All of the Group's business and operations are conducted in Mainland China and currently, the Group's principal market, majority of revenue, operating loss and non-current assets are derived from/located in the PRC. Accordingly, no geographical segment information is presented.

(b) Revenue during the Track Record Period

Revenue represents the invoiced value of goods sold and rendering of services, which is net of rebate and discounts.

Revenue mainly comprises sales of autonomous driving solutions and other products and rendering of services. An analysis of the Group's revenue by category for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023 is as follows:

	Year ended 31 December			Six months ended 30 June	
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 (Unaudited)	2023 RMB'000
Autonomous driving solutions and products	440	86,154	1,252,949	336,755	520,856
Autonomous driving-related R&D services	4,826	34,503	37,956	5,460	12,083
Sales of PCBA products	42,389	57,601	34,977	16,956	10,273
	<u>47,655</u>	<u>178,258</u>	<u>1,325,882</u>	<u>359,171</u>	<u>543,212</u>

All the Group's revenue is recognised at a point in time.

For the years ended December 31, 2021 and 2022 and the six months ended 30 June 2022 and 2023, Geely Group was the Group's largest customer and the Group's revenue from Geely Group was RMB94.5 million, RMB1,277.5 million, RMB340.0 million and RMB516.0 million, respectively, representing approximately 53.0%, 96.4%, 94.7% and 95.0% of the Group's total revenue during the same years/periods.

(c) Assets and liabilities related to contracts with customers

The Group recognized the following assets and liabilities related to the contracts with customers:

	As at 31 December			As at
	2020	2021	2022	30 June
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Non-current assets recognised for costs incurred to acquire contracts	–	–	11,667	10,208
Current assets recognised for costs incurred to acquire contracts	–	–	2,916	2,917
Total assets recognised for costs incurred to acquire contracts (i)	–	–	14,583	13,125
Non-current assets recognised for costs incurred to fulfill contracts	2,228	5,327	6,380	6,539
Current assets recognised for costs incurred to fulfill contracts	1,255	5,417	28,246	31,601
Total assets recognised for costs incurred to fulfill contracts (ii)	3,483	10,744	34,626	38,140
Non-current liabilities – rendering of services (iii)	–	15,773	6,750	9,626
Current liabilities – rendering of services (iv)	11,675	753	26,364	29,755
Current liabilities – sales of products (v)	–	–	181	194
Total contract liabilities	11,675	16,526	33,295	39,575

(i) Assets recognised from costs to acquire contracts

In addition to the contract balances disclosed above, the Group has also recognised an asset in relation to costs to acquire contracts. This is presented within other current assets (Note 20) and non-current assets (Note 17) in the balance sheet.

	As at 31 December			As at
	2020	2021	2022	30 June
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Assets recognised from costs incurred to acquire contracts	–	–	17,500	14,583
Amortisation recognised as cost of selling products during the year/period	–	–	(2,917)	(1,458)
	–	–	14,583	13,125

(ii) Assets recognised from costs to fulfill contracts

In addition to the contract balances disclosed above, the Group has also recognised assets in relation to costs to fulfill contracts. This is presented within other current assets (Note 20) and non-current assets (Note 17) in the balance sheet.

	As at 31 December			As at
	2020	2021	2022	30 June
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Assets recognised from costs incurred to fulfill contracts at 31 December	3,483	11,085	39,388	42,126
Impairment loss recognised as cost of providing services during the year/period	–	(341)	(4,762)	(3,986)
	<u>3,483</u>	<u>10,744</u>	<u>34,626</u>	<u>38,140</u>

Contract fulfillment costs represented costs that relate directly to a contract for autonomous driving related R&D services provided by the Company, primarily including direct labour, direct materials and allocations of costs incurred in providing the promised services directly to the customers. The provision for impairment of contract fulfillment costs as recognized was RMB341,000, RMB4,421,000 and RMB305,000 for the years ended 31 December 2021 and 2022 and the six months ended 30 June 2023, respectively.

(iii) Significant changes in contract liabilities

The increase was due to the negotiation of larger prepayments and an increase in overall contract activity during the Track Record Period.

(iv) Revenue recognised in relation to contract liabilities

	Year ended 31 December			Six months ended	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Revenue recognised that was included in the contract liability balance at the beginning of the year/period	621	11,675	753	750	5,033

(v) Transaction price allocated to the unsatisfied performance obligations

	As at 31 December			As at
	2020	2021	2022	30 June
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Aggregate amount of transaction price allocated to contracts that are partially or fully unsatisfied				
Rendering of services	36,690	74,058	97,398	104,959
Sales of products	–	142,094	246,130	199,170
	<u>36,690</u>	<u>216,152</u>	<u>343,528</u>	<u>304,129</u>

The above remaining performance obligations are mainly related to the contract of rendering of services and sales of products. Management expects that the unsatisfied obligations of RMB36,690,000, RMB169,275,000, RMB329,828,000 and RMB291,009,000 as of 31 December 2020, 2021 and 2022 and 30 June 2023, respectively will be recognised as revenue within the next twelve months. The remaining unsatisfied obligations will be recognised in one to two year(s).

6 OTHER INCOME

	Year ended 31 December			Six months ended 30 June	
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 (Unaudited)	2023 RMB'000
Government grants	3,716	3,421	4,710	473	4,224

During the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, the government grants mainly include government subsidies for the Group's research and development expenditures as well as construction for advanced industry base. There are no unfulfilled conditions or other contingencies attaching to the grants recognized.

7 OTHER (LOSSES)/GAINS – NET

	Year ended 31 December			Six months ended 30 June	
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 (Unaudited)	2023 RMB'000
Net fair value gains on financial assets at FVPL (Note 21)	493	3,890	7,729	4,213	5,110
Net gains/(losses) on disposals of property, plant and equipment and intangible assets	24	(266)	(73)	13	88
Net fair value gains/(losses) on derivative financial instruments (Note 23)	–	1,518	(2,252)	(2,252)	–
Liquidation gain of a subsidiary	–	9	–	–	–
Net foreign exchange (losses)/gains	(870)	(212)	(6,284)	(2,945)	884
Others	(34)	(10)	252	404	51
	<u>(387)</u>	<u>4,929</u>	<u>(628)</u>	<u>(567)</u>	<u>6,133</u>

8 EXPENSES BY NATURE

The detailed analysis of cost of sales, selling expenses, administrative expenses and research and development expenses is as follow:

	Year ended 31 December			Six months ended 30 June	
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 (Unaudited)	2023 RMB'000
Changes in inventories of finished goods	(2,141)	(36,071)	(195,619)	(40,982)	174,242
Raw materials and consumables used	29,982	142,024	1,328,028	357,421	308,617
Employee benefit expenses (Note 9)	41,537	69,579	154,971	66,109	120,329
Design and testing expenses	10,379	29,308	56,861	15,375	20,456
Depreciation and amortization expenses (Notes 14, 15 and 16)	7,555	10,515	13,953	6,463	8,709
Travel expense	969	2,517	5,039	1,409	1,939
Legal, consulting and other professional fees	913	10,314	2,703	1,758	1,625
Advertising and publicity expenses	633	865	2,157	394	1,115
Expenses relating to short-term leases (Note 14)	157	359	727	508	206
Business development expenses	157	544	1,606	490	1,131
Auditors' remuneration – Audit services	18	185	1,266	208	292
Provision for impairment of contract fulfillment costs	–	341	4,421	521	305
Provision for impairment of inventories	–	199	25	145	241
Warranty	–	198	3,746	553	4,274
Listing expenses	–	–	2,056	–	10,367
Others	3,678	4,664	6,614	2,426	5,355
Total	93,837	235,541	1,388,554	412,798	658,107

9 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December			Six months ended 30 June	
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 (Unaudited)	2023 RMB'000
Wages, salaries and bonuses	29,317	43,472	92,935	38,780	65,832
Share-based payment expenses (Note 27)	8,554	17,708	44,026	22,127	43,220
Pension obligations, housing funds, medical insurances and other social insurances (a)	2,715	7,334	15,941	4,475	10,724
Other employee benefits (b)	951	1,065	2,069	727	553
	<u>41,537</u>	<u>69,579</u>	<u>154,971</u>	<u>66,109</u>	<u>120,329</u>

(a) Pension obligations, housing funds, medical insurances and other social insurances

Full time employees of the Group in the PRC are members of a state-managed retirement benefit schemes operated by the PRC government. The Group is required to contribute a specified percentage of payroll costs, subject to certain ceiling, as determined by local government authority to the pension obligations, housing funds, medical insurances and other social insurances to fund the benefits. The Group's liabilities in respect of benefits schemes are limited to the contribution payable in each year/period.

According to policies issued by the Ministry of Human Resources and Social Security and local municipal departments in response the impact from Coronavirus Disease 2019 (COVID-19), certain social security relief policies have been successively implemented by local authorities. As such, the social insurance expenses for the period from February to December 2020 have been reduced accordingly.

(b) Other employee benefits

Other employee benefits mainly include meal, traveling, transportation allowances and other allowances.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023 include 4, 4, 2, 3 and 3 directors respectively, whose emoluments are disclosed in the Note 37. The emoluments payable to the remaining 1, 1, 3, 2 and 2 highest paid individuals during the Track Record Period are as follows:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Wages, salaries and bonuses	828	777	2,168	926	1,057
Pension obligations, housing funds, medical insurances and other social insurances	37	80	167	81	89
Other employee benefits	5	5	10	5	5
Share-based payment expenses	333	1,004	8,357	1,391	6,979
	<u>1,203</u>	<u>1,866</u>	<u>10,702</u>	<u>2,403</u>	<u>8,131</u>

The remaining highest paid individuals fell within the following bands:

Emolument bands	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
HKD500,001- HKD1,000,000	-	-	-	-	-
HKD1,000,001- HKD1,500,000	1	-	-	1	-
HKD1,500,001- HKD2,000,000	-	-	-	1	-
HKD2,000,001- HKD2,500,000	-	1	-	-	-
HKD3,000,001- HKD3,500,000	-	-	1	-	-
HKD4,000,001- HKD4,500,000	-	-	1	-	1
HKD4,500,001- HKD5,000,000	-	-	-	-	1
HKD5,000,001- HKD5,500,000	-	-	1	-	-
	<u>-</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>-</u>

10 FINANCE COSTS – NET

	Year ended 31 December			Six months ended 30 June	
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 (Unaudited)	2023 RMB'000
Finance income:					
Interest income on cash at banks	9	94	100	85	2,034
Finance costs:					
Interest expenses on bank borrowings	(910)	(1,254)	(484)	(512)	(137)
Financial cost on financial instruments with preferred rights at amortized cost (Note 29)	(9,604)	(412,362)	(279,420)	(244,680)	–
Interest and finance charges on lease liabilities (Note 14)	(379)	(291)	(265)	(133)	(96)
Finance costs	(10,893)	(413,907)	(280,169)	(245,325)	(233)
Finance (costs)/income – net	(10,884)	(413,813)	(280,069)	(245,240)	1,801

11 INCOME TAX EXPENSE

	Year ended 31 December			Six months ended 30 June	
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 (Unaudited)	2023 RMB'000
Current income tax expense	–	–	–	–	–
Deferred income tax expense	–	–	–	–	–
Income tax expense	–	–	–	–	–

The Group's principal applicable taxes and tax rates are set out below.

The Company was entitled to a preferential corporate income tax rate of 15% during the Track Record Period. The Company obtained its High and New Technology Enterprises (“HNTE”) status in year 2019, and hence it is entitled to a preferential tax rate of 15% for a three-year period commencing 2019. This status is subject to a requirement that the Company reapply for HNTE status every three years. The Company re-applied for HNTE status and the application was approved for another three-year period commencing 2022.

In accordance with the Notice on Implementing the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises (Cai Shui [2019] No. 13) jointly issued by the Ministry of Finance and the State Taxation Administration of the PRC, from 1 January 2019 to 31 December 2021, the annual taxable income of a small low-profit enterprise that is not more than RMB1 million shall be recognised at 25% of income and be subject to the corporate income tax at a tax rate of 20%; the annual taxable income that is more than RMB1 million but no more than RMB3 million shall be recognised at 50% of income and be subject to the corporate income tax at a tax rate of 20%.

In accordance with the Implementation of Preferential Income Tax Policies in Support of the Development of Small and Micro Enterprises and Individual Businesses (Announcement of the State Taxation Administration [2021] No. 8) jointly issued by the State Taxation Administration of the PRC, from 1 January 2021 to 31 December 2022, the annual taxable income of a small low-profit enterprise that is not more than RMB1 million shall be recognised at 12.5% of income and be subject to the corporate income tax at a tax rate of 20%.

In accordance with the Announcement on Further Implementing the Preferential Income Tax Policy for Small and Micro Enterprises (Cai Shui [2022] No. 13) jointly issued by the Ministry of Finance and the State Taxation Administration of the PRC, from 1 January 2022 to 31 December 2024, the annual taxable income that is more than RMB1 million but no more than RMB3 million shall be recognised at 25% of income and be subject to the corporate income tax at a tax rate of 20%.

In accordance with the Implementation of Preferential Income Tax Policies in Support of the Development of Small and Micro Enterprises and Individual Businesses (Announcement of the State Taxation Administration [2023] No. 6) jointly issued by the State Taxation Administration of the PRC, from 1 January 2023 to 31 December 2024, the annual taxable income of a small low-profit enterprise that is not more than RMB1 million shall be recognised at 25% of income and be subject to the corporate income tax at a tax rate of 20%.

The Company's subsidiaries qualified as a small low-profit enterprise and enjoyed the above preferential income tax policy. The effective corporate income tax rate was 20% during the Track Record Period. Since 2022, iMotion Electronics Technology (Suzhou) Co., Ltd. no longer qualified as Micro and Small Enterprises.

According to the relevant laws and regulations promulgated by the State Taxation Administration of the PRC, enterprises engaging in research and development activities are entitled to claim 175% from 2018 onwards (subsequently raised to 200% from 2021 onwards) of their research and development expenses incurred as tax deductible expenses when determining their assessable profits for that year (the "Super Deduction").

A reconciliation of the expected income tax calculated at the applicable corporate income tax rate and loss before income tax, with the actual corporate income tax during the Track Record Period is as follow:

	Year ended 31 December			Six months ended	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Loss before income tax	(53,827)	(464,199)	(342,376)	(300,432)	(99,748)
Income tax credit computed at the applicable income tax rate of 25%	(13,457)	(116,050)	(85,593)	(75,108)	(24,937)
Tax effects of:					
Preferential tax rate	5,394	46,658	34,541	29,924	11,019
Expenses not deductible for taxation purposes	1,455	61,888	42,010	36,732	67
Super Deduction in respect of R&D expenditures	(2,831)	(5,208)	(10,450)	(4,479)	(9,952)
Utilisation of previously unrecognised tax losses	(99)	–	(304)	–	(2,432)

	Year ended 31 December			Six months ended 30 June	
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000	2023 RMB'000
Tax losses for which no deferred income tax assets was recognized	8,188	10,658	11,649	9,174	19,396
Other Temporary differences for which no deferred income tax assets were recognised	1,350	2,054	8,147	3,757	6,839
Income tax expense	–	–	–	–	–

As at 31 December 2020, 2021 and 2022 and 30 June 2022 and 2023, the accumulative tax losses of the Group brought over from prior years is approximately RMB141,776,000, RMB211,703,000, RMB287,308,000, RMB270,556,000 and RMB406,706,000 that can be carried forward against future taxable income, respectively. Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The Group principally conducted its business in Mainland China, where the accumulated tax losses will normally expire within 5 years. Pursuant to the relevant regulations on extension for expiries of unused tax losses of HNTE issued in August 2018, the expiry period of the accumulated unexpired tax losses of the Company, which is qualified as HNTE, from 2018 had been extended from 5 years to 10 years. The Company re-applied for HNTE status in 2022 and the approval was obtained in October 2022.

Deductible losses that are not recognized for deferred income tax assets will expire as follows:

	Year ended 31 December			Six months ended 30 June	
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000	2023 RMB'000
Expiry year					
2023	3,727	3,727	2,510	2,510	1,013
2024	8,348	8,348	8,348	8,348	1,330
2025	167	167	167	167	167
2026	–	3,170	3,170	3,170	2,356
2027	2,098	2,098	4,602	5,356	4,061
2028	27,592	27,592	27,592	27,592	27,700
2029	45,639	45,639	45,639	45,639	45,639
2030	54,205	54,205	54,205	54,205	54,205
2031	–	66,757	66,757	66,757	66,757
2032	–	–	74,318	56,812	74,318
2033	–	–	–	–	129,160
	141,776	211,703	287,308	270,556	406,706

12 LOSS PER SHARE**(a) Basic loss per share**

Basic loss per share for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023 are calculated by dividing the loss attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the year/period.

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022 <i>(Unaudited)</i>	2023
Loss attributable to the equity holders of the Company (<i>RMB'000</i>)	(53,827)	(464,199)	(342,376)	(300,432)	(99,748)
Weighted average number of ordinary shares outstanding (thousand shares) (<i>Note</i>)	144,407	165,661	193,459	186,520	204,214
Basic loss per share (expressed in RMB per share)	<u>(0.37)</u>	<u>(2.80)</u>	<u>(1.77)</u>	<u>(1.61)</u>	<u>(0.49)</u>

Note: The weighted average number of ordinary shares in issue before the Company's conversion into a joint stock company was determined assuming the paid-in capital had been fully converted into the Company's share capital at the same conversion ratio of 1:1 as upon conversion into joint stock company in August 2022.

In addition to the aforementioned, the weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effect of the Capitalization Issue (as defined in Note 25) completed on 23 March 2023.

(b) Diluted loss per share

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive instruments. For the years ended 31 December 2020 and 2021, financial instruments with preferred rights at amortized cost (Note 29) had potential dilutive impact, but they were not included in the calculation of diluted loss per share because they were antidilutive. Accordingly, diluted loss per share for the years ended 31 December 2020 and 2021 was the same as basic loss per share for the respective year/period. For the year ended 31 December 2022 and the six months ended 30 June 2023, diluted loss per share was the same as basic loss per share as there were no potentially dilutive ordinary shares outstanding during the year/period.

13 SUBSIDIARIES

(a) Subsidiaries of the Company

As at the date of this report, the Company has direct or indirect interests in the following subsidiaries:

Name of entity	Date of incorporation	Place of incorporation and kind of legal entity	Registered share capital	Effective interest held by the Group			As of Principal report date activities
				As at 31 December 2020	2021	As at 30 June 2023	
<i>In thousand</i>							
Directly held:							
iMotion Electronics Technology (Suzhou) Co., Ltd. 知辛電子科技(蘇州)有限公司 ⁽ⁱ⁾	19 June 2018	Suzhou, China, limited liability company	RMB40,000	100%	100%	100%	100% Manufacturing and assembly of products
iMotion Automotive Technology (Changshu) Co., Ltd. 知行汽車科技(常熟)有限公司 ⁽ⁱ⁾	04 December 2017	Suzhou, China, limited liability company	RMB3,500	100%	100%	100%	100% Autonomous driving testing
Shanghai Aimoxing Automobile Technology Co., Ltd. 上海艾摩星汽車科技有限公司 ⁽ⁱ⁾	15 September 2021	Shanghai, China, limited liability company	RMB4,000	N/A	100%	100%	100% Research and development
iMotion Automotive Technology (Tianjin) Co., Ltd. 知行汽車科技(天津)有限公司 ⁽ⁱ⁾	20 March 2022	Tianjin, China, limited liability company	RMB15,000	N/A	N/A	100%	100% Research and development
iMotion Germany GmbH ⁽ⁱⁱ⁾	28 June 2018	Germany, limited liability company	USD29	100%	N/A	N/A	N/A Research and development
Indirectly held:							
iMotion Electronics (Hong Kong) Technology Co., Limited ⁽ⁱⁱⁱ⁾	3 January 2022	Hong Kong ("HK"), limited liability company	USD50	N/A	N/A	100%	N/A Research and development

(i) The English name of the subsidiaries represents the best effort by the management of the Group in translating their Chinese names as they do not have an official English name.

(ii) In November 2021, iMotion Germany GmbH, was deregistered.

(iii) In August 2023, iMotion Electronics (Hong Kong) Technology Co., Limited was dissolved.

(b) Investments in subsidiaries – the Company

	As at 31 December			As at
	2020	2021	2022	30 June
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Investments in subsidiaries, at costs	36,490	47,500	47,500	62,500
Deemed investment arising from share-based payment	112	1,202	4,212	4,232
	<u>36,602</u>	<u>48,702</u>	<u>51,712</u>	<u>66,732</u>

14 LEASES

The Group

(a) Amounts recognized in the consolidated balance sheets of the Group

	As at 31 December			As at
	2020	2021	2022	30 June
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Right-of-use assets				
Land use right (i)	–	33,926	32,792	32,225
Leased buildings (ii)	6,599	5,426	4,616	3,236
	<u>6,599</u>	<u>39,352</u>	<u>37,408</u>	<u>35,461</u>
Lease liabilities				
Current	2,039	2,546	3,341	2,482
Non-current	4,962	3,367	1,572	798
	<u>7,001</u>	<u>5,913</u>	<u>4,913</u>	<u>3,280</u>

(i) In December 2021, the Group and the Company acquired land use right to construct headquarter building for manufacturing and research and development in Suzhou, Jiangsu Province, the PRC. Additions to land use rights during the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023 were nil, RMB34,021,000, nil, nil, and nil, respectively.

(ii) Additions to leased buildings of the Group and the Company during the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023 were approximately nil, RMB971,000, RMB1,808,000, RMB1,808,000 and nil, respectively.

(b) Amounts recognized in profit or loss

	As at 31 December			As at 30 June	
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 (Unaudited)	2023 RMB'000
Depreciation charge of right-of-use assets					
Land use right	–	95	1,134	567	473
Leased buildings	2,092	2,145	2,616	1,236	1,380
	<u>2,092</u>	<u>2,240</u>	<u>3,750</u>	<u>1,803</u>	<u>1,853</u>
Interest expenses (included in finance cost) (Note 10)	379	291	265	133	96
Expenses relating to short-term leases (included in cost of sales, administrative expenses and research and development expenses) (Note 8)	157	359	727	508	206
	<u>157</u>	<u>359</u>	<u>727</u>	<u>508</u>	<u>206</u>
	<u>2,628</u>	<u>2,890</u>	<u>4,742</u>	<u>2,444</u>	<u>2,155</u>

The total cash outflows for leases of buildings during the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023 were approximately RMB2,282,000, RMB2,709,000, RMB3,800,000, RMB1,881,000 and RMB1,935,000, respectively.

(c) The Group's leasing activities and how these are accounted for

In addition to land use right, the Group leases certain buildings. Rental contracts are typically made for fixed periods of 3 years to 5 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The Company

This note provides information for leases where the Company is a lessee.

(a) Amounts recognized in the balance sheets of the Company

	As at 31 December			As at
	2020 RMB'000	2021 RMB'000	2022 RMB'000	30 June 2023 RMB'000
Right-of-use assets				
Land use right	–	33,926	32,792	32,225
Leased buildings	2,925	2,943	3,325	2,541
	<u>2,925</u>	<u>36,869</u>	<u>36,117</u>	<u>34,766</u>

	As at 31 December			As at
	2020	2021	2022	30 June
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Lease liabilities				
Current	884	1,263	1,995	1,801
Non-current	2,333	2,022	1,572	798
	<u>3,217</u>	<u>3,285</u>	<u>3,567</u>	<u>2,599</u>

15 PROPERTY, PLANT AND EQUIPMENT

The Group

	Machinery and molds	Vehicles	Electronic equipment and others	Furniture	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2020							
Cost	9,289	1,755	6,336	1,571	4,775	633	24,359
Accumulated depreciation	(1,954)	(492)	(1,387)	(364)	(446)	–	(4,643)
Net book amount	<u>7,335</u>	<u>1,263</u>	<u>4,949</u>	<u>1,207</u>	<u>4,329</u>	<u>633</u>	<u>19,716</u>
Year ended 31 December 2020							
Opening net book amount	7,335	1,263	4,949	1,207	4,329	633	19,716
Transfers	–	–	–	–	831	(831)	–
Additions	1,006	–	437	–	410	198	2,051
Disposals	(3)	–	–	(16)	–	–	(19)
Depreciation charge (Note 8)	(1,570)	(343)	(1,287)	(316)	(1,249)	–	(4,765)
Closing net book amount	<u>6,768</u>	<u>920</u>	<u>4,099</u>	<u>875</u>	<u>4,321</u>	<u>–</u>	<u>16,983</u>
As at 31 December 2020							
Cost	10,292	1,755	6,773	1,544	6,016	–	26,380
Accumulated depreciation	(3,524)	(835)	(2,674)	(669)	(1,695)	–	(9,397)
Net book amount	<u>6,768</u>	<u>920</u>	<u>4,099</u>	<u>875</u>	<u>4,321</u>	<u>–</u>	<u>16,983</u>
Year ended 31 December 2021							
Opening net book amount	6,768	920	4,099	875	4,321	–	16,983
Additions	1,057	616	1,846	141	211	–	3,871
Disposals	(403)	–	(498)	(16)	–	–	(917)
Depreciation charge (Note 8)	(1,738)	(372)	(1,357)	(315)	(1,410)	–	(5,192)
Closing net book amount	<u>5,684</u>	<u>1,164</u>	<u>4,090</u>	<u>685</u>	<u>3,122</u>	<u>–</u>	<u>14,745</u>

	Machinery and molds RMB'000	Vehicles RMB'000	Electronic equipment and others RMB'000	Furniture RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
As at 31 December 2021							
Cost	10,697	2,371	7,788	1,660	6,227	–	28,743
Accumulated depreciation	(5,013)	(1,207)	(3,698)	(975)	(3,105)	–	(13,998)
Net book amount	<u>5,684</u>	<u>1,164</u>	<u>4,090</u>	<u>685</u>	<u>3,122</u>	<u>–</u>	<u>14,745</u>
Year ended 31 December 2022							
Opening net book amount	5,684	1,164	4,090	685	3,122	–	14,745
Additions	10,748	417	7,268	1,318	2,882	189	22,822
Disposals	–	(14)	(84)	–	–	–	(98)
Depreciation charge (Note 8)	(1,790)	(402)	(2,466)	(424)	(1,683)	–	(6,765)
Closing net book amount	<u>14,642</u>	<u>1,165</u>	<u>8,808</u>	<u>1,579</u>	<u>4,321</u>	<u>189</u>	<u>30,704</u>
As at 31 December 2022							
Cost	21,445	2,648	14,847	2,978	9,109	189	51,216
Accumulated depreciation	(6,803)	(1,483)	(6,039)	(1,399)	(4,788)	–	(20,512)
Net book amount	<u>14,642</u>	<u>1,165</u>	<u>8,808</u>	<u>1,579</u>	<u>4,321</u>	<u>189</u>	<u>30,704</u>
Six months ended 30 June 2023							
Opening net book amount	14,642	1,165	8,808	1,579	4,321	189	30,704
Additions	2,342	1,196	1,888	6	32	7,434	12,898
Depreciation charge (Note 8)	(1,529)	(231)	(1,846)	(224)	(1,064)	–	(4,894)
Closing net book amount	<u>15,455</u>	<u>2,130</u>	<u>8,850</u>	<u>1,361</u>	<u>3,289</u>	<u>7,623</u>	<u>38,708</u>
As at 30 June 2023							
Cost	23,787	3,844	16,735	2,984	9,141	7,623	64,114
Accumulated depreciation	(8,332)	(1,714)	(7,885)	(1,623)	(5,852)	–	(25,406)
Net book amount	<u>15,455</u>	<u>2,130</u>	<u>8,850</u>	<u>1,361</u>	<u>3,289</u>	<u>7,623</u>	<u>38,708</u>

(a) Depreciation of property, plant and equipment charged to profit or loss is analyzed as follows:

	Year ended 31 December			Six months ended 30 June	
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000	2023 RMB'000
Cost of sales	2,067	2,707	2,909	1,364	1,465
Selling expenses	–	–	13	5	14
Administrative expenses	974	592	642	311	356
Research and development expenses	1,724	1,893	3,201	1,294	3,059
	<u>4,765</u>	<u>5,192</u>	<u>6,765</u>	<u>2,974</u>	<u>4,894</u>

The Company

	Machinery and molds RMB'000	Vehicles RMB'000	Electronic equipment and others RMB'000	Furniture RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
As at 1 January 2020							
Cost	–	1,367	4,912	916	724	–	7,919
Accumulated depreciation	–	(364)	(977)	(169)	(108)	–	(1,618)
Net book amount	–	1,003	3,935	747	616	–	6,301
Year ended 31 December 2020							
Opening net book amount	–	1,003	3,935	747	616	–	6,301
Additions	133	–	424	–	–	–	557
Depreciation charge	(11)	(263)	(996)	(163)	(145)	–	(1,578)
Closing net book amount	122	740	3,363	584	471	–	5,280
As at 31 December 2020							
Cost	133	1,367	5,336	916	724	–	8,476
Accumulated depreciation	(11)	(627)	(1,973)	(332)	(253)	–	(3,196)
Net book amount	122	740	3,363	584	471	–	5,280
Year ended 31 December 2021							
Opening net book amount	122	740	3,363	584	471	–	5,280
Additions	262	615	1,798	138	–	–	2,813
Disposals	(3)	–	(494)	(16)	–	–	(513)
Depreciation charge	(41)	(292)	(1,086)	(172)	(145)	–	(1,736)
Closing net book amount	340	1,063	3,581	534	326	–	5,844
As at 31 December 2021							
Cost	391	1,982	6,378	1,028	724	–	10,503
Accumulated depreciation	(51)	(919)	(2,797)	(494)	(398)	–	(4,659)
Net book amount	340	1,063	3,581	534	326	–	5,844
Year ended 31 December 2022							
Opening net book amount	340	1,063	3,581	534	326	–	5,844
Additions	10,481	417	7,059	1,293	2,443	189	21,882
Disposals	–	(14)	(85)	–	–	–	(99)
Depreciation charge	(138)	(326)	(2,178)	(310)	(521)	–	(3,473)
Closing net book amount	10,683	1,140	8,377	1,517	2,248	189	24,154
As at 31 December 2022							
Cost	10,872	2,260	13,231	2,320	3,167	189	32,039
Accumulated depreciation	(189)	(1,120)	(4,854)	(803)	(919)	–	(7,885)
Net book amount	10,683	1,140	8,377	1,517	2,248	189	24,154

	Machinery and molds <i>RMB'000</i>	Vehicles <i>RMB'000</i>	Electronic equipment and others <i>RMB'000</i>	Furniture <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
Six months ended 30 June 2023							
Opening net book amount	10,683	1,140	8,377	1,517	2,248	189	24,154
Additions	2,256	677	1,888	6	–	7,434	12,261
Depreciation charge	(767)	(193)	(1,717)	(215)	(481)	–	(3,373)
Closing net book amount	<u>12,172</u>	<u>1,624</u>	<u>8,548</u>	<u>1,308</u>	<u>1,767</u>	<u>7,623</u>	<u>33,042</u>
As at 30 June 2023							
Cost	13,128	2,937	15,119	2,326	3,167	7,623	44,300
Accumulated depreciation	(956)	(1,313)	(6,571)	(1,018)	(1,400)	–	(11,258)
Net book amount	<u>12,172</u>	<u>1,624</u>	<u>8,548</u>	<u>1,308</u>	<u>1,767</u>	<u>7,623</u>	<u>33,042</u>

16 INTANGIBLE ASSETS**The Group**

	Software <i>RMB'000</i>
As at 1 January 2020	
Cost	2,074
Accumulated amortization	<u>(293)</u>
Net book amount	<u>1,781</u>
Year ended 31 December 2020	
Opening net book amount	1,781
Additions	6,913
Amortization charge (<i>Note 8</i>)	<u>(865)</u>
Closing net book amount	<u>7,829</u>
As at 31 December 2020	
Cost	8,987
Accumulated amortization	<u>(1,158)</u>
Net book amount	<u>7,829</u>
Year ended 31 December 2021	
Opening net book amount	7,829
Additions	2,218
Amortization charge (<i>Note 8</i>)	<u>(3,083)</u>
Closing net book amount	<u>6,964</u>

	Software <i>RMB'000</i>
As at 31 December 2021	
Cost	11,205
Accumulated amortization	<u>(4,241)</u>
Net book amount	<u>6,964</u>
Year ended 31 December 2022	
Opening net book amount	6,964
Additions	1,333
Amortization charge (<i>Note 8</i>)	<u>(3,438)</u>
Closing net book amount	<u>4,859</u>
As at 31 December 2022	
Cost	12,538
Accumulated amortization	<u>(7,679)</u>
Net book amount	<u>4,859</u>
Six months ended 30 June 2023	
Opening net book amount	4,859
Additions	1,419
Amortization charge (<i>Note 8</i>)	<u>(1,962)</u>
Closing net book amount	<u>4,316</u>
As at 30 June 2023	
Cost	13,957
Accumulated amortization	<u>(9,641)</u>
Net book amount	<u>4,316</u>

(a) Amortization of intangible assets has been charged to profit or loss for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023 as follows:

	Year ended 31 December			Six months ended 30 June	
	2020 <i>RMB'000</i>	2021 <i>RMB'000</i>	2022 <i>RMB'000</i>	2022 <i>RMB'000</i>	2023 <i>RMB'000</i>
Cost of sales	74	649	1,180	610	233
Administrative expenses	115	121	249	137	343
Research and development expenses	<u>676</u>	<u>2,313</u>	<u>2,009</u>	<u>939</u>	<u>1,386</u>
	<u>865</u>	<u>3,083</u>	<u>3,438</u>	<u>1,686</u>	<u>1,962</u>

The Company

	Software <i>RMB'000</i>
As at 1 January 2020	
Cost	695
Accumulated amortization	<u>(203)</u>
Net book amount	<u>492</u>
Year ended 31 December 2020	
Opening net book amount	492
Additions	6,913
Amortization charge	<u>(690)</u>
Closing net book amount	<u>6,715</u>
As at 31 December 2020	
Cost	7,608
Accumulated amortization	<u>(893)</u>
Net book amount	<u>6,715</u>
Year ended 31 December 2021	
Opening net book amount	6,715
Additions	2,198
Amortization charge	<u>(2,911)</u>
Closing net book amount	<u>6,002</u>
As at 31 December 2021	
Cost	9,806
Accumulated amortization	<u>(3,804)</u>
Net book amount	<u>6,002</u>
Year ended 31 December 2022	
Opening net book amount	6,002
Additions	1,308
Amortization charge	<u>(3,311)</u>
Closing net book amount	<u>3,999</u>
As at 31 December 2022	
Cost	11,114
Accumulated amortization	<u>(7,115)</u>
Net book amount	<u>3,999</u>

	Software <i>RMB'000</i>
Six months ended 30 June 2023	
Opening net book amount	3,999
Additions	2,234
Amortization charge	<u>(1,953)</u>
Closing net book amount	<u>4,280</u>
As at 30 June 2023	
Cost	13,348
Accumulated amortization	<u>(9,068)</u>
Net book amount	<u>4,280</u>

17 OTHER NON-CURRENT ASSETS**The Group and the Company**

	As at 31 December			As at
	2020	2021	2022	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contract fulfillment costs (a)	2,228	5,668	8,212	8,372
Less: provisions for impairment of contract fulfillment costs (Note 20)	<u>–</u>	<u>(341)</u>	<u>(1,832)</u>	<u>(1,833)</u>
	2,228	5,327	6,380	6,539
Prepayment for property, plant and equipment	<u>–</u>	<u>881</u>	<u>1,885</u>	<u>2,490</u>
Capitalized upfront fee (b)	–	–	14,583	13,125
Less: Non-current capitalized upfront fee to be settled within one year (Note 20)	<u>–</u>	<u>–</u>	<u>(2,916)</u>	<u>(2,917)</u>
	<u>–</u>	<u>–</u>	<u>11,667</u>	<u>10,208</u>
	<u>2,228</u>	<u>6,208</u>	<u>19,932</u>	<u>19,237</u>

(a) The amortisation of contract fulfillment costs charged to cost of sales was RMB3,654,000, RMB8,888,000, RMB12,628,000, RMB5,106,000 and RMB8,116,000 for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, respectively.

(b) Capitalized upfront fee represents the payments to customers made by the Company in order to obtain certain contracts, which are amortized to offsetting revenue based on the transfer of relevant goods and services. The amount of amortization to net sales was RMB2,917,000 and RMB1,458,000 for the year ended 31 December 2022 and the six months ended 30 June 2023, respectively.

As at 31 December 2022 and 30 June 2023, there have been no impairment losses in relation to the costs capitalized.

18 INVENTORIES

The Group

	As at 31 December			As at
	2020	2021	2022	30 June
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Raw materials	5,730	7,325	36,700	101,248
Semi-finished goods	1,731	464	624	96
Work in progress	1,512	113	3,180	2,218
Finished goods	511	39,249	231,640	58,888
	<u>9,484</u>	<u>47,151</u>	<u>272,144</u>	<u>162,450</u>
Less: provisions for impairment of raw materials	<u>–</u>	<u>(145)</u>	<u>(170)</u>	<u>(369)</u>
	<u>9,484</u>	<u>47,006</u>	<u>271,974</u>	<u>162,081</u>

Raw materials primarily consist of materials for volume production which will be transferred into production cost when incurred as well as using for research and development.

Finished goods include products ready for transit at production plants and products delivered to customers but acceptance has not been obtained yet.

During the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, inventories recognized as cost of sales amounted to approximately RMB27,370,000, RMB103,218,000, RMB1,128,160,000, RMB313,733,000 and RMB482,360,000, respectively, and the provision for impairment of inventories as recognized for the respective years/periods amounted to approximately nil, RMB199,000, RMB25,000, RMB145,000 and RMB241,000, respectively. All these expenses and impairment charge have been included in “cost of sales” in the consolidated statements of comprehensive loss.

The Company

	As at 31 December			As at
	2020	2021	2022	30 June
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Raw materials	1,648	1,697	1,936	50,360
Semi-finished goods	–	–	3	47
Finished goods	–	39,183	230,453	56,149
	<u>1,648</u>	<u>40,880</u>	<u>232,392</u>	<u>106,556</u>
Less: provisions for impairment of raw materials	<u>–</u>	<u>–</u>	<u>(2)</u>	<u>(105)</u>
	<u>1,648</u>	<u>40,880</u>	<u>232,390</u>	<u>106,451</u>

19 TRADE AND NOTES RECEIVABLES

The Group

	As at 31 December			As at
	2020	2021	2022	30 June
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Notes receivables (a)	254	904	750	7,775
Provisions for impairment	–	–	–	–
	<u>254</u>	<u>904</u>	<u>750</u>	<u>7,775</u>
Trade receivables				
Due from third parties	15,201	112,041	293,978	121,438
Provisions for impairment	(207)	(1,656)	(5,370)	(2,323)
	<u>14,994</u>	<u>110,385</u>	<u>288,608</u>	<u>119,115</u>
Total	<u>15,248</u>	<u>111,289</u>	<u>289,358</u>	<u>126,890</u>

(a) Notes receivables

As at 31 December 2020, 2021 and 2022 and 30 June 2023, notes receivables were bank acceptance notes aged less than six months.

(b) Trade receivables

(i) Aging analysis of the trade receivables

As at 31 December 2020, 2021 and 2022 and 30 June 2023, the aging analysis of the trade receivables based on revenue recognition date is as follows:

	As at 31 December			As at
	2020	2021	2022	30 June
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Within 3 months	14,117	111,462	273,481	36,349
3 to 6 months	1,084	194	20,031	38,626
6 to 12 months	–	385	466	46,034
Over 12 months	–	–	–	429
	<u>15,201</u>	<u>112,041</u>	<u>293,978</u>	<u>121,438</u>

(ii) Fair values of the trade receivables

Due to the short-term nature of the current receivables, their carrying amounts are considered to be approximately the same as their fair values.

*(iii) Impairment and risk exposure*Trade receivables

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Details of the allowance for impairment and the movement in the allowance balance has been set out in Note 3.1(b).

As at 31 December 2022 and 30 June 2023, as the customers with trade receivable amounted to RMB450,000 have encountered difficulties in operations, the Group has evaluated the cash flow that might not be collected, therefore provision for bad debt amounting to RMB450,000 had been fully provided.

The Company

	As at 31 December			As at
	2020	2021	2022	30 June
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Notes receivables	254	904	750	7,775
Provisions for impairment	–	–	–	–
	<u>254</u>	<u>904</u>	<u>750</u>	<u>7,775</u>
Trade receivables				
Due from subsidiaries	–	20	19,914	25,317
Due from third parties	2,553	91,813	288,038	119,331
	<u>2,553</u>	<u>91,833</u>	<u>307,952</u>	<u>144,648</u>
Gross trade receivables	2,553	91,833	307,952	144,648
Provisions for impairment (a)	(40)	(1,395)	(5,615)	(2,677)
	<u>2,513</u>	<u>90,438</u>	<u>302,337</u>	<u>141,971</u>
	<u>2,767</u>	<u>91,342</u>	<u>303,087</u>	<u>149,746</u>

*(a) Trade receivables**(i) Aging analysis of the trade receivables*

As at 31 December 2020, 2021 and 2022 and 30 June 2023, the aging analysis of the trade receivables based on revenue recognition date is as follows:

	As at 31 December			As at
	2020	2021	2022	30 June
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Within 3 months	2,109	91,695	282,179	44,250
3 to 6 months	444	41	25,344	45,466
6 to 12 months	–	97	429	54,503
Over 12 months	–	–	–	429
	<u>2,553</u>	<u>91,833</u>	<u>307,952</u>	<u>144,648</u>

20 OTHER CURRENT ASSETS

The Group

	As at 31 December			As at
	2020	2021	2022	30 June
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Other receivables (a)				
– Refundable deposits (i)	671	2,828	1,416	1,278
– Loan to staff (iii)	–	–	–	1,000
– Payments on behalf of employees	98	74	40	291
– Others	172	53	77	216
	941	2,955	1,533	2,785
Provisions for impairment (ii)	(14)	(18)	(21)	(79)
	927	2,937	1,512	2,706
Prepayments for (b)				
– raw materials to third parties	116	490	5,932	5,870
– other taxes	31	117	931	763
– capitalized upfront fee (Note 17)	–	–	2,916	2,917
– listing expenses	–	–	–	653
– other operating expenses	176	585	1,891	3,148
	323	1,192	11,670	13,351
Contract fulfillment costs	1,255	5,417	31,176	33,754
Less: provisions for impairment of contract fulfillment costs	–	–	(2,930)	(2,153)
	1,255	5,417	28,246	31,601
Deferred listing expenses	–	–	1,754	9,444
Input VAT to be deducted (c)	4,688	1,236	1,996	3,211
Total other current assets	7,193	10,782	45,178	60,313

As at 31 December 2020, 2021 and 2022 and 30 June 2023, the fair values of other current assets of the Group, except for the prepayments and input VAT to be deducted which are not financial assets, approximated their carrying amounts.

The carrying amounts of the Group's other current assets are all denominated in RMB.

(a) Other receivables

(i) Refundable deposits

Refundable deposits consist primarily of security deposits for rental of buildings and customs deposits.

(ii) Impairment and risk exposure

For other receivables, management performs periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experiences incorporating forward-looking information. Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

Expected credit loss (“ECL”) model for other receivables, as summarized below:

- The other receivables that is not credit-impaired on initial recognition is classified in ‘Stage 1’ and has its credit risk continuously monitored by the Group. The expected credit loss is measured on a 12-month basis;
- If a significant increase in credit risk (as defined below) since initial recognition is identified, the financial instrument is moved to ‘Stage 2’ but is not yet deemed to be credit-impaired. The expected credit loss is measured on lifetime basis;
- If the financial instrument is credit-impaired (as defined below), the financial instrument is then moved to ‘Stage 3’. The expected credit loss is measured on lifetime basis; and
- Under Stages 1 and 2, if a financial asset subsequently becomes credit-impaired (Stage 3), the Group is required to calculate the interest income by applying the effective interest method in subsequent reporting period to the amortized cost of the financial asset (the gross carrying amount net of loss allowance) rather than the gross carrying amount.

The loss allowance recognized in the year/period is impacted by a variety of factors, as described below:

- Transfer between stage 1, stage 2 or stage 3 due to other receivables experiencing significant increases (or decreases) of credit risk in the period, and the subsequent “step up” (or “step down”) between 12-month and lifetime ECL;
- Additional allowances for new financial instruments recognized, as well as releases for other receivables derecognized in the period; and
- Other receivables derecognized and write-offs of allowance related to assets that were written off during the year/period.

The Group considers counter-parties as follows:

- ‘Stage 1’ – Counter-parties who have a low risk of default and a strong capacity to meet contractual cash flows;
- ‘Stage 2’ – Counter-parties whose repayments are past due but with reasonable expectation of recovery; and
- ‘Stage 3’ – Counter-parties whose repayments are past due and with low reasonable expectation of recovery.

The following tables summarized the loss allowance for other receivables as analyzed by different stages:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount as at 31 December 2020 (<i>RMB'000</i>)	941	–	–	941
Loss allowance as at 31 December 2020 (<i>RMB'000</i>)	(14)	–	–	(14)
Expected credit loss rate	<u>1.46%</u>	<u>–</u>	<u>–</u>	<u>1.46%</u>
Gross carrying amount as at 31 December 2021 (<i>RMB'000</i>)	2,955	–	–	2,955
Loss allowance as at 31 December 2021 (<i>RMB'000</i>)	(18)	–	–	(18)
Expected credit loss rate	<u>0.60%</u>	<u>–</u>	<u>–</u>	<u>0.60%</u>
Gross carrying amount as at 31 December 2022 (<i>RMB'000</i>)	1,533	–	–	1,533
Loss allowance as at 31 December 2022 (<i>RMB'000</i>)	(21)	–	–	(21)
Expected credit loss rate	<u>1.34%</u>	<u>–</u>	<u>–</u>	<u>1.34%</u>
Gross carrying amount as at 30 June 2023 (<i>RMB'000</i>)	2,785	–	–	2,785
Loss allowance as at 30 June 2023 (<i>RMB'000</i>)	(79)	–	–	(79)
Expected credit loss rate	<u>2.84%</u>	<u>–</u>	<u>–</u>	<u>2.84%</u>

(iii) As at 30 June 2023, the loan to staff represented a loan to Mr. Ge Dingfeng, the chief operation officer of the Company. The loan was unsecured, interest-free and due by 30 September 2023.

- (b) The prepayments represented prepayments to third parties during the Track Record Period.
- (c) Input VAT to be deducted are mainly input VAT arisen from the acquisition of property, plant and equipment, intangible assets and materials. According to Announcement of the General Administration of Taxation and Customs of the Ministry of Finance on Policies for Deepening the Reform of Value-Added Tax (Announcement of the General Administration of Taxation and Customs of the Ministry of Finance, (2019) No. 39), enterprises with value-added tax recoverable balance can, starting from 1 April 2019, apply for value-added tax credit refund.

The Company

	As at 31 December			As at
	2020	2021	2022	30 June
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Other receivables				
– Due from subsidiaries	4,551	947	2,137	1,122
– Refundable deposits	434	2,552	1,127	1,009
– Loan to staff (ii)	–	–	–	1,000
– Payments on behalf of employees	94	70	40	291
– Others	120	1	75	213
	<u>5,199</u>	<u>3,570</u>	<u>3,379</u>	<u>3,635</u>
Provisions for impairment (i)	(82)	(28)	(52)	(92)
	<u>5,117</u>	<u>3,542</u>	<u>3,327</u>	<u>3,543</u>
Prepayments for				
– raw materials to subsidiaries	1,075	1,120	–	–
– raw materials to third parties	116	490	5,932	5,870
– other taxes	162	169	919	763
– capitalised upfront fee	–	–	2,916	2,917
– listing expenses	–	–	–	653
– other operating expenses	85	319	1,757	3,008
	<u>1,438</u>	<u>2,098</u>	<u>11,524</u>	<u>13,211</u>
Contract fulfillment costs	1,255	5,417	31,176	33,754
Less: provisions for impairment of contract fulfillment costs	–	–	(2,930)	(2,153)
	<u>1,255</u>	<u>5,417</u>	<u>28,246</u>	<u>31,601</u>
Deferred listing expenses	–	–	1,754	9,444
	<u>2,641</u>	<u>47</u>	<u>55</u>	<u>1,098</u>
Input VAT to be deducted	2,641	47	55	1,098
	<u>10,451</u>	<u>11,104</u>	<u>44,906</u>	<u>58,897</u>
Total other current assets	<u>10,451</u>	<u>11,104</u>	<u>44,906</u>	<u>58,897</u>

(i) Impairment and risk exposure

The following tables explain the changes in the loss allowance for the Company's other receivables as analyzed by different stages:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount as at 31 December 2020 (RMB'000)	5,199	–	–	5,199
Loss allowance as at 31 December 2020 (RMB'000)	(82)	–	–	(82)
Expected credit loss rate	1.58%	–	–	1.58%
Gross carrying amount as at 31 December 2021 (RMB'000)	3,570	–	–	3,570
Loss allowance as at 31 December 2021 (RMB'000)	(28)	–	–	(28)
Expected credit loss rate	0.78%	–	–	0.78%
Gross carrying amount as at 31 December 2022 (RMB'000)	3,379	–	–	3,379
Loss allowance as at 31 December 2022 (RMB'000)	(52)	–	–	(52)
Expected credit loss rate	1.54%	–	–	1.54%
Gross carrying amount as at 30 June 2023 (RMB'000)	3,635	–	–	3,635
Loss allowance as at 30 June 2023 (RMB'000)	(92)	–	–	(92)
Expected credit loss rate	2.53%	–	–	2.53%

(ii) As at 30 June 2023, the loan to staff represented a loan to Mr. Ge Dingfeng, the chief operation officer of the Company. The loan was unsecured, interest-free and due by 30 September 2023.

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**The Group and the Company**

The Group classifies the followings as financial assets at FVPL:

- debt investments that do not qualify for measurement at either amortized cost or FVOCI
- equity investments that are held for trading, and
- equity investments for which the Group has not elected to recognize fair value gains and losses through OCI.

The Group and the Company's financial assets measured at FVPL include the following:

	As at 31 December			As at
	2020	2021	2022	30 June
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Non-current assets (the Group)				
Unlisted investment with preferred rights (a)	–	3,000	3,000	3,502
Current assets (the Group and the Company)				
Investments in wealth management products issued by banks and financial institutes (b)	24,443	242,832	182,408	250,591

- (a) In November 2021, the Group purchased 1.11% equity interest of Lingti Technology (Shanghai) Co., Ltd. (瓊鈦科技(上海)有限公司) (“Lingti”) with total consideration of RMB3,000,000, which is recorded as investment measured at fair value through profit or loss. Lingti is a company specializing in the development of millimeter wave sensor chips and relative module solutions of algorithm software.
- (b) The principals and returns of the wealth management products are not guaranteed, hence their contractual cash flows do not qualify for solely payments of principal and interest. Therefore, the wealth management products issued by banks and financial institutes are measured at fair value through profit or loss.
- (c) Amounts recognized in profit or loss is set out below:

During the year/period, the following net fair value gains were recognized in the consolidated statements of comprehensive loss:

	Year ended 31 December			Six months ended	
	2020	2021	2022	30 June	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Net fair value gains on financial assets at FVPL recognized in other gains/(losses) – net (Note 7)					
– realized	250	2,396	6,321	1,952	3,682
– unrealized	243	1,494	1,408	2,261	1,428
	493	3,890	7,729	4,213	5,110

22 CASH AND CASH EQUIVALENTS

The Group

(a) Cash and cash equivalents

	As at 31 December			As at
	2020	2021	2022	30 June
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Cash at banks	17,212	32,875	366,580	146,987
Less: restricted cash (b)	(300)	(833)	(835)	(300)
	<u>16,912</u>	<u>32,042</u>	<u>365,745</u>	<u>146,687</u>
Cash and cash equivalents	<u>16,912</u>	<u>32,042</u>	<u>365,745</u>	<u>146,687</u>

The maximum exposure to credit risk at the reporting date is the carrying values of cash and cash equivalents as mentioned above.

(b) Restricted cash

As at 31 December 2020, 2021 and 2022 and 30 June 2023, restricted cash with amount of RMB300,000 were government grants reserved in separate account, mainly for subsidizing the Group's purchases of equipment, which can not be withdrawn without prior application.

As at 31 December 2021 and 2022, restricted cash with amount of RMB533,000 and RMB535,000 were guarantee deposits for forward exchange agreements, respectively.

Cash and cash equivalents are denominated in:

	As at 31 December			As at
	2020	2021	2022	30 June
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
RMB	16,555	13,938	340,082	142,345
USD	261	18,104	25,663	4,342
EUR	96	–	–	–
	<u>16,912</u>	<u>32,042</u>	<u>365,745</u>	<u>146,687</u>
	<u>16,912</u>	<u>32,042</u>	<u>365,745</u>	<u>146,687</u>

The Company

(a) Cash and cash equivalents

	As at 31 December			As at
	2020	2021	2022	30 June
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Cash at banks	15,958	22,507	357,739	140,687
Less: restricted cash	(300)	(833)	(835)	(300)
	<u>15,658</u>	<u>21,674</u>	<u>356,904</u>	<u>140,387</u>
Cash and cash equivalents	<u>15,658</u>	<u>21,674</u>	<u>356,904</u>	<u>140,387</u>

The maximum exposure to credit risk at the reporting date is the carrying values of cash and cash equivalents as mentioned above.

Cash and cash equivalents are denominated in:

	As at 31 December			As at
	2020	2021	2022	30 June
	RMB'000	RMB'000	RMB'000	2023
RMB	15,532	11,109	335,411	139,713
USD	126	10,565	21,493	674
	<u>15,658</u>	<u>21,674</u>	<u>356,904</u>	<u>140,387</u>

23 DERIVATIVE FINANCIAL INSTRUMENTS

The Group and the Company

	As at 31 December			As at
	2020	2021	2022	30 June
	RMB'000	RMB'000	RMB'000	2023
Foreign exchange forward contracts	–	1,451	–	–
	<u>–</u>	<u>1,451</u>	<u>–</u>	<u>–</u>

As at 31 December 2021, the Company entered into 10 foreign exchange forward contracts with total principal amounts of USD11,000,000. The forward contracts were all settled in 2022.

Amount recognized in profit or loss is set out below:

	Year ended 31 December			Six months ended	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Fair value (losses)/gains – net (Note 7)				(Unaudited)	
– realized	–	67	(2,252)	(2,252)	–
– unrealized	–	1,451	–	–	–
	<u>–</u>	<u>1,518</u>	<u>(2,252)</u>	<u>(2,252)</u>	<u>–</u>

24 PAID-IN CAPITAL

The Group and the Company

	Paid-in capital RMB'000
As at 1 January 2020	7,018
Capital contributions from series B-1 investors (a)	365
Capital contributions from series B-2 investors (b)	186
	<hr/>
As at 31 December 2020	7,569
	<hr/>
As at 1 January 2021	7,569
Capital contributions from series B-1 investors (a)	122
Capital contributions from series B-2 investors (b)	1
Capital contributions from series B-3 investors (c)	157
Capital contributions from series B-4 investors (d)	157
Capital contributions from series C-1 investors (e)	1,081
	<hr/>
As at 31 December 2021	9,087
	<hr/>
As at 1 January 2022	9,087
Capital contributions from series C-2 investor (f)	358
Capital contributions from series C-3 investor (g)	766
Conversion into a joint stock company (Note 25(a))	(10,211)
	<hr/>
As at 31 December 2022 and 30 June 2023	-
	<hr/> <hr/>

- (a) In June 2020, the Company entered into an investment agreement with series B-1 investors, pursuant to which total capital of RMB52,000,000 was contributed into the Company. The proceeds of RMB39,000,000 were received by the Company in June 2020. The remaining proceeds of RMB13,000,000 were received by the Company in Jan 2021, with RMB486,605 (approximately 4.8% of total paid-in capital before the Company's conversion into a joint stock company (Note 25(a))) and RMB51,513,395 credited to the Company's paid-in capital and capital reserves, respectively (Note 26). Certain preferred rights upon capital contribution were granted to series B-1 investor (Note 29).
- (b) In December 2020, the Company entered into an investment agreement with series B-2 investor, pursuant to which total capital of RMB20,000,000 was contributed into the Company. The proceeds of RMB19,850,000 were received by the Company in December 2020. The remaining proceeds of RMB150,000 were received by the Company in Jan 2021, with RMB187,156 (approximately 1.8% of total paid-in capital before the Company's conversion into a joint stock company (Note 25(a))) and RMB19,812,844 credited to the Company's paid-in capital and capital reserves, respectively (Note 26). Certain preferred rights upon capital contribution were granted to series B-2 investor (Note 29).
- (c) In January 2021, the Company entered into capital contribution agreement with series B-3 investors, pursuant to which total capital of RMB20,000,000 was contributed into the Company. The proceeds of RMB20,000,000 were received by the Company in Feb 2021, with approximately RMB156,982 (approximately 1.5% of total paid-in capital before the Company's conversion into a joint stock company (Note 25(a))) and RMB19,843,018 credited to the Company's paid-in capital and capital reserves, respectively (Note 26). Certain preferred rights upon capital contribution were granted to series B-3 investors (Note 29).
- (d) In February 2021, the Company entered into capital contribution agreement with series B-4 investors, pursuant to which total capital of RMB20,000,000 was contributed into the Company. The proceeds of RMB20,000,000 were received by the Company in Feb 2021, with approximately RMB156,982 (approximately 1.5% of total

paid-in capital before the Company's conversion into a joint stock company (Note 25(a))) and RMB19,843,018 credited to the Company's paid-in capital and capital reserves, respectively (Note 26). Certain preferred rights upon capital contribution were granted to series B-4 investors (Note 29).

- (e) In August 2021, the Company entered into capital contribution agreement with series C-1 investors, pursuant to which total capital of RMB270,000,000 was contributed to the Company. The proceeds of RMB270,000,000 were received by the Company in September 2021, with approximately RMB1,080,819 (approximately 10.6% of total paid-in capital before the Company's conversion into a joint stock company (Note 25(a))) and RMB268,919,181 credited to the Company's paid-in capital and capital reserves, respectively (Note 26). Certain preferred rights upon capital contribution were granted to series C-1 investors (Note 29).
- (f) In February 2022, the Company entered into capital contribution agreement with series C-2 investors, pursuant to which total capital of RMB98,500,000 was contributed to the Company. The proceeds of RMB66,500,000 were received by the Company in Feb 2022. The remaining proceeds of RMB32,000,000 were received by the Company in March 2022, with approximately RMB358,023 (approximately 3.5% of total paid-in capital before the Company's conversion into a joint stock company (Note 25(a))) and RMB98,141,977 credited to the Company's paid-in capital and capital reserves, respectively (Note 26). Certain preferred rights upon capital contribution were granted to series C-2 investors (Note 29).
- (g) On 31 July 2022, the Company entered into capital contribution agreement with series C-3 investor, pursuant to which total capital of RMB247,500,000 was contributed to the Company. The proceeds of RMB247,500,000 were received by the Company in August 2022, with approximately RMB765,804 (approximately 7.5% of total paid-in capital before the Company's conversion into a joint stock company (Note 25(a))) and RMB246,734,196 credited to the Company's paid-in capital and capital reserves, respectively (Note 26). Certain preferred rights upon capital contribution were granted to series C-3 investor (Note 29).

25 SHARE CAPITAL

The Group and the Company

A summary of movements in the Company's authorized, issued and fully paid share capital is as follows:

	Number of shares	Share capital <i>RMB'000</i>
As at 1 January 2022	–	–
Conversion into a joint stock limited company (a)	10,210,717	10,211
As at 31 December 2022	10,210,717	10,211
As at 1 January 2023	10,210,717	10,211
Capitalization Issue (b)	194,003,623	194,003
As at 30 June 2023	204,214,340	204,214

- (a) In December 2022, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC. The net assets of the Company as at the conversion date were converted into approximately 10,210,717 ordinary shares at RMB1 each. The excess of net assets converted over nominal value of the ordinary shares was credited to the Company's share premium (Note 26).
- (b) On March 23, 2023, the Shareholders of the Company passed a resolution approving the capitalization of RMB194,003,623 from the share premium reserve for the issuing of 194,003,623 Shares with a nominal value of RMB1.0 each to the Shareholders at that time on a pro rata basis (the "Capitalization Issue"). Upon completion, the total issued Shares of the Company increased from 10,210,717 Shares to 204,214,340 Shares with a nominal value of RMB1.0 each.

26 TREASURY STOCK AND RESERVES

The following table shows a breakdown of the balance sheet line items “treasury stock” and “reserves” and their movements during the respective years/period. A description of the nature and purpose of each reserve is provided below the table.

The Group

	Reserves					Total RMB'000
	Treasury stock RMB'000	Share premium RMB'000	Capital reserves RMB'000	Other reserves RMB'000	Foreign currency translation RMB'000	
As at 1 January 2020	(83,516)	–	77,273	4,779	29	82,081
Capital contributions from series B-1 investors	–	–	38,635	–	–	38,635
Capital contributions from series B-2 investors	–	–	19,664	–	–	19,664
Recognition of financial instruments with preferred rights at amortized cost (a)	(58,850)	–	–	–	–	–
Share-based payment (Note 27)	–	–	–	8,554	–	8,554
Currency translation differences	–	–	–	–	3	3
As at 31 December 2020	<u>(142,366)</u>	<u>–</u>	<u>135,572</u>	<u>13,333</u>	<u>32</u>	<u>148,937</u>
As at 1 January 2021	(142,366)	–	135,572	13,333	32	148,937
Capital contributions from series B-1 investors	–	–	12,878	–	–	12,878
Capital contributions from series B-2 investors	–	–	149	–	–	149
Capital contributions from series B-3 investors	–	–	19,843	–	–	19,843
Capital contributions from series B-4 investors	–	–	19,843	–	–	19,843
Capital contributions from series C-1 investors	–	–	268,919	–	–	268,919
Capital contributions from the equity holders of the Company	–	–	4,546	–	–	4,546
Recognition of financial instruments with preferred rights at amortized cost (a)	(323,150)	–	–	–	–	–
Share-based payment (Note 27)	–	–	–	17,708	–	17,708
Currency translation differences	–	–	–	–	(6)	(6)
Reclassification to profit or loss on liquidation of a subsidiary	–	–	–	–	(26)	(26)
As at 31 December 2021	<u>(465,516)</u>	<u>–</u>	<u>461,750</u>	<u>31,041</u>	<u>–</u>	<u>492,791</u>

	Reserves						Total RMB'000
	Treasury stock RMB'000	Share premium RMB'000	Capital reserves RMB'000	Special reserves RMB'000	Other reserves RMB'000	Foreign currency translation RMB'000	
As at 1 January 2022	(465,516)	–	461,750	–	31,041	–	492,791
Capital contributions from series C-2 investor	–	–	98,142	–	–	–	98,142
Capital contributions from series C-3 investor	–	–	246,734	–	–	–	246,734
Recognition of financial instruments with preferred rights at amortized cost (a)	(346,000)	–	–	–	–	–	–
Derecognition of financial instruments with preferred rights at amortized cost (b)	811,516	–	711,635	–	–	–	711,635
Conversion into a joint stock company (Note 25(a))	–	666,951	(1,518,261)	–	(60,468)	–	(911,778)
Share-based payment (Note 27)	–	–	–	–	44,026	–	44,026
As at 31 December 2022	<u>–</u>	<u>666,951</u>	<u>–</u>	<u>–</u>	<u>14,599</u>	<u>–</u>	<u>681,550</u>
As at 1 January 2023	–	666,951	–	–	14,599	–	681,550
Capitalization Issue (Note 25)	–	(194,003)	–	–	–	–	(194,003)
Share-based payment (Note 27)	–	–	–	–	44,796	–	44,796
Provision of safety fund surplus reserve (d)	–	–	–	340	–	–	340
Utilisation of safety fund surplus reserve (d)	–	–	–	(175)	–	–	(175)
As at 30 June 2023	<u>–</u>	<u>472,948</u>	<u>–</u>	<u>165</u>	<u>59,395</u>	<u>–</u>	<u>532,508</u>

- (a) The Group recorded treasury stock to reflect the carrying amount of the financial instruments with preferred rights at the date of issuance of the Series Pre-A financing to Series C-3 financing. Further details are described in Note 29 (a).

On 30 August 2022, upon termination of the preferred rights among the Series Pre-A Investors to Series C-3 Investors, all the treasury stock was derecognized and the difference between the derecognition of the financial instruments with preferred rights and the treasury stock was credited to the capital reserves. Further details are described in Note 29(b).

- (b) Treasury stock is recorded to reflect the carrying amount of the financial instruments with preferred rights when the financial instruments with preferred rights are initially reclassified from equity, and will be reversed when the financial instruments with preferred rights are derecognized upon when the Group's obligations in connection with those financial instruments are discharged, canceled or have expired which will then be reclassified back to equity. Details of the financial instruments with preferred rights at amortized cost have been set out in Note 29.
- (c) The Group recorded other reserves to reflect the contributions from shareholders for share award schemes of employees (Note 27).
- (d) According to the Administrative Measures for the Collection and Utilisation of Enterprise Work Safety Funds (Cai Zi [2022] No. 136) jointly issued by the Ministry of Finance and the State Administration of Emergency Management, the subsidiary of the Group, iMotion Electronics Technology (Suzhou) Co., Ltd. is required to establish a safety fund surplus reserve based on a certain percentage of the prior year's revenue during the six months ended 30 June 2023.

27 SHARE-BASED PAYMENT

(a) Share award schemes

- (i) Suzhou Lanchi Enterprise Management L.P. (蘇州藍馳管理諮詢企業(有限合夥)) (“Suzhou Lanchi”) and Suzhou Zichi Enterprise Management L.P. (蘇州紫馳管理諮詢企業(有限合夥)) (“Suzhou Zichi”), (collectively referred to as the “Vehicles”) were incorporated in the PRC under the Company Law of the PRC as a vehicle to hold the ordinary shares for the Company’s employees under the Employee Share Ownership Plan (the “ESOP”).

As the Company did not have power to govern the relevant activities of the Vehicles nor repurchase or settlement obligations but only derive benefits from the contributions of the eligible employees who are awarded with the shares under the ESOP, the directors of the Company consider it does not control and not to consolidate the Vehicles. No statutory financial statements had been prepared by the Vehicles during the Track Record Period.

In April 2019, 425,221 restricted stock units (“RSUs”) were granted to certain directors, managements and employees (the “Grantees”) at a consideration of nil per share under the ESOP through Suzhou Lanchi as rewards for their services, full time devotion and professional expertise to the Group.

In October 2019, 180,042 RSUs were granted to certain directors, managements and employees (the “Grantees”) at a consideration of nil per share under the ESOP through Suzhou Lanchi as rewards for their services, full time devotion and professional expertise to the Group.

In December 2020, 564,471 RSUs were granted to certain directors, managements and employees (the “Grantees”) at a consideration of RMB4.75 per share under the ESOP through Suzhou Lanchi and Suzhou Zichi as rewards for their services, full time devotion and professional expertise to the Group.

In December 2021, 370,499 RSUs were granted to certain directors, managements and employees (the “Grantees”) at a consideration of RMB4.75 per share under the ESOP through Suzhou Lanchi and Suzhou Zichi as rewards for their services, full time devotion and professional expertise to the Group.

In July 2022, 145,195 RSUs were granted to certain directors, managements and employees (the “Grantees”) at a consideration of RMB4.75 per share under the ESOP through Suzhou Lanchi and Suzhou Zichi as rewards for their services, full time devotion and professional expertise to the Group.

In February 2023, 137,700 RSUs were granted to certain directors, managements and employees (the “Grantees”) at a consideration of RMB4.75 per share under the ESOP through Suzhou Lanchi and Suzhou Zichi as rewards for their services, full time devotion and professional expertise to the Group.

The fair value of the restricted shares granted to employees is determined by using the discounted cash flow method and back-solve method to determine the underlying equity fair value of the Company and equity allocation based on Option Pricing Model (“OPM”) model to determine the fair value of common shares. Significant estimates on key assumptions, such as risk-free interest rate, volatility, and dividend yield are made based on management’s best estimates:

Key assumptions

Risk-free interest rate	2.17%-2.83%
Volatility	52.11%-55.25%
Dividend yield	0%
WACC	18%-22%
Terminal growth rate	2.3%-3%

The fair values of the RSUs granted to the Grantees during the Track Record Period were as follows:

	Years ended 31 December			Six months ended
	2020	2021	2022	30 June
	RMB'000	RMB'000	RMB'000	2023
Fair value of one RSU	0.09	0.25	0.32	0.38

All the shares granted are vested on the later of the following two points: the third anniversary from the date of fulfilling the service or IPO success as prescribed in the ESOP. If an employee ceased to be employed by the Group within this period, the awarded shares would be forfeited, and forfeited shares would be purchased back by Mr. Song Yang (宋陽) at the price that the employees initially purchased the shares, and would be reallocated in the subsequent grants, if any, at the discretion of Mr. Song Yang.

Set out below are the movement in the number of awarded restricted shares under the Share award schemes:

As at 1 January 2020	605,263
Granted	564,471
Forfeited	—
As at 31 December 2020	1,169,734
As at 1 January 2021	1,169,734
Granted	370,499
Forfeited	(202,376)
As at 31 December 2021	1,337,857
As at 1 January 2022	1,337,857
Granted	145,195
Forfeited	(420,390)
As at 31 December 2022	1,062,662
As at 1 January 2023	1,062,662
Granted	137,700
Forfeited	(72,695)
Capitalization Issue	23,121,293
As at 30 June 2023	24,248,960

(ii) Modification of the ESOP

In December 2021, the Vehicles entered into supplemental agreements with the Grantees to modify the service condition under the original ESOP. As a result, the 1,169,734 shares granted to the Grantees in April 2019, October 2019 and December 2020 will be vested if Grantees remain as employees of the Group as at the IPO date. No expenses related to vesting of restricted share was impacted upon modification since the estimated vesting date was not changed.

(b) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognized during the years/periods as part of employee benefit expense were as follows:

	Years ended 31 December			Six months ended	
	2020	2021	2022	30 June	
	RMB'000	RMB'000	RMB'000	2022	2023
				<i>(Unaudited)</i>	
Share-based payment expenses	8,554	17,708	44,026	22,127	43,220

28 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	As at 31 December			As at
	2020	2021	2022	30 June
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Financial assets				
Financial assets at amortized cost:				
– Trade and notes receivables (<i>Note 19</i>)	15,248	111,289	289,358	126,890
– Other receivables (<i>Note 20</i>)	927	2,937	1,512	2,706
– Cash and cash equivalents (<i>Note 22</i>)	16,912	32,042	365,745	146,687
– Restricted cash (<i>Note 22</i>)	300	833	835	300
Financial assets at FVPL (<i>Note 21</i>)	24,443	245,832	185,408	254,093
Derivative financial instruments (<i>Note 23</i>)	–	1,451	–	–
	<u>57,830</u>	<u>394,384</u>	<u>842,858</u>	<u>530,676</u>

Financial liabilities

Liabilities at amortized cost:				
– Borrowings (<i>Note 30</i>)	25,029	35,538	49,004	–
– Trade and notes payables (<i>Note 33</i>)	6,778	90,440	438,417	128,384
– Other payables and accruals (excluding payroll and welfare payables and other tax payables) (<i>Note 34</i>)	3,335	17,236	24,510	31,242
– Lease liabilities (<i>Note 14</i>)	7,001	5,913	4,913	3,280
– Financial instruments with preferred rights at amortized cost (<i>Note 29</i>)	162,219	897,731	–	–
	<u>204,362</u>	<u>1,046,858</u>	<u>516,844</u>	<u>162,906</u>

The Group's exposure to various risks associated with the financial instruments is discussed in Note 3. The maximum exposure to credit risk at end of the reporting period is the carrying amount of each class of financial assets mentioned above.

29 FINANCIAL INSTRUMENTS WITH PREFERRED RIGHTS AT AMORTIZED COST

The Group and the Company

	As at 31 December			As at
	2020	2021	2022	30 June
	RMB'000	RMB'000	RMB'000	2023
Financial instruments with preferred rights at amortized cost	162,219	897,731	–	–

The financial instruments with preferred rights represent redemption rights granted to certain investors.

The movements of financial instruments with preferred rights at amortized cost for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023 were as follows:

	Financial instruments with preferred rights at amortized cost RMB'000
As at 1 January 2020	93,765
Recognition of financial instruments with preferred rights at amortized cost (a)	58,850
Charged to finance costs	9,604
As at 31 December 2020	<u>162,219</u>
As at 1 January 2021	162,219
Recognition of financial instruments with preferred rights at amortized cost (a)	323,150
Financial cost on financial instruments with preferred rights at amortized cost (i)	412,362
As at 31 December 2021	<u>897,731</u>
As at 1 January 2022	897,731
Recognition of financial instruments with preferred rights at amortized cost (a)	346,000
Financial cost on financial instruments with preferred rights at amortized cost	279,420
Derecognition of financial instruments with preferred rights at amortized cost (b)	(1,523,151)
As at 31 December 2022 and 30 June 2023	<u>–</u>

(a) Series Pre-A financing to Series C financing

Series Pre-A financing

In August 2017, the Company entered into an investment agreement with certain series Pre-A investors, pursuant to which the Company issued and allotted approximately 897,000 shares, representing approximately 8.79% of the equity interests of the Company, to series Pre-A investors, at a consideration of RMB10,379,000.

Series A financing

In June 2018, the Company entered into an investment agreement with certain series A investors, pursuant to which the Company issued and allotted approximately 1,037,500 shares, representing approximately 10.16% of the equity interests of the Company, to series A investors, at a consideration of RMB73,137,000. The proceeds of RMB73,137,000 were received by the Company in June, July and September 2018. Series A investors were granted certain preferred rights upon capital contribution, and the preferred rights were also granted to Series Pre-A investors at the same time. The Company had initially recognized the related financial instruments with preferred rights of RMB10,379,000 and RMB73,137,000 (present value of the estimated amount to be paid out by the Company) in 2018. In June, July and September 2018, the Company applied a discount rate of 7.93%, 8.15% and 8.22% separately to derive the present value of the issued financial instruments.

Series B financing

As stated in Note 24, in June 2020, the Company entered into an investment agreement with certain series B-1 investors. The Company had initially recognized the related financial instruments with preferred rights of RMB39,000,000 (present values of the estimated amount to be paid out by the Company) in 2020 and recognized the related financial instruments with preferred rights of RMB13,000,000 (present values of the estimated amount to be paid out by the Company) in 2021. The Company applied a discount rate of 8.76% and 8.96% separately to derive the present value of the issued financial instruments.

In December 2020, the Company entered into an investment agreement with a series B-2 investors. The Company had initially recognized the related financial instruments with preferred rights of RMB19,850,000 (present value of the estimated amount to be paid out by the Company) in 2020 and recognized the related financial instruments with preferred rights of RMB150,000 (present values of the estimated amount to be paid out by the Company) in 2021. The Company applied a discount rate of 8.95% and 8.96% separately to derive the present value of the issued financial instruments.

In January 2021, the Company entered into an investment agreement with certain series B-3 investors. The Company had initially recognized the related financial instruments with preferred rights of RMB20,000,000 (present value of approximately the estimated amount to be paid out by the Company) in 2021. The Company applied a discount rate of 8.99% to derive the present value of the issued financial instruments.

In February 2021, the Company entered into an investment agreement with a series B-4 investor. The Company had initially recognized the related financial instruments with preferred rights of RMB20,000,000 (present value of approximately the estimated amount to be paid out by the Company) in 2021. The Company applied a discount rate of 8.99% to derive the present value of the issued financial instruments.

Series C financing

In August 2021, the Company entered into an investment agreement with certain series C-1 investors. The Company had initially recognized the related financial instruments with preferred rights of RMB270,000,000 (present values of the estimated amount to be paid out by the Company) in 2021. The Company applied a discount rate of 9.22% to derive the present value of the issued financial instruments.

In February 2022, the Company entered into an investment agreement with certain series C-2 investors. The Company had initially recognized the related financial instruments with preferred rights of RMB98,500,000 (present values of the estimated amount to be paid out by the Company) in 2022. The Company applied a discount rate of 9.40% to derive the present value of the issued financial instruments.

In July 2022, the Company entered into an investment agreement with a series C-3 investor. The Company had initially recognized the related financial instruments with preferred rights of RMB247,500,000 (present value of the estimated amount to be paid out by the Company) in 2022. The Company applied a discount rate of 9.60% to derive the present value of the issued financial instruments.

Series B-1 investors, series B-2 investors, series B-3 investors and series B-4 investor are collectively referred as "Series B Investors". Series C-1 investors, series C-2 investors and series C-3 investor are collectively referred as "Series C Investors".

In accordance with Series Pre-A investment agreements to Series C investment agreements, Series Pre-A Investors to Series C Investors had been granted with certain preferred rights (the "Preferred Rights") upon capital contribution. These Preferred Rights mainly included the followings:

Most favorable terms

If the rights granted by the Group to any shareholders (including the new investor brought in) is more favorable than existing shareholders, the existing shareholders are also entitled to such terms, conditions or rights.

Redemption right

Investors have a right to require the Company to redeem their investment if (i) the Company failed to QIPO before a certain date; (ii) during the period from the issuance date to before the Company's QIPO, the Company and its existing shareholders have committed a major breach to the agreements.

Before August 2021, the redemption amount is calculated as: regarding to the scenario (i), the original investment principal from investors, plus an annual simple rate of 10% of the original investment principal for a period of time commencing from the delivery date to the actual payments date of the settlement (calculated as 365 days in a calendar year); regarding to the scenario (ii), the original investment principal from investors, plus an annual simple rate of 15% of the original investment principal for a period of time commencing from the delivery date to the actual payments date of the settlement (calculated as 365 days in a calendar year) ((i) and (ii) are collectively referred as "P+I").

In August 2021, the Company entered into an investment agreement with certain series C-1 investors, and the redemption amount of C-1 Investors is calculated as the higher of (i) P+I ; and (ii) The fair value of the redeemed capital ("FV").

- (i) Because of the Most favorable terms, the redemption price of Pre-A Investors to Series B Investors is adjusted as the higher of P+I and FV accordingly, which resulting in approximately RMB388,249,000 was immediately recognized in finance cost.

Liquidation preferences

In the event of any liquidation, dissolution or winding up of the Company, Series Pre-A Investors to Series C Investors shall be entitled to receive the liquidation preference amount, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the other holders of ordinary shares of the Company.

The liquidation preference amount of Series Pre-A Investors to Series C Investors is calculated as the original investment principal plus 10% annualized simple interest from Series Pre-A Investors to Series C Investors respectively ("Liquidation Preference Cap"). If the amount of distributable assets of the Company is less than the total Liquidation Preference Cap, Series Pre-A Investors to Series C Investors shall be entitled the amount based on the percentage of each investor's share.

The following events shall be treated as a "Deemed Liquidation Event": (i) any sale, disposition or conveyance by the Company of all or substantially all of its assets (including the exclusive licensing of all or substantially all the intellectual property assets of the Company); (ii) any merger, consolidation or other transactions resulting in the Company acquired by other entity or after which change the substantial control of the Company.

Anti-dilution right

If the Company increases its paid-in capital at a price lower than the price paid by Series Pre-A Investors to Series C Investors on a per paid-in capital basis, Series Pre-A Investors to Series C Investors have a right to require (i) the Company to issue new paid-in capital for nil consideration (or lowest price allowed by law) to Series Pre-A Investors to Series C Investors; or (ii) existing shareholders to transfer the equity interests of the Company directly or indirectly held to Series Pre-A Investors to Series C Investors for nil consideration (or lowest price allowed by law), so that the total amount paid by Series Pre-A Investors to Series C Investors divided by the total amount of paid-in capital obtained is equal to the price per paid-in capital in the new issuance.

The directors of the Company considered that the fair value of the anti-dilution right was immaterial and therefore no liability was recognized by the Company.

(b) Termination of Preferred Rights

On 30 August 2022, the Company entered into a termination agreement to terminate the abovementioned Preferred Rights with Series Pre-A Investors to Series C Investors. Pursuant to the termination agreement, the financial instruments with preferred rights at amortized cost of approximately RMB1,523,151,000 and the treasury stock of approximately RMB811,516,000 were derecognized accordingly. The difference of approximately RMB711,635,000 was credited to capital reserves (Note 26).

30 BORROWINGS

The Group and the Company

	As at 31 December			As at
	2020	2021	2022	30 June
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Borrowings included in current liabilities:				
<i>Unsecured</i>				
Bank borrowings (a)	25,000	35,500	–	–
Other loans (b)	–	–	48,857	–
Interest payables	29	38	147	–
	<u>25,029</u>	<u>35,538</u>	<u>49,004</u>	<u>–</u>
Total borrowings	<u><u>25,029</u></u>	<u><u>35,538</u></u>	<u><u>49,004</u></u>	<u><u>–</u></u>

(a) As at 31 December 2021, the Company had short-term borrowings from a PRC bank with amounts totalling RMB35,500,000 and an effective interest of 3.86% per annum. The aforementioned borrowings were guaranteed by Mr. Song Yang. The borrowings and related interest were fully repaid in 2022 and the guarantee was released accordingly.

As at 31 December 2020, the Company had short-term borrowings from a PRC bank with amounts totalling RMB23,000,000 and an effective interest of 4.16% per annum. The aforementioned borrowings were guaranteed by Mr. Song Yang. The borrowings and related interest were fully repaid in 2021 and the guarantee was released accordingly.

As at 31 December 2020, the Company had short-term borrowing from a PRC bank with amount RMB2,000,000 and an effective interest of 4.79% per annum. The aforementioned borrowing was guaranteed by iMotion Electronics Technology (Suzhou) Co., Ltd., a subsidiary of the Company. The borrowing and related interest were fully repaid in 2021 and the guarantee was released accordingly.

(b) As at 31 December 2022, the Company had import bill advance paid by a PRC bank with amounts totalling RMB48,857,000 and an effective interest of 2.4% per annum.

(c) Other disclosures

The Group's borrowings are all denominated in RMB.

During the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, the Group had not been in violation of any of the covenants nor subject to material financial covenants pursuant to the applicable borrowing agreements that the Group entered with the lenders.

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates or maturity date, whichever is earlier, were as follows:

	As at 31 December			As at
	2020	2021	2022	30 June
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Less than 6 months	10,200	12,000	48,857	–
Between 6 and 12 months	14,800	23,500	–	–
	<u>25,000</u>	<u>35,500</u>	<u>48,857</u>	<u>–</u>

The fair values of current borrowings approximate their carrying amount as the discounting impact is not significant.

31 PROVISIONS

The Group and the Company

	As at 31 December			As at
	2020	2021	2022	30 June
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Non-current				
Onerous contract to be executed (i)	–	–	1,700	–
Warranties (ii)	–	132	1,581	5,187
	–	132	3,281	5,187
Current				
Onerous contract to be executed (i)	–	–	–	1,131
Warranties	–	66	1,262	2,593
	–	66	1,262	3,724
	<u>–</u>	<u>198</u>	<u>4,543</u>	<u>8,911</u>

- (i) The Group entered into irrevocable contracts with certain customers to provide autonomous driving related R&D services. The costs estimated to execute the contracts exceed the expected revenue to be received under the contracts. As at 31 December 2021 and 2022 and 30 June 2023, the Group has recognised provision for any excess of unavoidable costs over expected benefits after the contract fulfillment cost have been tested for impairment (Note 20).
- (ii) The Group provides warranties for certain products and undertakes the obligation to repair or replace items that fail to perform satisfactorily. The amount of provisions for product warranties is estimated based on the sales volume and industry experience of the level of repairs and returns. The estimation is reviewed on an ongoing basis and is revised when appropriate.

The movements of the Group's provisions are analyzed as follows:

	Onerous contract to be executed RMB'000	Warranties RMB'000	Total RMB'000
As at 1 January 2021	–	–	–
Provisions for the year	–	198	198
Amounts utilized during the year	–	–	–
As at 31 December 2021	–	198	198
As at 1 January 2022	–	198	198
Provisions for the year	1,700	3,746	5,446
Amounts utilized during the period	–	(1,101)	(1,101)
As at 31 December 2022	1,700	2,843	4,543
As at 1 January 2023	1,700	2,843	4,543
Provisions for the period	–	4,937	4,937
Amounts utilized during the period	(569)	–	(569)
As at 30 June 2023	1,131	7,780	8,911

32 DEFERRED INCOME

The Group and the Company

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Government grants	300	1,217	883	717

During the years/period ended 31 December 2020, 2021 and 2022 and 30 June 2023, the Group received government grants with total amount of approximately RMB300,000, RMB1,000,000, nil and nil respectively, mainly for subsidizing the Group's purchases of equipments for research and development. These government grants were recorded as deferred income and credited to profit or loss on a straight-line basis over the useful lives of the related equipments.

33 TRADE AND NOTES PAYABLES

The Group

	As at 31 December			As at
	2020	2021	2022	30 June
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Trade payables				
– Payables for materials	6,778	83,930	291,910	118,803
Notes payables (a)				
– Payables for materials	–	6,510	146,507	9,581
	<u>6,778</u>	<u>90,440</u>	<u>438,417</u>	<u>128,384</u>

- (a) The maturity term of the notes payables is 3 months.

As at 31 December 2021 and 2022 and 30 June 2023, the Company had guaranteed notes payables from a PRC bank with amounts totalling RMB6,000,000, RMB110,864,000 and nil respectively. The aforementioned notes payables were guaranteed by Mr. Song Yang.

- (b) The carrying amounts of trade payables approximate their fair values due to their short-term maturity in nature.
- (c) The aging analysis of the trade payables based on purchase date at the end of each Track Record Period is as follows:

	As at 31 December			As at
	2020	2021	2022	30 June
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Up to 1 year	6,724	83,906	291,826	118,469
1 to 2 years	54	24	84	334
	<u>6,778</u>	<u>83,930</u>	<u>291,910</u>	<u>118,803</u>

The Company

	As at 31 December			As at
	2020	2021	2022	30 June
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Trade payables				
– Payables for materials	50	72,919	287,597	122,881
Notes payables				
– Payables for materials	–	6,510	146,507	9,581
	<u>50</u>	<u>79,429</u>	<u>434,104</u>	<u>132,462</u>

The aging analysis of the Company's trade payables based on purchase date at the end of each Track Record Period is as follows:

	As at 31 December			As at
	2020	2021	2022	30 June
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Up to 1 year	50	72,919	287,560	122,870
1 to 2 years	—*	—*	37	11
	<u>50</u>	<u>72,919</u>	<u>287,597</u>	<u>122,881</u>

* The balance represents an amount less than RMB1,000.

34 OTHER PAYABLES AND ACCRUALS

The Group

	As at 31 December			As at
	2020	2021	2022	30 June
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Payroll and welfare payables	6,949	9,707	20,539	19,193
Accruals	2,925	3,225	5,089	3,261
Other taxes payables	290	332	8,830	5,269
Payables for purchases of property, plant and equipment	52	327	1,656	1,714
Accrued listing expenses	—	—	3,811	4,417
Others (a)	358	13,684	13,954	21,850
	<u>10,574</u>	<u>27,275</u>	<u>53,879</u>	<u>55,704</u>

- (a) The Group agreed to collect service fees from an OEM customer and pay on behalf of the customer to a supplier, who provided part of the R&D services in relation to its hardware and software used in autonomous driving products. As at 31 December 2021 and 2022 and 30 June 2023, the service fees collected by the Company from the customer but unpaid to the supplier were approximately RMB13,522,000, RMB12,920,000 and RMB21,713,000 respectively.

The Company

	As at 31 December			As at
	2020	2021	2022	30 June
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Payroll and welfare payables	5,685	8,462	19,434	18,069
Accruals	1,071	1,456	4,209	2,714
Other taxes payables	103	319	8,801	5,246
Payables for purchases of property, plant and equipment	21	231	1,595	1,655
Accrued listing expenses	—	—	3,811	4,417
Amounts due to subsidiary	—	—	—	12,088
Others	237	13,683	13,933	21,787
	<u>7,117</u>	<u>24,151</u>	<u>51,783</u>	<u>65,976</u>

35 CASH FLOW INFORMATION

(a) Reconciliation of loss before income tax to net cash used in operations

	Years ended 31 December			Six months ended	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Loss before income tax	(53,827)	(464,199)	(342,376)	(300,432)	(99,748)
Adjustments for:					
Net impairment losses/(reversal of impairment losses) on financial assets (Note 3.1)	90	1,453	3,717	1,471	(2,989)
Depreciation of property, plant and equipment (Note 15)	4,765	5,192	6,765	2,974	4,894
Depreciation of right-of-use assets (Note 14)	1,925	2,240	3,750	1,803	1,853
Amortization of intangible assets (Note 16)	865	3,083	3,438	1,686	1,962
Net (gains)/losses on disposals of property, plant and equipment, intangible assets (Note 7)	(24)	266	73	(13)	(88)
Provisions for impairment of inventories (Note 8)	–	199	25	145	241
Provisions for impairment of contract fulfillment costs (Note 8)	–	341	4,421	521	305
Share-based payment expenses (Note 27)	8,554	17,708	44,026	22,127	43,220
Net fair value gains on financial assets at FVPL (Note 7)	(493)	(3,890)	(7,729)	(4,213)	(5,110)
Net fair value losses/(gains) on derivative financial instruments (Note 7)	–	(1,518)	2,252	2,252	–
Finance costs/(income) – net (Note 10)	10,887	413,804	280,073	245,240	(1,801)
Loss on liquidation of a subsidiary	–	(9)	–	–	–
Amortization of government grants	–	(83)	(333)	(167)	(167)
Net foreign exchange differences (Note 7)	9	228	(1,922)	(632)	(560)
Operating loss before changes in working capital:	(27,249)	(25,185)	(3,820)	(27,238)	(57,988)
(Increase)/decrease in inventories	(4,095)	(37,720)	(224,994)	(51,422)	109,651
(Increase)/decrease in trade and notes receivables	(6,759)	(97,490)	(181,783)	(36,198)	165,515
Increase in other assets	(451)	(7,913)	(36,208)	(7,152)	(13,922)
(Increase)/decrease in restricted cash	–	(533)	(2)	(1)	535
(Increase)/decrease in other operating assets	–	–	(14,583)	(1,787)	1,299
(Decrease)/increase in trade and notes payables	(4,143)	83,662	347,976	91,176	(310,033)
Increase/(decrease) in other payables and accruals	7,851	17,132	26,633	(16,973)	11,379
Increase in contract liabilities	11,002	4,851	16,769	20,883	6,280
Increase in provisions	–	198	4,345	553	4,368
Net cash used in operations	<u>(23,844)</u>	<u>(62,998)</u>	<u>(65,667)</u>	<u>(28,159)</u>	<u>(82,916)</u>

(b) Major non-cash investing and financing activities

Major non-cash investing and financing activities disclosed in other notes are:

- additions to right-of-use assets in respect of leased buildings – Note 14
- recognition and derecognition of financial instruments with preferred rights at amortized cost – Note 29

(c) Net debt

	As at 31 December			As at
	2020	2021	2022	30 June
	RMB'000	RMB'000	RMB'000	2023
				RMB'000
Cash and cash equivalents (<i>Note 22</i>)	16,912	32,042	365,745	146,687
Financial assets at fair value through profit or loss (<i>Note 21</i>)	24,443	245,832	185,408	254,093
Financial instruments with preferred rights at amortized cost (<i>Note 29</i>)	(162,219)	(897,731)	–	–
Lease liabilities (<i>Note 14</i>)	(7,001)	(5,913)	(4,913)	(3,280)
Borrowings (<i>Note 30</i>)	(25,029)	(35,538)	(49,004)	–
Net (debt)/cash	(152,894)	(661,308)	497,236	397,500

(d) Reconciliation of liabilities from financing activities

	Financial instruments with preferred rights at amortized cost	Lease liabilities	Borrowings	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2020	93,765	8,915	10,016	112,696
Cash flows	–	(2,125)	14,103	11,978
Interest expenses	–	379	910	1,289
Financial cost on financial instruments with preferred rights at amortized cost	9,604	–	–	9,604
Recognition of financial instruments with preferred rights at amortized cost (<i>Note 29</i>)	58,850	–	–	58,850
Other movement (<i>i</i>)	–	(168)	–	(168)
As at 31 December 2020	162,219	7,001	25,029	194,249
As at 1 January 2021	162,219	7,001	25,029	194,249
Cash flows	–	(2,350)	9,255	6,905
New leases	–	971	–	971
Interest expenses	–	291	1,254	1,545
Financial cost on financial instruments with preferred rights at amortized cost	412,362	–	–	412,362
Recognition of financial instruments with preferred rights at amortized cost (<i>Note 29</i>)	323,150	–	–	323,150
As at 31 December 2021	897,731	5,913	35,538	939,182

	Financial instruments with preferred rights at amortized cost	Lease liabilities	Borrowings	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January 2022	897,731	5,913	35,538	939,182
Cash flows	–	(3,073)	12,982	9,909
New leases	–	1,808	–	1,808
Interest expenses	–	265	484	749
Financial cost on financial instruments with preferred rights at amortized cost	279,420	–	–	279,420
Recognition of financial instruments with preferred rights at amortized cost (Note 29)	346,000	–	–	346,000
Derecognition of financial instruments with preferred rights at amortized cost (Note 29)	(1,523,151)	–	–	(1,523,151)
As at 31 December 2022	–	4,913	49,004	53,917
As at 1 January 2023	–	4,913	49,004	53,917
Cash flows	–	(1,729)	(49,141)	(50,870)
Interest expenses	–	96	137	233
As at 30 June 2023	–	3,280	–	3,280

(i) Rent relief for state-owned properties in 2020 in response to the impact of COVID-19.

36 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related because they are subject to common control, common significant influence or joint control in the controlling shareholder's families. Members of key management and their close family member of the Group are also considered as related parties.

(a) Key management personnel compensation

The directors consider the key management personnel to be the members of the Board of Directors of the Company who have responsibilities for planning, directing and controlling the activities of the Group. Their compensations are disclosed in Note 37(a).

37 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors and supervisors

Details of the emoluments paid or payable to the directors and supervisors for the Track Record Period are set out as follows:

	Fees <i>RMB'000</i>	Wages and salaries <i>RMB'000</i>	Discretionary bonuses <i>RMB'000</i>	Share-based payment <i>RMB'000</i>	Social security costs, housing benefits and employee welfare <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended						
31 December 2020						
Name of directors:						
Mr. Song Yang (i)	–	350	128	–	29	507
Mr. Li Shuangjiang (ii)	–	354	144	–	37	535
Mr. Lu Yukun (iii)	–	444	192	4,729	37	5,402
Mr. Zhu Qinghua (iv)	–	433	175	430	37	1,075
Mr. Li Chengsheng (v)	–	–	–	–	–	–
Mr. Zeng Yingzhe (vi)	–	–	–	–	–	–
Mr. Wan Yuan (vii)	–	–	–	–	–	–
	–	1,581	639	5,159	140	7,519

Name of supervisor:						
Mr. Luo Hong (viii)	–	399	163	379	33	974

	Fees <i>RMB'000</i>	Wages and salaries <i>RMB'000</i>	Discretionary bonuses <i>RMB'000</i>	Share-based payment <i>RMB'000</i>	Social security costs, housing benefits and employee welfare <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended						
31 December 2021						
Name of directors:						
Mr. Song Yang (i)	–	570	209	–	68	847
Mr. Li Shuangjiang (ii)	–	449	126	–	80	655
Mr. Lu Yukun (iii)	–	534	149	3,064	80	3,827
Mr. Zhu Qinghua (iv)	–	504	198	1,456	80	2,238
Mr. Li Chengsheng (v)	–	–	–	–	–	–
Mr. Zeng Yingzhe (vi)	–	–	–	–	–	–
Mr. Fan Ze (ix)	–	–	–	–	–	–
Mr. Wan Yuan (vii)	–	–	–	–	–	–
	–	2,057	682	4,520	308	7,567

Name of supervisor:						
Mr. Luo Hong (viii)	–	494	144	245	68	951

	Fees	Wages and salaries	Discretionary bonuses	Share-based payment	Social security costs, housing benefits and employee welfare	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Year ended						
31 December 2022						
Name of directors:						
Mr. Song Yang (i)	–	914	240	–	82	1,236
Mr. Li Shuangjiang (ii)	–	624	108	–	82	814
Mr. Lu Yukun (iii)	–	760	130	3,996	82	4,986
Mr. Li Chengsheng (v)	–	–	–	–	–	–
Mr. Zeng Yingzhe (vi)	–	–	–	–	–	–
Mr. Zheng Kaizhong (x)	–	–	–	–	–	–
Mr. Fan Ze (ix)	–	–	–	–	–	–
Mr. Tao Zhixin (xi)	–	–	–	–	–	–
Mr. Zhang Weigong (xii)	–	–	–	–	–	–
Mr. Yang Xiaojian (xiii)	–	–	–	–	–	–
Mr. Liu Yong (xiv)	–	–	–	–	–	–
	–	2,298	478	3,996	246	7,018
Name of supervisor:						
Mr. Luo Hong (viii)	–	702	157	320	82	1,261
Mr. Wang Binjie (xv)	–	60	103	762	7	932
Mr. Zhu Qinghua (iv)	–	733	160	1,515	82	2,490
	–	1,495	420	2,597	171	4,683
Six months ended 30 June 2023						
Name of directors:						
Mr. Song Yang (i)	–	672	152	–	45	869
Mr. Li Shuangjiang (ii)	–	360	77	–	45	482
Mr. Lu Yukun (iii)	–	462	100	5,161	45	5,768
Mr. Li Chengsheng (v)	–	–	–	–	–	–
Mr. Fan Ze (ix)	–	–	–	–	–	–
Mr. Tao Zhixin (xi)	–	–	–	–	–	–
Mr. Yang Yuankui (xvi)	–	–	–	–	–	–
Mr. Zhang Weigong (xii)	50	–	–	–	–	50
Mr. Yang Xiaojian (xiii)	23	–	–	–	–	23
Mr. Liu Yong (xiv)	50	–	–	–	–	50
	123	1,494	329	5,161	135	7,242
Name of supervisor:						
Mr. Luo Hong (viii)	–	428	92	413	45	978
Mr. Wang Binjie (xv)	–	368	86	1,706	45	2,205
Mr. Zhu Qinghua (iv)	–	462	100	1,589	45	2,196
	–	1,258	278	3,708	135	5,379

	Fees	Wages and salaries	Discretionary bonuses	Share-based payment	Social security costs, housing benefits and employee welfare	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>(Unaudited)</i>						
Six months ended 30 June 2022						
Name of directors:						
Mr. Song Yang <i>(i)</i>	–	390	120	–	40	550
Mr. Li Shuangjiang <i>(ii)</i>	–	284	54	–	40	378
Mr. Lu Yukun <i>(iii)</i>	–	340	65	1,998	40	2,443
Mr. Li Chengsheng <i>(v)</i>	–	–	–	–	–	–
Mr. Zeng Yingzhe <i>(vi)</i>	–	–	–	–	–	–
Mr. Zheng Kaizhong <i>(x)</i>	–	–	–	–	–	–
Mr. Fan Ze <i>(ix)</i>	–	–	–	–	–	–
Mr. Zhu Qinghua <i>(iv)</i>	–	327	81	758	40	1,206
	–	1,341	320	2,756	160	4,577
Name of supervisor:						
Mr. Luo Hong <i>(viii)</i>	–	312	79	160	40	591

- (i) Mr. Song Yang was appointed as the Executive director of the Company on 24 March 2017. He was redesignated as the executive Director and Chairman on 17 November 2022.
- (ii) Mr. Li Shuangjiang was appointed as the director of the Company on 31 August 2018 and redesignated as an executive Director on 17 November 2022.
- (iii) Mr. Lu Yukun was appointed as the director of the Company on 31 August 2018 and redesignated as an executive Director on 17 November 2022.
- (iv) Mr. Zhu Qinghua was appointed as the director of the Company on 24 June 2020 and resigned from the Company's director on 17 November 2022. Mr. Zhu Qinghua was designated as the supervisor of the Company on 17 November 2022.
- (v) Mr. Li Chengsheng was appointed as the director of the Company on 31 August 2018 and was redesignated as a non-executive Director on 17 November 2022.
- (vi) Mr. Zeng Yingzhe was appointed as the director of the Company on 10 October 2017 and resigned from the Company's director on 22 February 2022.
- (vii) Mr. Wan Yuan was appointed as the director of the Company on 24 June 2020 and resigned from the Company's director on 30 August 2021.
- (viii) Mr. Luo Hong was designated as the supervisor of the Company on 31 August 2018.
- (ix) Mr. Fan Ze was appointed as the director of the Company on 30 August 2021 and resigned from the Company's director on 23 March 2023.

- (x) Mr. Zheng Kaizhong was designated as the director on 22 February 2022 and resigned from the Company's director on 17 November 2022.
- (xi) Mr. Tao Zhixin was designated as non-executive Director of the Company on 17 November 2022.
- (xii) Mr. Zhang Weigong was designated as an independent non-executive director of the Company on 17 November 2022.
- (xiii) Mr. Yang Xiaojian was designated as an independent non-executive director of the Company on 17 November 2022 and resigned from the Company's independent non-executive director on 23 March 2023.
- (xiv) Mr. Liu Yong was designated as an independent non-executive director of the Company on 17 November 2022.
- (xv) Mr. Wang Binjie was designated as a supervisor on 17 November 2022.
- (xvi) Mr. Yang Yuankui was appointed as the director of the Company on 23 March 2023.

(b) Directors and supervisors' retirement benefits

None of the directors or supervisors received any retirement benefits during the Track Record Period.

(c) Directors and supervisors' termination benefits

None of the directors or supervisors received any termination benefits during the Track Record Period.

(d) Consideration provided to third parties for making available directors and supervisors' services

During the Track Record Period, the Company did not pay consideration to any third parties for making available directors or supervisors' services.

(e) Information about loans, quasi-loans and other dealings in favor of directors, supervisors and bodies corporate controlled by or entities connected with directors

There were no loans, quasi-loans and other dealings in favor of directors, supervisors or controlled bodies corporate by and connected entities with such directors or supervisors during the Track Record Period.

(f) Directors and supervisors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director or supervisor of the Company had a material interest, whether directly or indirectly, subsisted at the end of the years/periods or at any time during the Track Record Period.

38 COMMITMENTS

(a) Capital commitments

	As at 31 December			As at
	2020	2021	2022	30 June
	RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment	–	350	1,874	137,264

39 CONTINGENCIES

As at 31 December 2020, 2021 and 2022 and 30 June 2023, there were no significant contingency items for the Group and the Company.

40 DIVIDEND

No dividend has been paid or declared by the Company or subsidiaries of the Company during each of the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023.

41 SUBSEQUENT EVENTS

Subsequent to the Track Record Period, the Company made an adjustment to the offer size of the global offering (the "Adjustment"). The cumulative impact of the listing expenses recognised up to 30 June 2023 arising from the Adjustment will be recognised in the consolidated financial statements for the year ending 31 December 2023. As a result, the estimated impact on the listing expenses to be recognised in the consolidated statement of comprehensive income and other current assets in the consolidated balance sheet would be a debit of RMB4,988,000 and a credit of the same amount, respectively, for the year ending 31 December 2023.

Other than the event as disclosed above, there are no other material subsequent events undertaken by or impacted on the Company or the Group subsequent to 30 June 2023 and up the date of this report.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company or any of the companies comprising the Group in respect of any period subsequent to 30 June 2023 and up to the date of this report. No dividend or distribution has been declared, made or paid by the Company or any of the companies comprising the Group in respect of any period subsequent to 30 June 2023.

The information set out in this Appendix II does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, the reporting accountant of the Company, as set out in Appendix I to this prospectus, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountant's Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company (the "Unaudited Pro Forma Financial Information") which has been prepared in accordance with Rule 4.29 of the Listing Rules and on the basis of the notes set out below for the purpose to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 30 June 2023 as if the Global Offering had taken place on 30 June 2023.

The Unaudited Pro Forma Financial Information is prepared based on the consolidated net assets of the Group attributable to the equity holders of the Company as at 30 June 2023 as set out in the Accountant's Report of the Group, the text of which is set out in Appendix I to this prospectus, after incorporating the unaudited pro forma adjustments described in the accompanying notes below.

The Unaudited Pro Forma Financial Information has been prepared by the Directors for illustrative purposes only, based on the judgements and assumptions of the Directors, and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to the equity holders of the Company had the Global Offering been completed as at 30 June 2023 or at any future dates following the Global Offering.

	Audited consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 30 June 2023 RMB'000 Note 1	Estimated net proceeds from the Global Offering RMB'000 Note 2	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 30 June 2023 RMB'000	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company per Share RMB HK\$ Note 3 Note 4	
Based on the Offer Price of HK\$29.65 per H Share	607,199	544,924	1,152,123	5.09	5.60

Notes:

1. The audited consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 30 June 2023 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to the owners of the Company as at 30 June 2023 of approximately RMB611,515,000 with adjustment for the intangible assets as at 30 June 2023 of approximately RMB4,316,000.
2. The estimated net proceeds from the Global Offering are based on 22,116,000 Offer Shares and the Offer Price of HK\$29.65 per H Share, after deduction of the underwriting fees and other related expenses (excluding RMB12,423,000 listing expenses which have been accounted for in the consolidated statement of comprehensive income up to 30 June 2023), without taking into account of any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates.
3. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 226,330,340 Shares were in issue assuming the Global Offering had taken place on 30 June 2023, without taking into account of any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates.
4. For the purpose of this unaudited pro forma adjusted consolidated net tangible assets, the amounts stated in Renminbi are converted into Hong Kong dollars at a rate of RMB0.9088 to HK\$1.00, as set out in the section headed "Information about this Prospectus and the Global Offering" in this prospectus. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.
5. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2023.

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

To the Directors of iMotion Automotive Technology (Suzhou) Co., Ltd.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of iMotion Automotive Technology (Suzhou) Co., Ltd. (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 30 June 2023, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated 12 December 2023, in connection with the proposed initial public offering of the shares of the Company (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2 of the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at 30 June 2023 as if the proposed initial public offering had taken place at 30 June 2023. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the six months ended 30 June 2023, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7, *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at 30 June 2023 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) or standards and practices of any professional body in any other overseas jurisdiction and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 12 December 2023

1. TAXATION OF SECURITY HOLDERS

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are resident or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current laws and practices, is subject to change and does not constitute legal or tax advice. The discussion does not deal with all possible tax consequences relating to an investment in the H Shares, nor does it take into account the specific circumstances of any particular investor, some of which may be subject to special regulation. Accordingly, you should consult your own tax adviser regarding the tax consequences of an investment in the H Shares. The discussion is based upon laws and relevant interpretations in effect as of the Latest Practicable Date, all of which are subject to change and may have retrospective effect.

This discussion does not address any aspects of PRC or Hong Kong taxation other than income tax, capital tax, VAT, stamp duty and estate duty. Prospective investors are urged to consult their financial advisers regarding the PRC, Hong Kong and other tax consequences of owning and disposing of H Shares.

A. The PRC Taxation

Taxation on Dividends

Individual Investor

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》), which was most recently amended on August 31, 2018 and the Implementation Provisions of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), which was most recently amended on December 18, 2018 (hereinafter collectively referred to as the “**IIT Law**”), dividends distributed by PRC enterprises are subject to individual income tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by relevant tax treaty.

Enterprise Investors

In accordance with the EIT Law issued by NPC on March 16, 2007 and latest amended on December 29, 2018 and the Implementation Provisions of the Corporate Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) issued by the State Council on December 6, 2007, came into effect on January 1, 2008 and amended on April 23, 2019, the rate of enterprise income tax shall be 25%. A non-resident enterprise is generally subject to a 10% corporate income tax on PRC-sourced income (including dividends received from a PRC resident enterprise), if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced

income has no real connection with such establishment or premise. The aforesaid income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise.

The Circular of the STA on Issues Relating to the Withholding and Remitting of Corporate Income Tax on Dividends Distributed by PRC Resident Enterprises to Overseas Non-Resident Enterprise Shareholders of H Shares (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》), which was issued and implemented by the STA on November 6, 2008, further clarified that a PRC-resident enterprise must withhold corporate income tax at a rate of 10% on the dividends of 2008 and onwards that it distributes to overseas non-resident enterprise shareholders of H Shares.

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the “**Arrangement**”) which was signed on August 21, 2006, the mainland government may levy taxes on the dividends paid by a PRC resident company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of the total dividends paid by the PRC resident company unless such Hong Kong resident directly holds 25% or more of the equity interest in the PRC resident company, then such tax shall not exceed 5% of the total dividends paid by the PRC resident company. The Fifth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《<內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排>第五議定書》), which came into effect on December 6, 2019, adds a criteria for the qualification of entitlement to enjoy treaty benefits. Although there may be other provisions under the Arrangement, the treaty benefits under the criteria shall not be granted in the circumstance where relevant gains, after taking into account all relevant facts and conditions, are reasonably deemed to be one of the main purposes for the arrangement or transactions which will bring any direct or indirect benefits under this Arrangement, except when the grant of benefits under such circumstance is consistent with relevant objective and goal under the Arrangement. The application of the dividend clause of tax agreements is subject to the requirements of PRC tax laws and regulations, such as the Notice of the STA on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》).

Tax Treaties

Non-resident investors residing in jurisdictions which have entered into treaties or adjustments for the avoidance of double taxation with the PRC might be entitled to a reduction of the Chinese corporate income tax imposed on the dividends received from PRC resident companies. The PRC currently has entered into avoidance of double taxation treaties or arrangements with a number of countries and regions including Hong Kong Special Administrative Region, Macau Special Administrative Region, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom, the United States and etc. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant taxation treaties or arrangements are required to apply to the relevant PRC tax authorities for a refund of the corporate income tax in excess of the agreed tax rate, and the refund application is subject to approval by the relevant PRC tax authorities.

*Taxation on Share Transfer**VAT and Local Additional Tax*

Pursuant to the Notice on Fully Implementing the Pilot Reform for the Transition from Business Tax to Value-added Tax (《關於全面推開營業稅改徵增值稅試點的通知》) (the “**Circular 36**”) which was implemented on May 1, 2016, entities and individuals engaged in the services sale in the PRC are subject to VAT and “engaged in the services sale in the PRC” means that the seller or buyer of the taxable services is located in the PRC. Circular 36 also provides that transfer of financial products, including transfer of the ownership of marketable securities, shall be subject to VAT at 6% on the taxable revenue (which is the balance of sales price upon deduction of purchase price), for a general or a foreign VAT taxpayer. However, individuals who transfer financial products are exempt from VAT, which is also provided in the Notice of MOF and STA on Several Tax Exemption Policies for Business Tax on Sale and Purchase of Financial Commodities by Individuals (《財政部、國家稅務總局關於個人金融商品買賣等營業稅若干免稅政策的通知》) coming effective on January 1, 2009 and Provisions on the Transitional Policies Concerning the Pilot Scheme on Levying Value-added Tax in Place of Business Tax (《營業稅改徵增值稅試點過渡政策的規定》) promulgated by the MOF and STA and came into effect on May 1, 2016. According to these regulations, if the holder is a non-resident individual, the PRC VAT is exempted from the sale or disposal of H shares.

At the same time, VAT payers are also required to pay urban maintenance and construction tax, education surtax and local education surcharge (hereinafter collectively referred to as “**Local Additional Tax**”), which shall be usually subject to 12% of the value-added tax, business tax and consumption tax actually paid (if any) in the PRC urban city.

*Income tax**Individual Investors*

According to the IIT Law, gains on the transfer of equity interests in the PRC resident enterprises are subject to individual income tax at a rate of 20%. Pursuant to the Circular on Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the 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 and STA on March 30, 1998, from January 1, 1997, income of individuals from transfer of the shares of listed enterprises continues to be exempted from individual income tax.

On December 31, 2009, the MOF, STA and CSRC jointly issued the Notice on Related Issues Concerning Levying Individual Income Tax over the Income Received by Individuals from the 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》), which came into effect on the same day, which states that individuals' income from the transfer of listed shares obtained from the public offering of listed companies and transfer market in the Shanghai Stock Exchange and the Shenzhen Stock Exchange shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restriction (as defined in the aforesaid notice and the Supplementary Notice on Related Issues Concerning Levying Individual Income Tax over the Income Received by Individuals from the 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補充通知》) which was jointly issued and implemented by MOF, STA and CSRC on November 10, 2010). As of the Latest Practicable Date, no aforesaid provisions have expressly provided that individual income tax shall be levied from non-PRC resident individuals on the transfer of shares in the PRC resident enterprises listed on overseas stock exchanges.

Enterprise Investors

In accordance with the EIT Law, a non-resident enterprise is generally subject to corporate income tax at the rate of a 10% on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. Such income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise. Such tax may be reduced or exempted pursuant to relevant tax treaties or arrangements on avoidance of double taxation.

Stamp Duty

Pursuant to the Stamp Tax Law of the of the PRC (《中華人民共和國印花稅法》), which was issued on June 10, 2021, which came into effect on July 1, 2022, which stipulate that all entities and individuals who conclude taxable documents and engage in securities transactions within the territory of the PRC shall be taxpayers of stamp tax, and shall pay stamp tax in accordance with the Stamp Tax Law of the of the PRC, thus the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the transfer and disposal of H Shares by non-PRC investors outside of the PRC.

Estate Duty

As of the date of this document, no estate duty has been levied in the PRC under the PRC laws.

B. Hong Kong Taxation*Taxation on Dividends*

No tax is payable in Hong Kong in respect of dividends paid by our Company.

Profits Tax

Hong Kong profits tax will not be payable by any Shareholders (other than Shareholders carrying on a trade, profession or business in Hong Kong and holding the H Shares for trading purposes) on any capital gains made on the sale or other disposal of the Shares. Trading gains from the sale of H Shares by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong income tax rates of 16.5% on corporations and 15.0% on individuals, unless such gains are chargeable under the respective half-rates of 8.25% and 7.5% that may apply for the first HK\$2 million of assessable profits for years of assessment beginning on or after April 1, 2018. Gains from sales of H Shares effected on the Stock Exchange will be considered by the Hong Kong Inland Revenue Department to be derived from or arise in Hong Kong. Shareholders should take advice from their own professional advisers as to their particular tax position.

Stamp Duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.1% on the higher of the consideration for or the market value of the H Shares, will be payable by the purchaser on every purchase and by the seller on every sale of Hong Kong securities, including H Shares (in other words, a total of 0.26% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed duty of HK\$5.00 is currently payable on any instrument of transfer of H Shares. Where one of the parties is

a resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If no stamp duty is paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

AFRC Transaction Levy

The AFRC Transaction Levy was applicable to all sale and purchase of securities at 0.00015% per side with effect from January 1, 2022, which will be regarded as one of the transaction costs.

Estate Duty

Hong Kong estate duty was abolished effective from February 11, 2006. No Hong Kong estate duty is payable by Shareholders in relation to the Shares owned by them upon death.

2. PRINCIPAL TAXATION OF OUR COMPANY IN THE PRC

Please refer to the chapter “Regulatory Overview” of this prospectus.

3. FOREIGN EXCHANGE

The lawful currency of the PRC is Renminbi, which is currently subject to foreign exchange control and cannot be freely converted into foreign currency. The SAFE, with the authorization of the People’s Bank of China (the “PBOC”), is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

The Regulations on Foreign Exchange Control of the PRC (《中華人民共和國外匯管理條例》) (the “**Foreign Exchange Control Regulations**”), which was issued by the State Council on January 29, 1996, implemented on April 1, 1996 and latest amended on August 5, 2008, classifies all international payments and transfers into current items and capital items. Current items are subject to the reasonable examination of the veracity of transaction documents and the consistency of the foreign exchange receipts and payments by financial institutions engaging in conversion and sale of foreign currencies and supervision and inspection by the foreign exchange control authorities. For capital items, overseas organizations and overseas individuals making direct investments in the PRC shall, upon approval by the relevant authorities in charge, process registration formalities with the foreign exchange control authorities. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities. In the event that international revenues and expenditure occur or may occur a material imbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard and control measures on international revenues and expenditure.

The Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》), which was promulgated by the PBOC on June 20, 1996 and implemented on July 1, 1996, removes other restrictions on convertibility of foreign exchange under current items, while imposing existing restrictions on foreign exchange transactions under capital items.

According to the Announcement on Improving the Reform of the Renminbi Exchange Rate Formation Mechanism (《關於完善人民幣匯率形成機制改革的公告》), which was issued by the PBOC and implemented on July 21, 2005, the PRC has started to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies since July 21, 2005. Therefore, the Renminbi exchange rate was no longer pegged to the U.S. dollar. The PBOC would publish the closing price of the exchange rate of the Renminbi against trading currencies such as the U.S. dollar in the interbank foreign exchange market after the closing of the market on each working day, as the central parity of the currency against Renminbi transactions on the following working day.

According to the relevant laws and regulations in the PRC, PRC enterprises (including foreign investment enterprises) which need foreign exchange for current item transactions may, without the approval of the foreign exchange administrative authorities, effect payment through foreign exchange accounts opened at the designated foreign exchange bank, on the strength of valid transaction receipts and proof. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange (such as our Company) may, on the strength of resolutions of the board of directors or the shareholders' meeting on the distribution of profits, effect payment from foreign exchange accounts at the designated foreign exchange bank, or effect exchange and payment at the designated foreign exchange bank.

According to the Decisions on Matters including Canceling and Adjusting a Batch of Administrative Approval Items (《國務院關於取消和調整一批行政審批項目等事項的決定》) which was promulgated by the State Council on October 23, 2014, it decided to cancel the approval requirement of the SAFE and its branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares into Renminbi domestic accounts.

According to the Notice of the SAFE on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) issued by the SAFE and implemented on December 26, 2014, a domestic company shall, within 15 business days from the date of the end of its overseas listing issuance, register the overseas listing with the local branch office of state administration of foreign exchange at the place of its establishment; the proceeds from an overseas listing of a domestic company may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the prospectus and other disclosure documents.

In accordance with the Administrative Provisions on Foreign Exchange in Domestic Direct Investment by Foreign Investors (《外國投資者境內直接投資外匯管理規定》), which was promulgated on May 10, 2013 with effect from May 13, 2013, amended on October 10, 2018 and partially abolished on December 30, 2019, the administration by SAFE or its local branches over direct investment by foreign investors in the PRC must be conducted by way of registration and banks shall process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches.

According to the Notice of the SAFE on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), which was issued by the SAFE on February 13, 2015, came into effect on June 1, 2015 and partially repealed on December 30, 2019, the confirmation of foreign exchange registration under domestic direct investment and overseas direct investment shall be directly examined and handled by banks. SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

According to the Notice of the SAFE on Reforming the Management Mode of Foreign Exchange Capital Settlement of Foreign Investment Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》), promulgated on March 30, 2015, coming effective on June 1, 2015 and partially abolished on December 30, 2019, foreign-invested enterprises could settle their foreign exchange capital on a discretionary basis according to the actual needs of their business operations. Whilst, foreign-invested enterprises are prohibited to use the foreign exchange capital settled in Renminbi (a) for any expenditures beyond the business scope of the foreign-invested enterprises or forbidden by laws and regulations; (b) for direct or indirect securities investment; (c) to provide entrusted loans (unless permitted in the business scope), repay loans between enterprises (including advances by third parties) or repay Renminbi bank loans that have been on lent to a third party; and (d) to purchase real estates not for self-use purposes (save for real estate enterprises).

According to the Notice of the SAFE of the PRC on Revolutionizing and Regulating Capital Account Settlement Management Policies (《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》) which was promulgated by the SAFE and implemented on June 9, 2016, foreign currency earnings in capital account that relevant policies of willingness exchange settlement have been clearly implemented (including the recalling of raised capital by overseas listing) may undertake foreign exchange settlement in the banks according to actual business needs of the domestic institutions. The tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjust of the SAFE in due time in accordance with international revenue and expenditure situations.

PRC LEGAL SYSTEM

The PRC legal system is based on the Constitution of the PRC (《中華人民共和國憲法》) (the “**Constitution**”) and is made up of written laws, administrative regulations, local regulations, separate regulations, autonomous regulations, rules and regulations of departments, rules and regulations of local governments, international treaties of which the PRC government is a signatory, and other regulatory documents. Court verdicts do not constitute binding precedents. However, they may be used as judicial reference and guidance.

According to the Constitution and the Legislation Law of the PRC (2023 revision) (《中華人民共和國立法法(2023年修正)》) (the “**Legislation Law**”), the NPC and the Standing Committee of the NPC are empowered to exercise the legislative power of the State according to the Constitution. The NPC has the power to formulate and amend basic laws governing civil and criminal matters, state organs and other matters. The NPC may authorize the SCNPC to formulate relevant laws, and the SCNPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and 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 organ of the PRC administration and has the power to formulate administrative regulations based on the Constitution and laws.

The people’s congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of their own respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations.

The ministries and commissions of the State Council, PBOC, the Audit Administration and institutions required by law as well as organs endowed with administrative functions directly under the State Council may, in accordance with the laws as well as the administrative regulations, decisions and orders of the State Council and within the limits of their power, formulate rules.

The people’s congresses of cities divided into districts and their respective standing committees may formulate local regulations in terms of urban and rural development and management, ecological civilization construction, and historical culture protection based on the specific circumstances and actual requirements of such cities, which will become enforceable after being reported to and approved by the standing committees of the people’s congresses of the relevant provinces or autonomous regions but such local regulations shall conform with the Constitution, laws, administrative regulations, and the relevant local regulations of the relevant provinces or autonomous regions. People’s congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the nationality (nationalities) in the areas concerned.

The people's governments of the provinces, autonomous regions, and municipalities directly under the central government and the cities divided into districts or autonomous prefectures may enact rules, in accordance with laws, administrative regulations and the local regulations of their respective provinces, autonomous regions or municipalities.

The Constitution 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 or 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 city divided into districts or autonomous prefecture 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 which contravene the Constitution or the Legislation Law. The Standing Committee of the NPC has the power to annul any administrative regulations that contravene the Constitution and laws, to annul any local regulations that contravene the Constitution, laws or administrative regulations, and to annul any autonomous regulations or local regulations which have been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the central government, but which contravene the Constitution and the Legislation Law. The State Council has the power to alter or annul any inappropriate ministerial 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 and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at a lower level.

According to the Constitution and the Legislation Law, the power to interpret laws is vested in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on June 10, 1981, the Supreme People's Court of the PRC (the "**Supreme People's Court**") has the power to give general interpretation on questions involving the specific application of laws and decrees in court trials. The State Council and its ministries and commissions are also vested with the power to give interpretation of the administrative regulations and department rules which they have promulgated. At the regional level, the power to give interpretations of the local regulations as well as administrative rules is vested in the regional legislative and administrative organs which promulgate such regulations and rules.

PRC JUDICIAL SYSTEM

Under the Constitution and the PRC Law on the Organization of the People's Courts (2018 revision) (《中華人民共和國人民法院組織法(2018年修訂)》), the PRC judicial system is made up of the Supreme People's Court, the local people's courts and special people's courts.

The local people's courts are comprised of the primary people's courts, the intermediate people's courts and the higher people's courts. The higher people's courts supervise the primary and intermediate people's courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of people's courts of the same level and lower levels. The Supreme People's Court is the highest judicial organ in the PRC. It supervises the judicial administration of the people's courts at all levels.

The PRC Civil Procedure Law (2023 revision) (《中華人民共和國民事訴訟法(2023年修訂)》) (the “**Civil Procedure Law**”), which was adopted in 1991 and amended in 2007, 2012, 2017, 2021 and 2023, 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 order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a judicial court where civil actions may be brought, provided that the judicial court is either the plaintiff's or the defendant's domicile, the place of execution or implementation of the contract or the place of the object of the action, provided that the provisions of this law regarding the level of jurisdiction and exclusive jurisdiction shall not be violated.

A foreign national or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC.

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 an arbitration panel in the PRC, the other party may apply to the people's court for the enforcement of the same. There are time limits of two years imposed on the right to apply for such enforcement. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, enforce the judgment in accordance with the law.

A party seeking to enforce a judgment or ruling of a people's court against a party who is not personally or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by the people's court according to PRC enforcement procedures if the PRC has entered into or acceded to an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security or against social and public interest.

**THE COMPANY LAW, OVERSEAS LISTING TRIAL MEASURES AND GUIDANCE
FOR ARTICLES OF ASSOCIATION**

A joint stock limited company which was incorporated in the PRC and seeking a listing on the Hong Kong Stock Exchange is mainly subject to the following laws and regulations in the PRC:

- The PRC Company Law (《中華人民共和國公司法》) which was promulgated by the Standing Committee of the NPC on December 29, 1993, came into effect on July 1, 1994, revised on December 25, 1999, August 28, 2004, October 27, 2005 and December 28, 2013 respectively and the latest revision of which was implemented on October 26, 2018;
- The Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “**Overseas Listing Trial Measures**”) and five relevant guidelines which were promulgated by the CSRC on February 17, 2023 pursuant to Securities Law of the PRC, and were applicable to the direct and indirect overseas share subscription and listing of domestic companies; and
- The Guidelines for Articles of Association of Listed Companies (《上市公司章程指引》) (the “**Guidance for Articles of Association**”) which was latest amended on January 5, 2022 by the CSRC. The related Guidance for Articles of Association are set out in the Articles of Association of the Company, the summary of which is set out in the section entitled “Appendix V — Summary of Articles of Association” in this document.

Set out below is a summary of the major provisions of the Company Law, the Overseas Listing Trial Measures and the Guidance for Articles of Association applicable to the Company.

General

A joint stock limited company refers to an enterprise legal person incorporated under the Company Law with its registered capital divided into shares of equal par value. The liability of its shareholders is limited to the amount of shares held by them and the company is liable to its debts for an amount equal to the total value of its assets.

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 subscription.

A joint stock limited company may be incorporated by a minimum of two but not more than 200 promoters, and at least half of the promoters must have residence within the PRC. The promoters must convene an inaugural meeting within 30 days after the issued shares have been fully paid up, and must give notice to all subscribers or make an announcement of the date of the inaugural meeting 15 days before the meeting. The inaugural meeting may be convened only with the presence of promoters or subscribers representing at least half of the shares in the company. At the inaugural meeting, matters including the adoption of articles of association and the election of members of the board of directors and members of the board of supervisors of the company will be dealt with. All resolutions of the meeting require the approval of subscribers with more than half of the voting rights present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors must 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. Joint stock limited companies established by the subscription method with offering and issuing shares to the public shall file the approval issued by the securities administration department of the State Council with the company registration authority for record.

A joint stock limited company's promoters shall be liable for: (i) the payment of all expenses and debts incurred in the incorporation process jointly and severally if the company cannot be incorporated; (ii) 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 (iii) damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company. According to the Interim Provisional Regulations on the Administration of Share Issuance and Trading (《股票發行與交易管理暫行條例》) 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 subscription, the promoters of such company are required to sign on the prospectus to ensure that the prospectus does not contain any misrepresentation, serious misleading statements or material omissions, and assume joint and several responsibility for it.

Share Capital

The promoters of a company can make capital contributions in cash or in kind, which can be valued in currency and transferable according to law such as intellectual property rights or land use rights based on their appraised value.

If capital contribution is made other than in cash, valuation and verification of the property contributed must be carried out and converted into shares.

A company may issue registered or bearer share. However, shares issued to promoter(s) or legal person(s) shall be in the form of registered share and shall be registered under the name(s) of such promoter(s) or legal person(s) and shall not be registered under a different name or the name of a representative.

The Overseas Listing Trial Measures provides that domestic enterprises that are listed overseas may raise funds and distribute dividends in foreign currencies or Renminbi.

Under the Overseas Listing Trial Measures, for a domestic company directly offering and listing overseas, shareholders of its domestic unlisted shares applying to convert such shares into shares listed and traded on an overseas trading venue shall conform to relevant regulations promulgated by the CSRC, and authorize the domestic company to file with the CSRC on their behalf. The domestic unlisted shares mentioned in the preceding paragraph refer to the shares that have been issued by domestic enterprises but have not been listed or listed for trading on domestic exchanges. Domestic unlisted shares shall be centrally registered and deposited with domestic securities registration and settlement institutions. The registration and settlement arrangements of overseas listed shares shall be subject to the provisions of overseas listing places.

The share offering price may be equal to or greater than nominal value, but shall not be less than nominal value.

The transfer of shares by shareholders should 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. Bearer shares are transferred by delivery of the share certificates to the transferee.

Shares held by a promoter of a company shall not be transferred within one year after the date of the company's incorporation. Shares issued by a company 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 share of the company held by each of them within one year after the listing date. There is no restriction under the Company Law as to the percentage of shareholding a single shareholder may hold in a company.

Transfers of shares may not be entered in the register of shareholders within 20 days before the date of a shareholders' meeting or within five days before the record date set for the purpose of distribution of dividends.

Allotment and Issue of 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.

Domestic enterprises issued and listed overseas shall file with the CSRC in accordance with Overseas Listing Trial Measures, submit filing reports, legal opinions and other relevant materials, and truthfully, accurately and completely explain shareholder information and other information. Where a domestic enterprise directly issues and is listed overseas, the issuer shall file with the CSRC. If a domestic enterprise is indirectly listed overseas, the issuer shall designate a major domestic operating entity as the domestic responsible person and file with the CSRC.

Registered Shares

Under the Company Law, the shareholders may make capital contributions in cash, or alternatively may make capital contributions with such valued non-monetary property as physical items, intellectual property rights, and land-use rights that may be valued in monetary term and may be transferred in accordance with the law. Pursuant to the Overseas Listing Trial Measures, domestic enterprises that are listed overseas may raise funds and distribute dividends in foreign currencies or Renminbi.

Under the Company Law, when the company issues shares in registered form, it shall maintain a register of shareholders, stating the following matters:

- the name and domicile of each shareholder;
- the number of shares held by each shareholder;
- the serial numbers of shares held by each shareholder; and
- the date on which each shareholder acquired the shares.

Increase of Share Capital

According to the Company Law, when the joint stock limited company issues new shares, resolutions shall be passed by a shareholders' general meeting, approving the class and number of the new shares, the issue price of the new shares, the commencement and end of the new share issuance and the class and amount of new shares to be issued to existing shareholders. When the company launches a public issuance of new shares with the approval of the securities regulatory authorities of the State Council, it shall publish the prospectus and financial and accounting reports, and prepare the share subscription form. After the new share issuance has been paid up, the change shall be registered with the company registration authorities and an announcement shall be made.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the Company Law:

- it shall prepare a balance sheet and a property list;
- the reduction of registered capital shall be approved by a shareholders' general meeting;
- it shall inform its creditors of the reduction in capital within 10 days and publish an announcement of the reduction in the newspaper within 30 days from the date of the resolution on the reduction;
- creditors may within 30 days after 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;
- it shall apply to the relevant administration of registration for the registration of the reduction in registered capital.

Repurchase of Shares

According to the Company Law, a joint stock limited company may not purchase its shares other than for one of the following purposes: (i) to reduce its registered capital; (ii) to merge with another company that holds its shares; (iii) to grant its shares for carrying out an employee stock ownership plan or equity incentive plan; (iv) to purchase its shares from shareholders who request and are against the resolution regarding the merger or division with other companies at a shareholders' general meeting; (v) use of shares for conversion of convertible corporate bonds issued by a listed company; and (vi) the share buyback is necessary for a listed company to maintain its company value and protect its shareholders' equity.

The purchase of shares on the grounds set out in (i) and (ii) above shall require approval by way of a resolution passed by the shareholders' general meeting. For a company's share buyback under any of the circumstances stipulated in (iii), (v) or (vi) above, a resolution of the company's board of directors shall be made by a two-third majority of directors attending the meeting according to the provisions of the company's articles of association or as authorized by the shareholders' meeting.

Following the purchase of shares in accordance with (i), such shares shall be canceled within 10 days from the date of purchase. The shares shall be assigned or deregistered within six months if the share buyback is made under the circumstances stipulated in either (ii) or (iv). The shares held in total by a company after a share buyback under any of the circumstances stipulated in (iii), (v) or (vi) shall not exceed 10% of the company's total outstanding shares, and shall be assigned or deregistered within three years.

Listed companies making a share buyback shall perform their obligation of information disclosure according to the provisions of the Securities Law. If the share buyback is made under any of the circumstances stipulated in (iii), (v) or (vi) hereof, centralized trading shall be adopted publicly.

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 modifications of registration in the share register caused by transfer of registered shares shall be carried out within 20 days prior to the convening of shareholder's general meeting or five days prior to the base date for determination of dividend distributions. However, where there are separate provisions by law on alternation of registration in the share register of listed companies, those provisions shall prevail.

Under 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 the senior management shall declare to the company their shareholdings in the company and any changes of such shareholdings. They shall not transfer more than 25% of all the shares they hold in the company annually during their tenure. They shall not transfer the shares they hold within one year from the date on which the company's shares are listed and commenced trading on a stock exchange, nor within six months after their resignation from their positions with the company.

Shareholders

Under the Company Law and the Guidance for Articles of Association, the rights of holders of ordinary shares of a joint stock limited company include:

- the right to attend or appoint a proxy to attend shareholders' general meetings and to vote thereat;
- the right to transfer shares in accordance with laws, administrative regulations and provisions of the articles of association;
- the right to inspect the company's articles of association, share register, counterfoil of company debentures, minutes of shareholder's general meetings, resolutions of meetings of the board of directors, resolutions of meetings of the board of supervisors and financial and accounting reports and to make proposals or enquires on the company's operations;
- the right to bring an action in the people's court to rescind resolutions passed by shareholder's general meetings and board of directors where the articles of association is violated by the above resolutions;
- the right to receive dividends and other types of interest distributed in proportion to the number of shares held;
- in the event of the termination or liquidation of the company, the right to participate in the distribution of residual properties of the company in proportion to the number of shares held; and
- other rights granted by laws, administrative regulations, other regulatory documents and the company's articles of association.

The obligations of a shareholder include the obligation to abide by the Company's articles of association, 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 or her subscribed shares and any other shareholders' obligation specified in the company's articles of association.

Shareholders' General Meetings

The shareholders' general meeting is the organ of authority of the company, which exercises its powers in accordance with the Company Law.

Under the Company Law, the shareholders' general meeting exercises the following principal powers:

- to decide on the company's operational policies and investment plans;
- to elect or remove the directors and supervisors (other than the representative of the employees of the company) and to decide on matters relating to the remuneration of directors and supervisors;
- to examine and approve reports of the board of directors;
- to examine and approve reports of the board of supervisors;
- to examine and approve the company's proposed annual financial budget and final accounts;
- to examine and approve the company's proposals for profit distribution plans and loss recovery plans;
- to decide on any increase or reduction of the company's registered capital;
- to decide on the issue of bonds by the company;
- to decide on issues such as merger, division, dissolution and liquidation of the company and change of the structure;
- to amend the company's articles of association; and
- other powers as provided for in the articles of association.

Shareholders' annual general meetings are required to be held once every year. Under the Company Law, an extraordinary shareholders' general meeting is required to be held within two months after the occurrence of any of the following:

- 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;
- the aggregate losses of the company which are not recovered reach one-third of the company's total paid-in share capital;

- when shareholders alone or in aggregate holding 10% or more of the company's shares request the convening of an extraordinary general meeting;
- whenever the board of directors deems necessary;
- when the board of supervisors proposes; or
- other circumstances as provided for in the articles of associations.

Under the Company Law, shareholders' general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or does not perform his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting.

Where the board of directors is incapable of performing or not performing its duties of convening the shareholders' general meeting, the board of supervisors shall convene and preside over such meeting in a timely manner. In case the board of supervisors fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10% of the company's shares for 90 days consecutively may unilaterally convene and preside over such meeting.

Under the Company Law, notice of shareholders' general meeting shall state the time and venue of and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. Notice of extraordinary shareholder's general meetings shall be given to all shareholders 15 days prior to the meeting. Under the Guidance for Articles of Association, after the notice of the general meeting of shareholders is issued, the general meeting of shareholders shall not be postponed or cancelled without justifiable reasons, and the proposals listed in the notice of general meeting of shareholders shall not be cancelled. In the event of postponement or cancellation, the convener shall make an announcement and explain the reasons at least two working days before the original meeting date.

There is no specific provision in the Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting. Pursuant to the Guidance for Articles of Association, the board of directors and the Secretary of the board of directors will cooperate with the general meeting of shareholders convened by the board of supervisors or shareholders. The board of directors will provide the register of shareholders on the date of equity registration. Moreover, when a general meeting of shareholders is held, all directors, supervisors and the secretary of the board of directors of the company shall attend the meeting, and managers and other senior management personnel shall attend the meeting as nonvoting delegates.

Pursuant to the Guidance for Articles of Association, shareholders who individually or jointly hold more than 3% of the company's shares may put forward interim proposals and submit them to the convener in writing 10 days before the general meeting of shareholders. The convener shall issue a supplementary notice of the general meeting of shareholders within two days after receiving the proposal and announce the contents of the interim proposal.

Under the Company Law, shareholders present at shareholders' general meeting have one vote for each share they hold, save that shares held by the company are not entitled to any 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, each share shall be entitled to vote equivalent to the number of directors or supervisors to be elected at the shareholders' general meeting and shareholders may consolidate their voting rights when casting a vote.

Pursuant to the Company Law and the Guidance for Articles of Association, resolutions of the shareholders' general meeting shall be adopted by more than half of the voting rights 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: (i) amendments to the articles of association; (ii) the increase or decrease of registered capital; (iii) equity incentive plan; (iv) the company purchases or sells major assets within one year or the amount of guarantee exceeds 30% of the company's total audited assets in the latest period; (v) the merger, division, dissolution, liquidation or change in the form of the company; (vi) other matters stipulated by laws, administrative regulations or the Articles of Association, as well as other matters considered by the shareholders' general meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the company and should be adopted by a special resolution.

Under the Company Law, meeting minutes shall be prepared in respect of decisions on matters discussed at the shareholders' general meeting. The chairman of the meeting and directors attending the meeting shall sign to endorse such minutes. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

Board

Under the Company Law, a joint stock limited company shall have a board of directors, which shall consist of 5 to 19 members. Members of the board of directors 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 a director shall be stipulated in the articles of association, but no term of office shall last for more than three years. Directors may serve consecutive terms if re-elected. A director

shall continue to perform his duties in accordance with the laws, administrative regulations and 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 term of office, or if the resignation of directors results in the number of directors being less than the quorum.

Under the Company Law, the board of directors mainly exercises the following powers:

- to convene the shareholders' general meetings and report on its work to the shareholders' general meetings;
- to implement the resolutions passed in shareholders' general meetings;
- to decide on the company's business plans and investment proposals;
- to formulate the company's proposed annual financial budget and final accounts;
- to formulate the company's profit distribution proposals and loss recovery proposals;
- to formulate proposals for the increase or reduction of the company's registered capital and the issuance of corporate bonds;
- to prepare plans for the merger, division, dissolution and change in the form of the company;
- to formulate the company's basic management system; and
- to exercise any other power under the articles of association.

Board Meetings

Under the Company Law, meetings of the board of directors 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 board of supervisors. The chairman shall convene and preside over such meeting within 10 days after receiving such proposal. Meetings of the board of directors shall be held only if half or more of the directors are present. Resolutions of the board of directors shall be passed by more than half of all directors. Each director shall have one vote for resolutions to be approved by the board of directors. Directors shall attend board meetings in person. If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorization to attend the meeting on his behalf.

If a resolution of the board of directors 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 exempted from that liability.

Chairman of the Board

Under the Company Law, the board of directors 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 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 duties, a director nominated by more than half of the directors shall perform his duties.

Qualification of Directors

The Company Law provides that the following persons may not serve as a director:

- a person who is unable or has limited ability to undertake any civil liabilities;
- a person who has been convicted of an offense of bribery, corruption, embezzlement or misappropriation of property, or the destruction of socialist market economy order; or who has been deprived of his political rights due to his crimes, in each case where less than five years have elapsed since the date of completion of the sentence;
- a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;
- a person who has been a legal representative of a company or an enterprise that has had its business license revoked due to violations of the law and has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation; or
- a person who is liable for a relatively large amount of debts that are overdue.

Other circumstances under which a person is disqualified from acting as a director are set out in the Guidance for Articles of Association.

Board of Supervisors

A joint stock limited company shall have a board of supervisors composed of not less than three members. The board of supervisors is made up of representatives of the shareholders and an appropriate proportion of representatives of the employees of the company. The actual proportion shall be stipulated in the articles of association, provided that the proportion of representatives of the employees shall not be less than one third of the supervisors. Representatives of the employees of the company in the board of supervisors shall be democratically elected by the employees at the employees' representative assembly, employees' general meeting or otherwise. The directors and senior management may not act concurrently as supervisors.

The board of supervisors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the board of supervisors are elected with approval of more than half of all the supervisors. The chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the chairman of the board of supervisors is incapable of performing or not performing his duties, the vice chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the vice chairman of the board of supervisors is incapable of performing or not performing his duties, a supervisor nominated by more than half of the supervisors shall convene and preside over the meetings of the board of supervisors.

Each term of office of a supervisor is three years and he or she may serve consecutive terms if re-elected. A supervisor shall continue to perform his duties in accordance with the laws, administrative regulations and 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 term of office, or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The board of supervisors of a company shall hold at least one meeting every six months. According to the PRC Company Law, a resolution of the board of supervisors shall be passed by more than half of all the supervisors.

The board of supervisors exercises the following powers:

- to review the company's financial position;
- to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the articles of association or the resolutions of shareholders' meeting;
- when the acts of directors and senior management are harmful to the company's interests, to require correction of those acts;

- to propose the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' general meetings when the board of directors fails to perform the duty of convening and presiding over shareholders' general meeting under this law;
- to initiate proposals for resolutions to shareholders' general meeting;
- to initiate proceedings against directors and senior management;
- other powers specified in the articles of association; and
- Supervisors may attend board meetings and make enquiries or proposals in respect of board resolutions. The board of supervisors may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accounting firm to assist their work at the company's expense.

Manager and Senior Management

Under the Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. The manager shall report to the board of directors and may exercise the following powers:

- to supervise the business and administration of the company and arrange for the implementation of resolutions of the board of directors;
- to arrange for the implementation of the company's annual business plans and investment proposals;
- to formulate the general administration system of the company;
- to formulate the company's detailed rules;
- to recommend the appointment and dismissal of deputy managers and person in charge of finance;
- to appoint or dismiss other administration officers (other than those required to be appointed or dismissed by the board of directors); and
- to other powers conferred by the board of directors or the articles of association.

The manager shall comply with other provisions of the articles of association concerning his/her powers. The manager shall attend board meetings.

According to the Company Law, senior management shall mean the manager, deputy manager(s), person-in-charge of finance, board secretary (in case of a listed company) of a company and other personnel as stipulated in the articles of association.

Duties of 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, supervisors and senior management are prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating of the company's properties. Directors and senior management are prohibited from:

- misappropriation of the company's capital;
- depositing the company's capital into accounts under his own name or the name of other individuals;
- loaning company funds to others or providing guarantees in favor of others supported by the company's assets in violation of the articles of association or without prior approval of the shareholders' general meeting or board of directors;
- entering into contracts or deals with the company in violation of the articles of association or without prior approval of the shareholders' general meeting;
- using their position and powers to procure business opportunities for themselves or others that should have otherwise been available to the company or operating for their own benefits or managing on behalf of others businesses similar to that of the company without prior approval of the shareholders' general meeting;
- accept and possess commissions paid by a third party for transactions conducted with the company;
- unauthorized divulgence of confidential business information of the company; or
- other acts in violation of their fiduciary duty to the company.

A director, supervisor or senior management who contravenes any law, regulation or the company's articles of association in the performance of his duties resulting in any loss to the company shall be personally liable for the damages to the company.

Finance and Accounting

Under the Company Law, a company shall establish financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council and 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 provisions of the 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 an annual general meeting of shareholders. A joint stock limited company which has issued shares to the public must also publish its financial and accounting reports.

When distributing each year's after-tax profits, it shall set aside 10% of its after-tax profits into a statutory common reserve fund (except where the fund has reached 50% of its registered capital).

If its statutory common reserve fund is not sufficient to make up losses of the previous year, profits of the current year shall be applied to make up losses before allocation is made to the statutory common reserve fund pursuant to the above provisions.

After allocation of the statutory common reserve fund from after-tax profits, it may, upon a resolution passed at the shareholders' general meeting, allocate discretionary common reserve fund from after-tax profits.

The remaining after-tax profits after making up losses and allocation of common reserve fund shall be distributed in proportion to the number of shares held by the shareholders, unless otherwise stipulated in the articles of association. Shares held by the Company shall not be entitled to any distribution of profit.

The premium received through issuance of shares at prices above par value and other incomes required by the financial department of the State Council to be allocated to the capital reserve fund shall be allocated to the company's capital reserve fund.

The company's reserve fund 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. However, the capital reserve fund may not be applied to make up the company's losses. Upon the conversion of statutory common reserve fund into capital, the balance of the statutory common reserve fund shall not be less than 25% of the registered capital of the company before such conversion.

The company shall have no other accounting books except the statutory accounting books. Its assets shall not be deposited in any accounts opened in the name of any individual.

Appointment and Retirement of Accounting Firms

Pursuant to the Company Law, the appointment or dismissal of accounting firms responsible for the auditing of the company shall be determined by shareholders' general meeting or board of directors in accordance with provisions of articles of association. The accounting firm should be allowed to make representations when the shareholders' general meeting or board of directors conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accounting firm it employs without any refusal, withholding and misrepresentation.

The Guidance for Articles of Association provide that the company guarantees to provide true and complete accounting vouchers, accounting books, financial accounting reports and other accounting materials to the employed accounting firm, and shall not refuse, conceal or falsely report. And the audit fee of the accounting firm shall be decided by the general meeting of shareholders.

Distribution of Profits

According to the Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve is drawn.

Amendments to Articles of Association

Any amendments to the company's articles of association must be made in accordance with the procedures set out in the company's articles of association. In relation to matters involving the company's registration, its registration with the authority must also be changed.

Dissolution and Liquidation

According to the Company Law, a company shall be dissolved by reason of the following:

(i) the term of its operations set down in the articles of association has expired or other events of dissolution specified in the articles of association occurred; (ii) the shareholders' general meeting has resolved to dissolve the company; (iii) the company is dissolved by reason of merger or division; (iv) the business license is revoked, or the company is ordered to close down or be dissolved; or (v) the company is dissolved by the people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all its shareholders, on the grounds that the company suffers significant hardship in its operation and management that cannot be resolved through other means, and the ongoing existence of the company would bring significant losses for shareholders.

In the event of (i) above, it may carry on its existence by amending its articles of association. 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 a shareholders' general meeting.

Where the company is dissolved in the circumstances described in subparagraphs (i), (ii), (iv), or (v) above, a liquidation group shall be established and the liquidation process shall commence within 15 days after the occurrence of an event of dissolution.

The members of the company's liquidation group shall be composed of its directors or the personnel appointed by the shareholders' general meeting. If a liquidation group 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 group. The people's court should accept such application and form a liquidation group to conduct liquidation in a timely manner.

The liquidation group shall exercise the following powers during the liquidation period:

- to liquidate the company's assets and to prepare a balance sheet and an inventory of the assets;
- to notify creditors through notice or public announcement;
- to deal with the company's outstanding businesses related to liquidation;
- to pay any tax overdue as well as tax amounts arising from the process of liquidation;
- to claim credits and pay off debts;
- to handle the company's remaining assets after its debts have been paid off; and
- to represent the company in civil lawsuits.

The liquidation group 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 claim with the liquidation group within 30 days after receiving notification, or within 45 days of the public notice if he did not receive any notification. A creditor shall state all matters relevant to his creditor rights in making his claim and furnish evidence. The liquidation group shall register such creditor rights. The liquidation group shall not make any debt 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 group 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. It shall continue to exist during the liquidation period, although it can only engage in any operating activities that are 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 group becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to the people's court for a declaration for bankruptcy.

Following such declaration, the liquidation group shall hand over all matters relating to the liquidation to the people's court.

Upon completion of the liquidation, the liquidation group shall submit a liquidation report to the shareholders' general meeting or the people's court for verification. Thereafter, the report shall be submitted to the registration authority of the company in order to apply for deregistration, and a public notice of its termination shall be issued. Members of the liquidation group are required to discharge their duties honestly and in compliance with the relevant laws. Members of the liquidation group 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 group is liable to indemnify the company and its creditors in respect of any loss arising from his intentional or gross negligence.

Overseas Listing

According to the Overseas Listing Trial Measures, where an issuer makes an overseas initial public offering or listing, it shall file with the CSRC within 3 working days after submitting the application documents for overseas issuance and listing. If an issuer issues securities in the same overseas market after overseas issuance and listing, it shall file with the CSRC within 3 working days after the completion of the issuance. If an issuer issues and lists in other overseas markets after overseas issuance and listing, it shall be filed in accordance with the provisions of the first paragraph of this article. Moreover, if the filing materials are complete and meet the requirements, the CSRC shall complete the filing within 20 working days from the date of receiving the filing materials, and publicize the filing information through the website. If the filing materials are incomplete or do not meet the requirements, the CSRC shall inform the issuer of the materials to be supplemented within 5 working days after receiving the filing materials. The issuer shall supplement the materials within 30 working days.

Loss of Share Certificates

If a registered share certificate is lost, stolen or destroyed, the relevant shareholder may apply, in accordance with the relevant provisions set out in the Civil Procedure Law, to a people's court to declare such certificate invalid. After the people's court declares the invalidity of such certificate, the shareholder may apply to the company for a replacement share certificate.

Suspension and Termination of Listing

The Company Law has deleted provisions governing suspension and termination of listing. The PRC Securities Law (2019 revision) (《中華人民共和國證券法(2019年修訂)》) has also deleted provisions regarding suspension of listing. Where listed securities fall under the delisting circumstances stipulated by the stock exchange, the stock exchange shall terminate its listing and trading in accordance with the business rules.

According to the Overseas Listing Trial Measures, in case of active or compulsory termination of listing, the issuer shall report the specific situation to the CSRC within 3 working days from the date of occurrence and announcement of the relevant matters.

Merger and Demerger

Companies may merge through merger by absorption or through the establishment of 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.

SECURITIES LAW AND REGULATIONS

The PRC has promulgated a number of regulations that relate to the issue and trading of shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the two departments and reformed the CSRC.

The Interim Provisional Regulations on the Administration of Share Issuance and Trading (《股票發行與交易管理暫行條例》) deals with the application and approval procedures for public offerings of equity securities, trading in equity securities, the acquisition of listed companies, deposit, clearing and transfer of listed equity securities, the disclosure of information with respect to a listed company, investigation, penalties and dispute settlement.

The PRC Securities Law took effect on July 1, 1999 and was revised on August 28, 2004, October 27, 2005, June 29, 2013, August 31, 2014 and December 28, 2019, respectively. This is the first national securities law in the PRC, which is divided into 14 chapters and 226 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The PRC Securities Law comprehensively regulates activities in the PRC securities market. Article 224 of the PRC Securities Law provides that domestic enterprises shall comply with the relevant provisions of the State Council to list its shares outside the PRC. Currently, the issue and trading of foreign issued shares are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the PRC (《中華人民共和國仲裁法》) (the “**Arbitration Law**”) was passed by the Standing Committee of the NPC on August 31, 1994, became effective on September 1, 1995 and was amended on August 27, 2009 and September 1, 2017. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people's court will refuse to handle the case except when the arbitration agreement is declared invalid.

Under the Arbitration Law and the Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any irregularity on the procedures or composition of arbitrators specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration commission.

A party seeking to enforce an arbitral award of PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC. The PRC 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 NPC passed on December 2, 1986. The New York Convention provides that all arbitral

awards made in a state which is a party to the New York Convention shall be recognized and enforced by all other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC simultaneously with the accession of the PRC that (i) the PRC will only recognize and enforce foreign arbitral awards on the principle of reciprocity and (ii) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations.

An arrangement was reached between Hong Kong and the Supreme People's Court for the mutual enforcement of arbitral awards. On June 18, 1999, the Supreme People's Court adopted the Arrangement on Mutual Enforcement of Arbitral Awards between Mainland China and Hong Kong (《關於內地與香港特別行政區相互執行仲裁裁決的安排》), which became effective on February 1, 2000. In accordance with this arrangement, awards made by PRC arbitral authorities under the Arbitration Law can be enforced in Hong Kong, and Hong Kong arbitration awards are also enforceable in the PRC.

Judicial judgment and its enforcement

According to the Arrangement on Mutual Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland China and of the Hong Kong Special Administrative Region Pursuant to Agreed Jurisdiction by Parties Concerned (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) promulgated by the Supreme People's Court on July 3, 2008 and implemented on August 1, 2008, in the case of final judgment, defined with payment amount and enforcement power, made between the court of PRC and the court of the Hong Kong Special Administrative Region in a civil and commercial case with written jurisdiction agreement, any party concerned may apply to the People's Court of Mainland China or the court of the Hong Kong Special Administrative Region for recognition and enforcement based on this arrangement. "Choice of court agreement in written" refers to a written agreement defining the exclusive jurisdiction of either the People's Court of Mainland China or the court of the Hong Kong Special Administrative Region in order to resolve dispute with particular legal relation occurred or likely to occur by the party concerned. Therefore, the party concerned may apply to the Court of Mainland China or the court of the Hong Kong Special Administrative Region to recognize and enforce the final judgment made in Mainland China or Hong Kong that meet certain conditions of the aforementioned regulations.

On January 18, 2019, the PRC Supreme Court and the Hong Kong government 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》), or the New Arrangement, which seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgments in wider range of civil and

commercial matters between Hong Kong and the PRC. The New Arrangement discontinued the requirement for a choice of court agreement for bilateral recognition and enforcement. The New Arrangement will only take effect after the promulgation of a judicial interpretation by the Supreme Court and the completion of the relevant legislative procedures in the Hong Kong. The New Arrangement will, upon its effectiveness, supersede the Arrangement.

Shanghai-Hong Kong Stock Connect

On April 10, 2014, CSRC and SFC issued the Joint Announcement of China Securities Regulatory Commission and Hong Kong Securities and Futures Commission — Principles that Should be Followed when the Pilot Program that Links the Stock Markets in Shanghai and Hong Kong is expected to be implemented and approved in principle the launch of the pilot program that links the stock markets in Shanghai and Hong Kong (hereinafter referred to as “**Shanghai-Hong Kong Stock Connect**”) by the Shanghai Stock Exchange (hereinafter referred to as “SSE”), the Stock Exchange, China Securities Depository and Clearing Corporation Limited (hereinafter referred to as “CSDCC”) and HKSCC. Shanghai-Hong Kong Stock Connect comprises the two portions of Northbound Trading Link and Southbound Trading Link. Southbound Trading Link refers to the entrustment of China securities houses by China investors to trade stocks listed on the Stock Exchange within a stipulated range via filing by the securities trading service company established by the SSE with the Stock Exchange. During the initial period of the pilot program, the stocks of Southbound Trading Link consist of constituent stocks of the Stock Exchange Hang Seng Composite Large Cap Index and the Hang Seng Composite MidCap Index as well as stocks of A+H stock companies concurrently listed on the Stock Exchange and the SSE. The total limit of Southbound Trading Link is RMB250 billion and the daily limit is RMB10.5 billion. During the initial period of the pilot program, it is required by SFC that China investors participating in Southbound Trading Link are only limited to institutional investors and individual investors with a securities account and capital account balance of not less than RMB500,000.

On November 10, 2014, CSRC and SFC issued a Joint Announcement, approving the official launch of Shanghai-Hong Kong Stock Connect by SSE, the Stock Exchange, CSDCC and HKSCC. Pursuant to the Joint Announcement, trading of stocks under Shanghai-Hong Kong Stock Connect will commence on November 17, 2014.

On September 30, 2016, CSRC amended the Filing Provision on the Placement of Shares by Hong Kong Listed Companies with Domestic Original Shareholders under Southbound Trading Link (《關於港股通下香港上市公司向境內原股東配售股份的備案規定》) which came into effect on the same day. The act of the placement of shares by Hong Kong listed companies with domestic original shareholders under Southbound Trading Link shall be filed with CSRC. Hong Kong listed companies shall file the application materials and approved documents with CSRC after obtaining approval from the Stock Exchange for their share placement applications. CSRC will carry out supervision based on the approved opinion and conclusion of the Hong Kong side.

This Appendix sets out summaries of the main clauses of our Articles of Association adopted on March 23, 2023 which shall become effective as at the date on which the H shares are listed on the Stock Exchange. As the main purpose of this Appendix is to provide potential investors with an overview of the Articles of Association, it may not necessarily contain all information that is important for prospective investors. As discussed in the appendix headed “Appendix VII — Documents Delivered to the Registrar of Companies and Available on Display” to this document, the full document of the Articles of Association in Chinese is available for examination.

1 DIRECTORS AND BOARD OF DIRECTORS

(1) Power to allot and issue shares

The Articles of Association does not contain clauses that authorize the Board of Directors to allot or issue shares. The Board of Directors shall prepare suggestions for share allotment or issue, which are subject to approval by the Shareholders at the general Shareholders’ meeting in the form of a special resolution. Any such allotment or issue shall be in accordance with the procedures stipulated in appropriate laws, administrative regulations and supervision rules of shares listed region.

(2) Power to dispose assets of our Company or any subsidiary

The Board of Directors shall determine the authority of external investment, acquisition and sale of assets, asset mortgage, external guarantee matters, entrusted financial management, connected transactions, external donations, and establish strict review and decision-making procedures; major investment projects shall be reviewed by relevant experts and professionals and reported to the shareholders’ meeting for approval.

The transaction within the scope of daily business of the Company that meets one of the following criteria shall be submitted to the Board of Directors for deliberation:

- i. The transaction amount accounts for more than 50% of the Company’s audited total assets in the latest period, and the absolute amount exceeds RMB100 million;
- ii. The transaction amount accounts for more than 50% of the Company’s audited operating income or operating cost in the latest accounting year, and more than RMB100 million;
- iii. The total profit expected from the transaction accounts for more than 50% of the audited net profit of the Company in the latest accounting year, and more than RMB5 million;
- iv. Transactions that should be submitted to the Board of Directors for deliberation in accordance with the relevant provisions of the Listing Rules and other securities regulatory rules of the place where the Company’s shares are listed;
- v. Other transactions that may have a significant impact on the Company’s assets, liabilities, equity and operating results.

(3) Guarantees of Loans to Directors, Supervisors or other management personnel

The external guarantee matters of the Company shall be submitted to the Board of Directors or the general meeting of Shareholders (“**General Meeting**”) for deliberation.

The following acts of external guarantee (including mortgage, pledge or guarantee) of the Company shall be submitted to the General Meeting for deliberation and approval after being reviewed and approved by the Board of Directors:

- i. Any single guarantee for an amount more than 10% of the Company’s net assets audited in the latest period;
- ii. Any guarantee to be provided after the total amount of external guarantees provided by the Company or the subsidiaries it controls has exceeded 50% of the Company’s net assets as audited in the latest period;
- iii. Any guarantee to be provided after the total amount of external guarantees provided by the Company has exceeded 30% of its total assets as audited in the latest period;
- iv. Any guarantee to be provided for a party whose ratio of liabilities to assets exceeds 70%;
- v. The amount guaranteed by the Company within one year exceeds 30% of its latest audited total assets;
- vi. Any guarantee to be provided to a Shareholder, or to an ultimate controller or related party thereof;
- vii. Other external guarantees that meet the requirements of laws, regulations, normative documents and the Listing Rules and can take effect only after being reviewed and approved by the General Meeting.

(4) Provide financial assistance for acquiring the shares of the Company or shares of any subsidiary

The Company or its subsidiaries (including its subsidiaries) will not provide any financial assistance to the person who purchases or intends to purchase the Company’s shares in the form of gifts, advances, guarantees, compensation or loans.

(5) Remuneration

The appointment and removal of the members of the Board of Directors and the Board of Supervisors, as well as their remuneration and payment methods, shall be adopted by the General Meeting by ordinary resolution.

(6) Appointment, Resignation and Dismissal

The Board of Directors is composed of nine directors, including three independent directors. The directors of the Company are elected by the General Meeting. At any time, the Board of Directors should have more than 1/3 independent Directors, and the total number of independent directors should not be less than three.

The Board of Directors has one chairman. The chairman of the Board of Directors shall be elected by more than half of all Directors. The Directors shall be elected or replaced by the General Meeting, and may be removed by the General Meeting through an ordinary resolution before the expiration of their term of office.

The chairman of the Board and other Directors serve three-year terms, and the director can be re-elected and reappointed at the end of the term. The general manager or other senior managers may concurrently serve as directors. However, the total number of directors concurrently serving as the general manager or other senior managers shall not exceed half of the total number of directors of the company. There is no provision in the Articles of Association that imposes any age limit for Directors beyond which retirement of a Director is mandatory.

None of the following persons shall serve as our Director, Supervisor or senior management:

- i. A person who has no civil capacity or has limited civil capacity;
- ii. A person who has been sentenced to a term of imprisonment for any of the following crimes and five years have not elapsed since the date on which execution of the sentence was completed: embezzlement, bribery, conversion of property, misappropriation of property, or sabotaging the socialist economic order; or has been deprived of his/her political rights as a result of a criminal conviction and five years have not elapsed since the date on which execution of the sentence was completed;
- iii. A person who has served as a director, the factory chief, or the manager of an insolvent and liquidated company or enterprise and is held personally liable for such bankruptcy, and three years have not elapsed since the date when the bankruptcy and liquidation of the company or enterprise are completed;
- iv. A person who has served as the legal representative of a company or enterprise whose business license was revoked or which is ordered to close down due to any violation of law, and is held personally liable for the revocation, and three years have not elapsed since the date when the revocation occurs;
- v. A person who has a relatively large sum of debt, which was not paid at maturity;

- vi. A person who has been banned from entering the securities market by the CSRC and whose term has not expired;
- vii. A person who has been subject to administrative punishment by the CSRC in the last three years, or has been publicly denounced by the stock exchange in the last 12 months;
- viii. A person who has been filed for investigation by the judicial authority due to suspected crimes or has been filed for investigation by the CSRC due to suspected violations of laws and regulations, and has not yet reached a clear conclusion;
- ix. Other contents stipulated by laws, administrative regulations, departmental rules, other normative documents, the Listing Rules and other securities regulatory rules of the place where the company's shares are listed.

The election, appointment or employment of the Directors, Supervisors or other senior management shall be invalid if such election, appointment or employment is against the Articles of Association. If the Directors, Supervisors or senior management falls into the situations provided in the above-mentioned situations during their term of office, they would be dismissed by our Company.

(7) Borrowing powers

The Board of Directors shall be entitled to decide to borrow money within the scope of authorization by the Shareholder's general meeting or it is required according to the listing rules of the stock exchange where our Company is listed.

The Board of Directors shall be entitled to develop proposals for our Company to issue bonds and to list its Shares, and that such bond issues must be approved by the Shareholders by a special resolution at the General Meeting.

(8) Duties

The directors shall abide by laws, administrative regulations and the Articles of Association, and shall have the following fiduciary duties to the Company:

- i. Shall not abuse their authority by accepting bribes or other illegal income, and shall not convert company property;
- ii. Shall not misappropriate company funds;
- iii. Shall not deposit Company's assets into accounts held in their own names or in the name of any other individual;

- iv. Shall not, in violation of the Articles of Association, loan Company's funds to any other person or give Company's assets as security for the debt of any other person without the approval of the General Meeting or the Board of Directors;
- v. Shall not conclude any contract or engage in any transaction with the Company either in violation of the Articles of Association or without the approval of the General Meeting;
- vi. Shall not use the advantages provided by their own positions to pursue business opportunities that properly belong to the Company to engage in the same business as the Company either for their own account or for the account of any other person without the approval of the General Meeting;
- vii. Shall not accept commissions paid by others for transactions conducted with the Company as their own;
- viii. Shall not disclose confidential Company's information without authorization;
- ix. Shall not abuse their connected relationships to damage the Company's interests;
- x. Shall not take advantage of their functions and powers in the Company to seek illegitimate interests;
- xi. Laws, administrative regulations, departmental rules, the Listing Rules, other securities regulatory rules of the place where the company's shares are listed and other fiduciary obligations stipulated in the Articles of Association;

The income obtained by the director in violation of above article shall belong to the Company; If losses are caused to the Company, it shall be liable for compensation.

Directors shall abide by laws, administrative regulations and the Articles of Association, and have the following diligent obligations to the Company:

- i. Shall prudently, earnestly and diligently exercise the powers the Company grants to them to ensure that the Company conducts its commercial activities in a manner that complies with the requirements of state laws, administrative regulations and state economic policies, and that the Company's commercial activities do not go beyond the scope of the business activities stipulated in the Company's business license;
- ii. Shall treat all Shareholders fairly;
- iii. Shall maintain a timely awareness of the operation and management of the Company;

- iv. Shall sign written statements confirming the regular reports of the Company, and ensure that the information disclosed by the Company is true, accurate and complete;
- v. Shall provide accurate information and materials to the Board of Supervisors and shall not obstruct the Board of Supervisors or individual Supervisors from performing its or their duties;
- vi. Ensure that there is enough time and energy to participate in the Company's affairs, and carefully judge the risks and benefits that may arise from the matters under consideration; In principle, they should attend the meeting of the Board of Directors in person. If they authorize other directors to attend the meeting on their behalf for some reason, they should carefully select the trustee. The authorization matters and decision-making intentions should be specific and clear, and they should not be entrusted with full powers;
- vii. Pay attention to the Company's business status and other matters, report relevant problems and risks to the Board of Directors in a timely manner, and shall not claim exemption from liability on the grounds of not being familiar with the Company's business or not knowing relevant matters;
- viii. Actively promote the standardized operation of the Company, timely correct the Company's violations, and support the Company to fulfill its social responsibilities;
- ix. Laws, administrative regulations, departmental rules, the Listing Rules, other securities regulatory rules of the place where the Company's Shares are listed, and other obligations of diligence stipulated in the Articles of Association.

The duty of loyalty assumed by the Directors shall not be automatically relieved within a reasonable period after the resignation report has not come into effect or has come into effect, and within a reasonable period after the end of the term of office. The duty of confidentiality of the Company's business secrets shall remain valid after the resignation report comes into effect or the end of the term of office, until the secrets become public information.

The specific time limit for Directors to undertake the obligation of loyalty after the resignation takes effect or the term of office expires is 2 years from the date of the resignation takes effect or the term of office expires. The duration of other obligations shall be determined in accordance with the principle of fairness, depending on the length of time between the occurrence of the event and the departure of the post, and the circumstances and conditions under which the relationship with the Company ends.

Without the provisions of the Articles of Association or the lawful authorization of the Board of Directors, no Director shall act in his own name on behalf of the Company or the Board of Directors. When a Director acts in his/her own name, the Director shall declare his/her position and identity in advance if the third party reasonably believes that the Director is acting on behalf of the Company or the Board of Directors.

Where any Director or senior officer, in the course of his company duties, violates any law, administrative regulations or the Articles of Association and causes the Company to suffer a loss, shareholders individually or jointly holding more than 1% of the Company's Shares for more than 180 successive days may make a written request to the Board of Supervisors to bring a lawsuit in the people's court; where the Board of Supervisors, in the course of its company duties, violates any law, administrative regulations or the Articles of Association and causes the Company to suffer a loss, the shareholders may make a written request to the Board of Directors to bring a lawsuit in the people's court.

Where the Board of Supervisors or the Board of Directors refuses to bring a lawsuit after receiving a written request from the Shareholders prescribed in the preceding paragraph or fails to bring a lawsuit within 30 days of receiving such a request, or where the situation is so urgent that failure to bring a lawsuit will lead to irreparable damage to the interests of the Company, the Shareholders prescribed in the preceding paragraph may bring a lawsuit directly in their own names for the benefit of the Company.

In the event of any other person infringes upon the legitimate rights and interests of our Company and causes losses thereto, the shareholder(s) specified in this Articles of Association may file an action with the competent court pursuant to the provisions of the preceding two paragraphs.

In the event of a Director or senior management person violates laws, administrative regulations or our Company's Articles of Association, thereby damaging the interests of the Shareholder(s), the Shareholder(s) may file an action with the competent court.

2 MODIFICATION OF THE ARTICLES OF ASSOCIATION

Our Company may amend the Articles of Association based on the provisions of the laws, administrative regulations and Articles of Association.

Where the amendments to the Articles of Association passed by the General Meetings need the examination and approval of the competent authorities, these amendments shall be submitted hereto for approval. Where the amendment of the Articles of Association involves registration, it shall be necessary to carry out the lawfully prescribed procedures for registration change.

3 SPECIAL RESOLUTIONS NEEDED TO BE ADOPTED BY ABSOLUTE MAJORITY VOTE

The resolutions of the General Meeting shall be divided into ordinary resolutions and special resolutions.

An ordinary resolution may be adopted by a simple majority of the votes held by the Shareholders (including proxies of Shareholders) attending the General Meeting.

A special resolution can be adopted by a two-thirds majority of the votes held by the Shareholders (including proxies of Shareholders) attending the General Meeting.

4 VOTING RIGHTS

The Shares held by the Shareholders of the Company are ordinary shares, without special voting rights. Shareholders (including proxy) shall exercise their voting rights according to the number of voting Shares they represent, and each Share shall have one vote.

The General Meeting of Shareholders shall vote by open ballot. The same voting right can only choose one of on-site or other voting methods. In case of repeated voting with the same voting right, the first voting result shall prevail.

Shareholders attending the General Meeting shall express one of the following opinions on the proposal submitted for voting: affirmative, negative or abstention. The securities registration and clearing organisation shall be the nominee holder of shares on the Interconnection Mechanism for Mainland and Hong Kong Stock Markets, except where declaration is made in accordance with the actual holder's intent. Where any ballot is not completed in full, is completed incorrectly or unintelligibly, or has no vote recorded, the voter shall be deemed to have waived his voting rights and the voting result for his shares shall be deemed as an "abstention".

5 RULES ON GENERAL MEETINGS

The General Meetings are divided into annual general meetings and extraordinary general meetings. The annual general meeting shall be convened once a year and be held within six months of the end of the previous fiscal year.

6 ACCOUNTING AND AUDITS**(1) Financial and accounting policies**

Our Company shall develop its financial accounting policies pursuant to laws, administrative regulations and rules developed by the competent department. Where there are special rules in the listing rules of the stock exchange where the shares are listed, the special rules would prevail.

The Company shall prepare its annual financial and accounting report within 4 months after the end of each fiscal year, and prepare its interim financial and accounting report within 2 months after the end of the first half of each fiscal year. The above financial and accounting reports are prepared in accordance with relevant laws, administrative regulations, departmental rules, the Listing Rules and other securities regulatory rules of the place where the Company's Shares are listed.

The Company shall not establish other accounting books except for the statutory accounting books. The assets of the Company shall not be deposited in any account opened in the name of any individual.

(2) Appointment and Dismissal of Accountants

The Company employs an accounting firm that complies with the provisions of the Securities Law, the Listing Rules and other securities regulatory rules of the place where the Company's Shares are listed to conduct accounting statement audit, net asset verification and other related consulting services. The employment period is one year, and can be renewed.

The employment of accounting firms by the Company must be decided by the General Meeting, and the Board of Directors shall not appoint accounting firms before the decision of the General Meeting. The audit fee of the accounting firm shall be determined by the General Meeting.

The Company shall guarantee to provide the accounting firm it employs with true and complete accounting vouchers, accounting books, financial and accounting reports and other accounting materials, and shall not refuse, conceal or make false statements.

The Company shall notify the accounting firm 10 days in advance when dismissing or no longer renewing the accounting firm. The accounting firm shall be allowed to state its opinions when the General Meeting votes on dismissing the accounting firm. If the accounting firm proposes to resign, it shall explain to the General Meeting whether the Company has any improper situation.

7 NOTICE AND AGENDA OF GENERAL SHAREHOLDERS' MEETINGS

The General Meeting is the authorized organ of our Company that performs duties and exercises powers in accordance with the law.

Under any of the following circumstances, the Company shall convene an extraordinary general meeting within two months:

- i. where the number of directors falls below the number prescribed in the Company Law or below two thirds of the number prescribed in the Articles of Association;
- ii. where the Company's unfunded losses reach one third of total Share capital paid in;
- iii. where Shareholders who individually or jointly hold no less than 10% of the Company's stock request holding of such a meeting;
- iv. where the Board of Directors deems it necessary;
- v. where the Board of Supervisors proposes such a meeting;
- vi. Where the number of independent Directors falls below the quorum;
- vii. in any other circumstances prescribed by laws, administrative regulations, departmental rules, the Listing Rules and other securities regulatory rules of the place where the Company's Shares are listed or the Articles of Association.

In the event that the Board of Directors agree to convene an extraordinary general meeting, the notice of convening extraordinary general meeting shall be issued within 5 days after the Board of Directors makes a resolution. With regard to the proposal of convening an extraordinary general meeting made by the Board of Supervisors, if the Board of Directors made a rejection or does not respond within 10 days after it receiving the proposal, it shall be viewed as the Board of Directors is unable to or fails to perform its meeting duty of convening the General Meeting and the Board of Supervisors may convene and preside over the meeting by its own.

Shareholders who separately or jointly hold 10% or more of the shares may request in writing to convene an extraordinary general meeting. If the Board of Directors does not issue a notice of convening the meeting within 10 days after receiving the above written requirement, or refused to convene, the shareholders who make the request may request the Board of Supervisors in writing to convene the meeting. If the Board of Supervisors does not issue the notice about convening the meeting within 5 days after receiving the above written requirement, the Shareholders who make the request could convene and preside the meeting by themselves.

In the event that the General Meeting is convened, the Board of Directors, the Board of Supervisors and Shareholders who separately or jointly hold more than 3% of the shares of our Company may submit a proposal 10 days before the meeting.

When convening a General Meeting, our Company shall send a written notice 21 days before it is convened. When convening an extraordinary general meeting, our Company shall send a written notice 15 days before it is convened. When the Company calculates the starting period of “21 days” and “15 days”, it does not include the date of the meeting, but includes the date of the notice.

The notice of the General Meeting shall be made in writing, including the following contents:

- i. the place, the date and the hour of the meeting;
- ii. the matters to be discussed at the meeting;
- iii. a prominent written statement as follows: all Shareholders have the right to attend the General Meeting, and may authorize in written form a proxy, who need not necessarily be a Shareholder, to attend and vote at the meeting;
- iv. the equity registration date of Shareholders entitled to attend the General Meeting;
- v. the names and phone number of the standing contact person for affairs;
- vi. voting time and voting procedure by network or other means (if any).

The notice of the General Meeting and the supplementary notice shall fully and completely disclose all the specific contents of all proposals, as well as all the materials or explanations required to enable the Shareholders to make a reasonable judgment on the matters to be discussed. If the matter to be discussed needs the opinion of independent Directors, the opinions and reasons of independent Directors will be disclosed at the same time when the notice General Meeting or supplementary notice is issued. The start time of voting (if any) by network or other means at the General Meeting shall not be earlier than 3:00 p.m. on the day before the on-site General Meeting is held, nor later than 9:30 a.m. on the day of the on-site General Meeting, and the end time shall not be earlier than 3:00 p.m. on the day of the on-site General Meeting.

The interval between the equity registration date and the meeting date shall be no more than 7 working days. Once the equity registration date is confirmed, it cannot be changed.

The resolution of the General Meeting includes ordinary resolution and special resolution. The following matters shall be approved by the General Meeting through ordinary resolutions:

- i. Work report of the Board of Directors and the Board of Supervisors;
- ii. Plans of earnings distribution and loss make-up schemes drafted by the Board of Directors;
- iii. Appointment or dismissal of the members of the Board of Directors and the Board of Supervisors, and their payment and payment methods;
- iv. Annual budget and final account report;
- v. Annual report of the Company;
- vi. Make a resolution on the Company's employment, dismissal or discontinuation of employment of the accounting firm or the remuneration of the accounting firm;
- vii. Other matters other than those approved by special resolution stipulated in the laws, administrative regulations, Listing Rules, listing rules of the stock exchange where the Shares are listed or the Articles of Association.

The following matters shall be approved by special resolution at the General Meeting:

- i. the increase or decrease of the registered capital;
- ii. Division, split-up, merger, dissolution and liquidation of the Company (including voluntary liquidation of the company);
- iii. Amendment of the Articles of Association;
- iv. The accumulated amount of purchase and sale of major assets or guarantee calculated by the Company within one year exceeds 30% of the Company's latest audited total assets;
- v. Equity incentive plan; and
- vi. Other matters required by laws, administrative regulations, the Listing Rules, other securities regulatory rules of the place where the Company's Shares are listed, or the Articles of Association, as well as those determined by the General Meeting to have a significant impact on the Company and need to be passed by special resolution.

In the event that any resolution of the General Meeting or resolution of the Board of Directors violates laws or administrative regulations, any Shareholder is entitled to request the court to deem it as invalid.

In the event that the convening procedure or voting formula of the General Meeting or meeting of the Board of Directors violates any of laws, administrative regulations or the Articles of Association, or resolution of which violates the Articles of Association, any Shareholder is entitled to ask the court to overturn within 60 days after the resolution was adopted.

8 SHARE TRANSFERS

The Shares of our Company holding by the funders thereof shall not be transferred within one year of the date of establishment of our Company. The Shares issued before the Company's public offering of Shares shall not be transferred within one year from the date of listing and trading of the Company's Shares on the main board of the Stock Exchange.

The Directors, Supervisors, and senior management of our Company shall declare, to our Company, information on their holdings of the Shares of our Company and the changes thereto. The Shares transferable by them during each year of their term of office shall not exceed 25 percent of their total holdings of the Shares of our Company. The Shares that they hold in our Company shall not be transferred within one year of the date on which the stocks of our Company are listed and traded. The aforesaid persons shall not transfer their Shares of our Company within half a year from the date of their resignation.

Where any Director, Supervisor or senior manager of the Company who holds more than 5% of the Company Shares sells company's stock he holds within 6 months of the relevant purchase, or purchases any stock he has sold within 6 months of the relevant sale, the proceeds generated therefrom shall be incorporated into the profits of the Company, and the Board of Directors of the Company shall recover the proceeds. However, the following circumstances shall be excluded where a securities company holds more than 5% of the shares due to its purchase of any remaining Shares under a best efforts underwriting or where the provisions of the securities regulatory authority under the State Council and the securities regulatory authority at the place where the Shares of the Company are listed apply.

Shares or other securities with the nature of equity held by Directors, Supervisors, senior executives and individual shareholders as mentioned in the preceding paragraph include shares or other securities with the nature of equity held by their spouses, parents or children, or held by them by using other people's accounts. If the Board of Directors of the Company fails to comply with the above paragraph of this Article, the Shareholders are entitled to request the Board of Directors to do so within 30 days. If the Board of Directors of the Company fails to comply within the aforesaid period, the Shareholders are entitled to initiate litigation directly in the People's Court in their own names for the interest of the Company. And if the Board of Directors fails to implement the provisions set forth in this Article, the responsible Directors shall bear joint and several liability in accordance with law.

9 RIGHTS OF OUR COMPANY TO PURCHASE OUR OUTSTANDING ISSUED SHARES

The Company may acquire its own Shares in accordance with the laws, administrative regulations, departmental rules, and provisions of the Articles of Association if:

- i. It reduces its registered capital;
- ii. It merges with other companies holding its shares;
- iii. It uses shares for its employee stock ownership plan or equity incentive;
- iv. The Shareholders raise objections to resolutions by the General Meeting on the merger or division of the Company, and thus requiring the Company to acquire their Shares;
- v. It converts its Shares into corporate bonds convertible into Shares issued by the Company;
- vi. It is necessary for the Company to maintain its value and rights and interests of Shareholders.

The Company may purchase its own Shares through public centralized trading, or through other means recognized by the laws, administrative regulations, the Listing Rules, and other securities regulatory rules of the place where the Company's Shares are listed or the CSRC (if required). Where any Company purchases its own Shares under any of the circumstances specified in Items 3, 5, or 6 of Article 24 of its Articles of Association, centralized trading shall be adopted publicly.

Upon buyback of the Company's Shares, the Company shall perform information disclosure obligation pursuant to the relevant provisions of laws, administrative regulations, rules, normative documents and the Listing Rules etc. Where the relevant regulatory rules of the place where the Company's Shares are listed stipulate otherwise on matters involved in Share buyback, such provisions shall prevail.

10 POWER FOR ANY SUBSIDIARY OF OUR COMPANY TO OWN SHARES IN ITS PARENT

There are no provisions in the Articles of Association relating to ownership by subsidiary of our Company of shares in its parent.

11 DIVIDEND AND OTHER DISTRIBUTION METHODS

The Company attaches importance to the reasonable return on investment to Shareholders, and the profit distribution should follow the principle of paying attention to the reasonable return on investment to Shareholders and benefiting the long-term development of the Company. The Company's profit distribution policy should maintain continuity and stability, and comply with the relevant provisions of laws and regulations. The Company may distribute dividends in cash or stock. Under the condition that the Company has distributable profits, the Board of Directors of the Company may make cash dividend distribution plans or/and stock dividend distribution plans according to the Company's business and financial conditions.

After the General Meeting of our Company make a resolution on dividends distribution plan, the Board of Directors shall complete the distribution within 2 months after the convening of the General Meeting.

12 SHAREHOLDER PROXIES

Shareholders can attend the General Meeting in person or entrust a proxy to attend and vote on their behalf.

Any proxy statement issued by a Shareholder who authorizes a proxy to attend the General Meeting on his behalf shall include the following details:

- i. the name of the proxy;
- ii. whether the proxy is authorized to vote;
- iii. respective instructions on affirmative, negative or abstention voting on each item for consideration listed in the General Meeting agenda; Specific instructions on whether the temporary proposal that may be included in the agenda of the General Meeting has the right to vote and what kind of voting rights should be exercised if it has the right to vote;
- iv. the issuance date and valid period of the proxy statement;
- v. the signature (or seal) of the Shareholder. Where the Shareholder is a legal person, the legal person's seal shall be affixed.

The power of attorney shall indicate whether the shareholder's proxy can vote according to his own will if the Shareholder does not give specific instructions. A Shareholder's proxy need not be a Shareholder of the Company.

Where a Shareholder authorizes another person to sign a proxy statement for voting, the power of attorney for signing authority or other authorization documents shall be notarized. The notarized power of attorney or other authorization documents shall be lodged at the Company's domicile or any other place stipulated in the meeting notice. Where the Shareholder is a legal person, its legal representative or any person authorized by a resolution of the Board of Directors or other decision-making body shall attend the General Meeting as its proxy.

If a member is a recognised clearing house (or its agent) as such term is defined in the relevant regulations from time to time in Hong Kong, it may authorize one or more persons as it thinks fit to act as its representative at any general meeting; Provided, however, that if more than one person is so authorised the powers of attorney shall set forth the number and class number of shares in respect of which each such person has so authorised and shall be signed by the person or persons who have been duly authorised by the clearing house. A person so authorised may attend (without production of share certificate by notarial authority and/or further evidence of due authority) and exercise all rights (including the right to speak and vote) on behalf of a recognised clearing house (or its alternate) as if that person were an individual Shareholder of the Company.

13 REVIEW THE REGISTER OF SHAREHOLDERS AND OTHER RIGHTS OF SHAREHOLDERS

The Company establishes the register of Shareholders according to the certificate provided by the securities registration authority. The register of Shareholders is sufficient evidence to prove that the Shareholders hold the Company's Shares. Shareholders enjoy rights and assume obligations according to the types of shares they hold; Shareholders holding the same kind of Shares shall enjoy the same rights and undertake the same obligations.

The Hong Kong branch of the register of Shareholders must be available for inspection by Shareholders, but the Company may be allowed to suspend the registration of Shareholders under the same conditions as the following:

- i. The Company may close its register of Shareholders for one or more periods after giving a notice in accordance with paragraph (2), but the total closing period shall not exceed 30 days in any year;
- ii. If the notice referred to in subsection (1) is issued by the Company, it shall be issued in accordance with the listing rules applicable to the relevant securities market; Or in an advertisement in a newspaper widely circulated in Hong Kong; And, if issued by any other company, must be issued in an advertisement in a newspaper widely circulated in Hong Kong;
- iii. For any year, the 30-day period referred to in paragraph (1) may be extended by a resolution of the Shareholders of the Company passed within that year;
- iv. The 30-day period mentioned in paragraph (1) shall not be extended for an additional period of more than 30 days in any year, or more than one additional period of more than 30 days in total.

When our Company convenes the General Meeting, pays dividends, goes into liquidation or is involved in other actions that require the confirmation of identities, the Board of Directors or the convener of the General Meeting shall determine the Shareholders who enjoy the relevant rights and interests according to the register of Shareholders.

14 RESTRICTIONS ON RIGHTS OF CONTROLLING SHAREHOLDERS

The controlling Shareholders and actual controllers of the Company shall not use their connected relationship to damage the legitimate interests of the Company and other shareholders; Controlling shareholders and actual controllers who violate relevant laws, regulations and Articles of Association and cause losses to the Company and other Shareholders shall be liable for compensation.

Controlling Shareholders and ultimate controllers of the Company shall have a duty of care to the Company and other Shareholders. Controlling Shareholders shall exercise their investors' rights in strict accordance with the law and shall not damage the lawful interests of the Company or of public Shareholders in any way such as via the distribution of profits, an asset reorganization, external investments, the use of Company's funds or the provision of a loan guarantee, nor shall they abuse their controlling positions to damage the interests of the Company or of public Shareholders.

15 PROCEDURES FOR LIQUIDATION

Under any of the following circumstances, our Company shall be lawfully dissolved and liquidated:

- i. the operating term prescribed in the Articles of Association has expired, or any other grounds for dissolution prescribed in the Articles of Association have arisen;
- ii. the General Meeting has adopted a resolution to dissolve the Company;
- iii. dissolution is required due to a merger involving the Company or the breakup of the Company;
- iv. the Company is declared legally bankrupt as a result of failure to pay debts as they fall due;
- v. the Company's business license has been lawfully revoked, or the Company has been ordered to close down or wound up; or
- vi. where serious difficulties have arisen in the operation of the Company and the continuation of the Company would certainly damage the Shareholders' interests to a significant extent; however, where any such scenario cannot be resolved through other channels, Shareholders representing more than 10% of all voting rights may petition the people's court to dissolve the Company.

Where the Company is to be dissolved pursuant to Items i, ii, v or vi of above paragraph of this Article, a liquidation committee shall be established within 15 days from the date when the event of dissolution occurs. The liquidation committee shall be composed of Directors or members determined by the General Meeting. Where the Company fails to form a liquidation committee to liquidate the Company within the prescribed period of time, its creditors may petition the people's court to appoint the relevant persons to establish a liquidation committee and liquidate the Company.

After the establishment of the liquidation committee, the powers of the Board of Directors and the general manager shall cease immediately. During liquidation, the Company shall not carry out new business activities.

Within 10 days of the establishment of the liquidation committee, the creditors shall be notified and an announcement shall be published in at least one newspaper within 60 days. Creditors shall file their claims with the liquidation committee within 30 days of receiving the notice, or within 45 days of publication of the first notice if any such creditor does not receive the notice.

In filing their claims, creditors shall provide all relevant details relating thereto and provide supporting materials. The liquidation committee shall make records of such claims. The liquidation committee shall not pay out on any creditors' claims while such claims are still being filed.

After identifying the Company's assets and preparing the balance sheet and schedule of assets, the liquidation committee shall prepare a liquidation plan, which shall be submitted to the General Meeting or the people's court for ratification. After paying all liquidation expenses, staff wages and labor insurance expenses, outstanding taxes, and Company's debts, the remaining assets shall be distributed to the Shareholders in proportion to their respective shareholdings.

During the liquidation, our Company shall continue to exist, but shall not carry out business activities irrelevant to the liquidation. The property of our Company shall not be distributed to any Shareholder before full payments have been made out of the property according to the aforesaid provision.

Where the liquidation committee, after identifying the Company's assets and preparing the balance sheet and schedule of assets, discovers that the Company does not have sufficient assets to repay the Company's debts in full, the liquidation committee shall file a bankruptcy petition with the people's court in accordance with the law.

After our Company is declared bankrupt by ruling of the people's court, the liquidation committee shall turn over matters regarding the liquidation to the people's court.

Upon closure of liquidation of our Company, the liquidation committee shall prepare a liquidation report, income and expenditure statement and financial record during the liquidation period, which shall be submitted to our General Meeting or the people's court for confirmation. The liquidation committee shall, from the date of the confirmation of the liquidation report by the General Meeting or the people's court, submit it to the company registration authority to apply for cancellation of the Company's registration and announce the termination of the Company.

16 OTHER IMPORTANT PROVISIONS FOR OUR COMPANY OR THE SHAREHOLDERS**(1) General Provisions**

Our Company is a permanently existing joint stock limited company.

All the assets of the company are divided into shares of equal value. The Shareholders are responsible for the Company to the extent of their subscribed Shares, and the Company is responsible for the Company's debts with all its assets.

The Articles of Association shall, from the date on which they take effect, be the legally binding document that regulates the organization and activities of the Company and the relationship of rights and obligations as between the Company and the Shareholders and among the Shareholders, and shall be legally binding on the Company, the Shareholders, the Directors, the Supervisors and senior officers. Based on the Articles of Association, any Shareholder may bring a lawsuit against another Shareholder, a Director, a Supervisor, a manager or any other senior officer. Any Shareholder may bring a lawsuit against the Company, and the Company may bring a lawsuit against any Shareholder, Director, Supervisor, manager or any other senior officer.

The Company shall, subject to the provisions of the Constitution of the Communist Party of China, establish a communist party organization and carry out party-related activities. The Company provides the necessary conditions for the activities of the party organization (if necessary).

(2) Share and Transfer

Our Company may increase stock capital by the following means:

- i. Public offering of shares;
- ii. Non-public issuance of shares;
- iii. Allocating or giving bonus Shares to existing Shareholders;
- iv. Converting the reserve funds into Share capital;
- v. Other means approved by the laws, administrative regulations and relevant regulatory authorities.

Our Company may decrease our registered Share capital and shall comply with the procedures stipulated in Company Law, other related regulations, the Listing Rules, other securities regulatory rules of the place where the Company's Shares are listed and the Articles of Association.

Domestic unlisted Shares and overseas listed foreign Shares issued by the Company enjoy the same rights in any distribution made in the form of dividends (including cash and physical distribution) or other forms. It is not allowed to exercise any power to freeze or otherwise damage any of its rights attached to the shares just because any person who directly or indirectly owns the interests has not disclosed their interests to the company.

The H shares issued by the company are centrally deposited in Computershare Hong Kong Investor Services Limited.

(3) Shareholders

Shareholders are entitled to rights and assumes obligations pursuant to the classification and ratio of their shares. Shareholders holding the same classified share have the same rights and assume the same obligations.

The rights of Shareholders are as follows:

- i. the right to receive dividends and benefits distributed in other forms according to the number of Shares they hold;
- ii. the right to legally require, convene, preside over, participate in or authorize proxies of Shareholders to attend the General Meeting and exercise corresponding voting rights;
- iii. the right to supervise company's operations and make suggestions or inquiries;
- iv. the right to transfer, donate or pledge their Shares in accordance with laws, administrative regulations and the Articles of Association;
- v. the right to read the Articles of Association, the list of Shareholders, Company bond stubs, General Meeting minutes, resolutions of meetings of the Board of Directors, resolutions of meetings of the Board of Supervisors and financial and accounting reports;
- vi. the right to participate in the distribution of the Company's residual assets on the winding up or liquidation of the Company according the number of Shares they hold;
- vii. Shareholders who have a different view on any resolution of the General Meeting to merge or break up the Company shall have the right to require the Company to purchase their Shares; and
- viii. other rights prescribed in laws, administrative regulations, departmental rules and the Articles of Association.

Where any Shareholder demands to read the relevant information or obtain any of the aforesaid materials, he shall submit to the Company written documents proving the class(es) and number of shares he holds. the Company shall provide the relevant information or materials in accordance with the Shareholder's demand after verifying the Shareholder's identity.

The obligations of Shareholders are as follows:

- i. to abide by laws, administrative regulations and the Articles of Association;
- ii. to provide Share capital according to the Shares subscribed for and Share participation methods;
- iii. not to return Shares unless prescribed otherwise in laws and administrative regulations;
- iv. not to abuse Shareholders' rights to infringe upon the interests of the Company or other Shareholders; not to abuse the Company's status as an independent legal entity or the limited liability of Shareholders to damage the interests of the Company's creditors. Any company Shareholder who abuses Shareholders' rights and causes the Company or other Shareholders to suffer a loss shall be liable for making compensation in accordance with the law. Any Shareholder who abuses the status of the Company as an independent legal entity or the limited liability of Shareholders to evade debts and seriously damages the interests of the Company's creditors shall assume joint and several liability for the Company's debts;
- v. to perform other duties prescribed in laws, administrative regulations and the Articles of Association;

(4) The Board of Directors

The Board of Directors is responsible to the General Meeting and exercises the following powers:

- i. to convene the General Meeting and present reports thereto;
- ii. to implement resolutions adopted by the General Meeting;
- iii. to determine the Company's operating plans and investment programs;
- iv. to draft the Company's annual financial budget and final accounts plan;
- v. to draft plans for the distribution of company profits and plans to cover losses;

- vi. to draft plans relating to any increase or reduction in registered capital, the issuance of bonds or other securities, or listing;
- vii. to draft plans for the Company's major purchases, the purchase of company stock, or any merger, breakup, change of corporate form or dissolution of the Company;
- viii. to determine, within the scope of the powers granted by the general meeting, matters including the Company's external investments, the sale and purchase of assets, asset mortgages, external guarantees, third party financial management, related-party transactions, donation to other organizations, among other matters;
- ix. to determine the establishment of the Company's internal management structure;
- x. to decide on matters such as appointment or dismissal of the Company's general manager, secretary to the Board of Directors and other senior officers and on their compensation and incentives/disincentives; to decide on appointment or dismissal of the Company's deputy managers, finance manager and other senior officers as nominated by the manger and on their remuneration and incentives/disincentives;
- xi. to formulate the Company's basic management systems;
- xii. to formulate plans to amend the Articles of Association;
- xiii. to manage the disclosure of information by the Company;
- xiv. to make proposals to the General Meeting on the appointment or replacement of the accounting firm that audits the Company;
- xv. to hear work reports given by the general manager of the Company and oversee the general manager's work;
- xvi. any other power granted by laws, administrative regulations, departmental rules, the Listing Rules and other securities regulatory rules of the place where the Company's Shares are listed or the Articles of Association.

Matters beyond the scope of authorization of the General Meeting shall be submitted to the General Meeting for deliberation.

Meetings of the Board of Directors shall be attended by more than one-half of the Directors (including proxies) before the Board of Directors meeting can be convened.

(5) Independent Non-executive Director

At any time, the Board of Directors should have more than 1/3 of independent Directors, and the total number of independent Directors should not be less than three. At least one independent Director should have appropriate professional qualifications that meet regulatory requirements, or have appropriate accounting or related financial management expertise.

(6) Secretary of the Board of Directors

The Company shall appoint a secretary of the Board of Directors, who shall be responsible for preparing for General Meetings and meetings of the Board of Directors, the retention of documents, the management of Shareholder materials, the disclosure of information, etc.

(7) Board of Supervisors

Our Company shall set up a Board of Supervisors.

The Board of Supervisors consists of three Supervisors, including one employee representative Supervisor and one chairman. The chairman of the Board of Supervisors shall be elected by more than half of all Supervisors.

The Board of Supervisors shall be composed of Shareholder representatives and an appropriate proportion of company employee representatives. The number of employee representatives shall be no less than one third of all Supervisors. Employee representatives on the Board of Supervisors shall be democratically elected by employees through the employee representative congress, the employee congress, or any other means.

The Board of Supervisors shall exercise the following powers:

- i. to examine and give written examination opinions on the Company's regular reports prepared by the Board of Directors;
- ii. to review the financial affairs of the Company;
- iii. to monitor the conduct of the Directors or senior officers in the course of performing their duties and to propose the recall of any Director or senior officer who violates any law or administrative regulations, or the Listing Rules and other securities regulatory rules of the place where the Company's Shares are listed or the Articles of Association;
- iv. to require any Director or senior officer who damages the Company's interests to take remedial action;
- v. to propose interim General Meetings, and to convene and preside over a General Meeting when the Board of Directors fails to perform its duty to convene and preside over a General Meeting as prescribed in the Company Law;

- vi. to submit proposals to the General Meeting;
- vii. to file a suit against any director or senior officer of the Company in accordance with the provisions of Article 151 of the Company Law;
- viii. to undertake an investigation on discovering any irregularities in the operation of the Company and, where necessary, engage an accounting firm to assist in any such investigation at the expense of the Company;
- ix. Other powers prescribed by the Articles of Association and granted by the General Meeting.

The Supervisors may attend the meetings of the Board of Directors, query or provide suggestions on the resolution matters of the Board meeting.

(8) General manager

Our Company has one general manager, appointed or dismissed by the Board of Directors. The general manager of our Company is responsible to the Board of Directors and exercises the following powers:

- i. to manage the Company's production and operations, and organize the implementation of board resolutions;
- ii. to organize the implementation of the Company's annual operating plans and investment programs;
- iii. to draft the plan for the Company's internal management structure;
- iv. to formulate the Company's basic management systems;
- v. to formulate detailed company rules;
- vi. to make recommendations to the Board of Directors on the appointment or removal of any deputy manager or the finance manager;
- vii. to appoint or remove officers of the Company other than those to be appointed or removed by the Board of Directors;
- viii. to review and approve other connected transactions beyond the approval authority of the Board of Directors or the General Meeting;
- ix. any other power granted by the Articles of Association and the Board of Directors.

(9) Reserves

In distributing its current-year after-tax profits, the Company shall allocate 10% of its profit to its statutory reserve fund.

Allocations to the Company's statutory reserve fund may be waived once the cumulative amount of funds therein exceeds 50% of the Company's registered capital.

Where the statutory reserve fund is not sufficient to cover any loss made by the Company in the previous year, the current year's profit shall be used to cover such loss before any allocation is made to the statutory reserve fund pursuant to the preceding paragraph.

After an allocation to the statutory reserve fund has been made from the after-tax profit of the Company, and subject to the adoption of a resolution by the General Meeting, an allocation may be made to the discretionary reserve fund.

After the Company has covered its losses and made allocations to the reserve funds, any remaining profit shall be distributed to the shareholders in proportion to their respective shareholdings unless otherwise stipulated in the Articles of Association.

Where the General Meeting or the Board of Directors, in violation of the preceding paragraph, distributes profits to the Shareholders before covering Company's losses and making an allocation to the Company statutory reserve fund, the profits so distributed must be returned to the Company.

Profits shall not be distributed to Shares held by the Company itself.

Company reserve funds shall be used to cover Company's losses, expand production and operations, or converted to increase the Company's capital. However, the capital reserve fund must not be used to cover Company's losses.

After converting statutory reserve funds into capital, the amount remaining in the statutory reserve fund shall be no less than 25% of the Company's registered capital.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES**1. Incorporation**

Our Company was established as a limited liability company in the PRC on December 27, 2016, and further converted into a joint stock company with limited liability on December 29, 2022.

As of the date of this prospectus, our registered office and head office are located at 19/F and 20/F, Building G2, 88 Jinji Lake Avenue, Suzhou Industrial Park, Suzhou, Jiangsu Province, the PRC. Accordingly, our Company's corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of the relevant provisions of our Articles of Association is set out in "Appendix V — Summary of Articles of Association." A summary of certain relevant aspects of the laws and regulations of the PRC is set out in "Appendix IV — Summary of Principal Legal and Regulatory Provisions."

Our Company has established a principal place of business in Hong Kong at 40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong. We were registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on April 3, 2023. Mr. CHUNG Ming Fai has been appointed as the authorized representative of our Company for the acceptance of the service of process on behalf of the Company in Hong Kong. The address for the service of process is the same as our principal place of business in Hong Kong.

2. Changes in Share Capital of Our Company

Save as disclosed in "History and Corporate Structure — Corporate History — Establishment and Major Shareholding Changes of Our Company," there has been no alteration in our share capital within two years immediately preceding the date of this prospectus.

3. Changes in the Share Capital of Our Subsidiaries

Save as disclosed in "History and Corporate Structure — Corporate History — Our Subsidiaries," there has been no alteration in the share capital of our subsidiaries within the two years immediately preceding the date of this prospectus.

4. Resolutions of Our Shareholders Dated March 23, 2023

At the general meeting of our Company held on March 23, 2023, among other things, the following resolutions were passed by the Shareholders:

- (i) the issuance by our Company of H Shares of the nominal value of RMB1.0 each and such H Shares be listed on the Stock Exchange;

- (ii) subject to the completion of filing with the CSRC, upon completion of the Global Offering, 79,487,685 Domestic Shares in aggregate held by our Shareholders will be converted into H Shares on a one-for-one basis;
- (iii) subject to the completion of the Global Offering, the granting of a general mandate to the Board to allot and issue H Shares at any time within a period up to the date of the conclusion of the next annual general meeting of the Shareholders or the date on which the Shareholders pass resolution to revoke or change such mandate, whichever is earlier, upon such terms and conditions and for such purposes and to such persons as the Board in their absolute discretion deem fit, and to handle the approval or filing of the CSRC, the Stock Exchange and/or other relevant regulatory authorities with respect to in the aforementioned general mandate in accordance with the relevant laws and regulations, provided that, the number of H Shares to be issued shall not exceed 20% of the number of H Shares in issue as at the Listing Date;
- (iv) subject to the completion of the Global Offering, the conditional adoption of the Articles of Association, which shall become effective on the Listing Date, and the Board has been authorized to amend the Articles of Association in accordance with any comments from the Stock Exchange and other relevant regulatory authorities;
- (v) authorization of the Board and its authorized persons to amend the resolutions in accordance with the requirements of competent regulatory authorities, and deal with the specific implementation; and
- (vi) authorization of the Board and its authorized persons to handle all matters relating to, among other things, the Global Offering, the issue and listing of the H Shares.

5. Reorganization

We have not gone through any corporate reorganization for the purpose of the Global Offering. For details of the history and development of our Company, see “History and Corporate Structure.”

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and is or may be material:

- (a) the Cornerstone Investment Agreement dated December 7, 2023 entered into among the Company, Zhejiang Qixin Zhixing Information Technology Co., Ltd. (浙江七新智行信息技術有限公司), Citigroup Global Markets Asia Limited, Huatai Financial Holdings (Hong Kong) Limited and CCB International Capital Limited, pursuant to which Zhejiang Qixin Zhixing Information Technology Co., Ltd. agreed to subscribe for the International Offer Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US\$30.0 million (inclusive of brokerage, the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy);

- (b) the Cornerstone Investment Agreement dated December 8, 2023 entered into among the Company, Suzhou Industrial Park Industrial Investment Fund (Limited Partnership) (蘇州工業園區產業投資基金(有限合夥)), Citigroup Global Markets Asia Limited, Huatai Financial Holdings (Hong Kong) Limited and CCB International Capital Limited, pursuant to which Suzhou Industrial Park Industrial Investment Fund (Limited Partnership) agreed to subscribe for the International Offer Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US\$20.0 million (inclusive of brokerage, the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy);
- (c) the Cornerstone Investment Agreement dated December 7, 2023 entered into among the Company, SilkyWater Absolute Return LPF, Citigroup Global Markets Asia Limited, Huatai Financial Holdings (Hong Kong) Limited and CCB International Capital Limited, pursuant to which SilkyWater Absolute Return LPF agreed to subscribe for the International Offer Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US\$10.0 million (excluding brokerage, the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy);
- (d) the Cornerstone Investment Agreement dated December 7, 2023 entered into among the Company, Harvest International Premium Value (Secondary Market) Fund SPC acting on behalf of and for the account of Harvest Prosperity II SP, Citigroup Global Markets Asia Limited, Huatai Financial Holdings (Hong Kong) Limited and CCB International Capital Limited, pursuant to which Harvest International Premium Value (Secondary Market) Fund SPC on behalf of Harvest Prosperity II SP agreed to subscribe for the International Offer Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of US\$7.0 million (excluding brokerage, the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy); and
- (e) the Hong Kong Underwriting Agreement.

2. Intellectual Property Rights

(i) Trademarks

(a) Registered Trademarks

As at the Latest Practicable Date, we had registered the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Place of Registration	Registered Owner	Class	Registered Number	Expiry Date
1.	iMotion Automotive	PRC	Our Company	35	33077181	July 6, 2029
2.	iMotion Automotive	PRC	Our Company	42	33070904	May 13, 2029
3.		Hong Kong	Our Company	9, 12	306204195	March 26, 2033

(b) Trademarks under Application

As at the Latest Practicable Date, we had applied for the registration of the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Place of Registration	Applicant	Class	Application Number	Application Date
1.	iMotion	PRC	Our company	9	68885797	December 15, 2022
2.	iMotion	PRC	Our Company	35	68880782	December 15, 2022
3.	iMotion	PRC	Our Company	42	68875150	December 15, 2022
4.	知行	PRC	Our Company	9	68887142	December 15, 2022
5.	知行	PRC	Our Company	12	68873250	December 15, 2022
6.	知行	PRC	Our Company	42	68881863	December 15, 2022
7.		PRC	Our Company	9	68874960	December 15, 2022
8.		PRC	Our Company	12	68877299	December 15, 2022
9.		PRC	Our Company	35	68880774	December 15, 2022
10.		PRC	Our Company	42	68873522	December 15, 2022

*(ii) Patents**(a) Registered Patents*

As at the Latest Practicable Date, we had registered the following patents which we consider to be or may be material to our business:

No.	Patent	Place of registration	Patent Number	Owner	Expiration date	Products applied to
<i>Invention patent</i>						
1.	A braking control method, device, equipment and medium for adaptive cruise control (自適應巡航控制系統的制動控制方法、裝置、設備及介質)	PRC	202310611662.1	Our Company	May 28, 2043	iFC products
2.	A target tracking method, device, equipment and medium (一種目標跟蹤方法、裝置、設備及介質)	PRC	202310293456.0	Our Company	March 23, 2043	iDC products
3.	A semantic mapping method, device and storage medium (一種語義建圖方法、裝置及存儲介質)	PRC	202310266387.4	Our Company	March 19, 2043	iDC products
4.	A target post-processing method, appliance, device and storage medium for cylinder chart detection frame (針對柱面圖檢測框的目標後處理方法、裝置、設備和存儲介質)	PRC	202211587715.2	Our Company	December 11, 2042	iDC products
5.	An environment model-based advanced driving assistance system (一種基於環境模型的汽車高級輔助駕駛系統)	PRC	202110480419.1	Our Company	April 29, 2041	iDC and iFC products
6.	A method, device and storage medium for vehicle control (車輛控制方法、裝置及存儲介質)	PRC	202110133550.0	Our Company	January 31, 2041	iDC and iFC products
7.	A method, device and storage medium for intersection recognition (路口識別方法、裝置及存儲介質)	PRC	202010434240.8	Our Company	May 20, 2040	iDC and iFC products

No.	Patent	Place of registration	Patent Number	Owner	Expiration date	Products applied to
8.	A method and device for emergency lane keeping of vehicles (車輛緊急車道保持方法及裝置)	PRC	202010962248.1	Our Company	September 13, 2040	iDC and iFC products
9.	A multi-sensor based data fusion method, device and storage medium (基於多傳感器的數據融合方法、裝置及存儲介質)	PRC	202110110114.1	Our Company	January 26, 2041	iDC and iFC products
10.	A method, device, equipment and medium for camera online self-calibration (一種攝像頭在線自校準方法、裝置、設備及介質)	PRC	202310443686.0	Our Company	April 23, 2043	iDC and iFC products
<i>Utility Model</i>						
11.	A domain controller for vehicle and its anti-electromagnetic interference (一種車輛及其抗電磁干擾域控制器)	PRC	20223500422.4	Our Company	December 26, 2032	iDC products
<i>Appearance design</i>						
12.	Domain controller (域控制器)	PRC	202330337155.4	Our Company	June 1, 2038	iDC products
13.	A display screen panel with vehicle radar shield presentation user interfaces (帶車輛雷達盾牌展示圖形用戶界面的顯示屏幕面板)	PRC	202230860636.9	Our Company	December 25, 2037	iDC products
14.	An intelligent vehicle front domain controller (車輛前視智能控制器)	PRC	202230806962.1	Our Company	November 30, 2037	iFC products
15.	A front camera (前視攝像頭)	PRC	202230765165.3	Our Company	November 15, 2037	iFC products
16.	Air-cooled domain controller (風冷域控制器)	PRC	202330137000.6	Our Company	March 20, 2038	iDC products
17.	Domain controller (域控制器)	PRC	202330136997.3	Our Company	March 20, 2038	iDC products

(b) Patents under Application

As at the Latest Practicable Date, we had applied for the registration of the following patents which we consider to be or may be material to our business:

<u>No.</u>	<u>Patent</u>	<u>Place of Registration</u>	<u>Application Number</u>	<u>Applicant</u>	<u>Application Date</u>	<u>Products applied to</u>
<i>Invention patent</i>						
1.	A method, device, equipment and medium for detecting obstacles around a target object (一種目標物周圍的障礙物檢測方法、裝置、設備及介質)	PRC	202211725687.6	Our Company	December 30, 2022	iDC and iFC products
2.	A generation method, system, device, medium and vehicle for vehicle tracks (一種車輛軌跡的生成方法、系統、裝置、介質及車輛)	PRC	202211633984.8	Our Company	December 19, 2022	iDC and iFC products
3.	A method, device and readable storage medium for vehicle steering control (一種車輛轉向控制方法、裝置、設備及可讀存儲介質)	PRC	202211625061.8	Our Company	December 16, 2022	iDC and iFC products

(iii) Copyrights

As at the Latest Practicable Date, we owned the following copyrights, which we consider to be or may be material to our business:

<u>No.</u>	<u>Copyright</u>	<u>Place of Registration</u>	<u>Registered Owner</u>	<u>Registered Number</u>	<u>Registration Date</u>
1.	iMO	PRC	Our Company	國作登字-2023-F-00050563	March 24, 2023
2.	iMO	PRC	Our Company	國作登字-2023-F-00050564	March 24, 2023

(iv) Domain Names

As at the Latest Practicable Date, we owned the following domain name, which we consider to be or may be material to our business:

<u>No.</u>	<u>Domain Name</u>	<u>Registered Owner</u>	<u>Expiry Date</u>
1.	www.imotion.ai	Our Company	September 14, 2025

Save as aforesaid, as of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights that were material in relation to our business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors and Supervisors

(i) Disclosure of Interests of Our Directors, Supervisors and Chief Executive

Immediately following completion of the Global Offering, the interests or short positions of our Directors, Supervisors and chief executive in the Shares, underlying Shares and debentures of our Company and its associated corporations, within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are 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 recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules (for this purpose, the relevant provisions of the SFO will be interpreted as if they apply to the Supervisors), will be as follows:

<u>Name</u>	<u>Position</u>	<u>Nature of Interests</u>	<u>Number of Shares Held Immediately Following the Completion of the Global Offering</u>	<u>% in the Total Issued Share Capital of Our Company Immediately Following the Completion of the Global Offering</u>
Mr. SONG Yang	Executive Director and chief executive officer	Beneficial owner	48,815,280	21.6%
		Interest in controlled corporation	32,666,740	14.4%

<u>Name</u>	<u>Position</u>	<u>Nature of Interests</u>	<u>Number of Shares Held Immediately Following the Completion of the Global Offering</u>	<u>% in the Total Issued Share Capital of Our Company Immediately Following the Completion of the Global Offering</u>
Mr. LI Shuangjiang	Executive Director	Beneficial owner	14,238,460	6.3%
Mr. LU Yukun	Executive Director	Interest in controlled corporation ⁽¹⁾	20,595,520	9.1%
Mr. LUO Hong	Chairman of the Board of Supervisors and Supervisor	Beneficial owner	2,921,460	1.3%

Note:

- (1) As of the Latest Practicable Date, Lanchi Platform was owned as to 37.1% by Mr. LU Yukun as its limited partner. Therefore, Mr. LU Yukun is deemed to be interested in Shares held by Lanchi Platform under the SFO.

(ii) Particulars of Service Contracts

Each of our Directors and Supervisors has entered into a service contract with our Company. The principal particulars of these service agreements are: (a) each of the agreements is for a term of three years following their respective appointment date; and (b) each of the agreements is subject to termination in accordance with their respective terms. The service agreements may be renewed in accordance with our Articles of Association and the applicable rules.

Save as disclosed above, our Company has not entered, and does not propose to enter, into any service contracts with any of the Directors or Supervisors in their respective capacities as Directors or Supervisors (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

(iii) Directors' and Supervisors' Remuneration

For details of the Directors' and Supervisors' remuneration, see "Directors, Supervisors and Senior Management — Remuneration of Directors, Supervisors and Five Highest Paid Individuals" of this prospectus and Note 37 to the Accountant's Report as set out in Appendix I to this prospectus.

2. Substantial Shareholders

(i) *Interest in the Shares of Our Company*

For information on the persons (other than our Directors, Supervisors or chief executive of our Company) who will, immediately following the completion of the Global Offering, having or be deemed or taken to have beneficial interests or short position in our Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of 2 and 3 of Part XV of the SFO, or directly or indirectly be interested in 10% or more of the issued voting Shares of any other member of our Company, see “Substantial Shareholders” of this prospectus.

Save as disclosed in the section headed “Substantial Shareholders” in this prospectus, as of the Latest Practicable Date, our Directors were not aware of any persons who would, immediately following the completion of the Global Offering, having or be deemed or taken to the beneficial interests or short position in our Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of 2 and 3 of Part XV of the SFO, or directly or indirectly be interested in 10% or more of the issued voting Shares of any member of our Group or had option in respect of such capital.

(ii) *Interest in the Shares of Our Company’s Subsidiaries*

Immediately following the completion of the Global Offering, assuming (i) the Global Offering has become unconditional and all Offer Shares have been issued pursuant to the Global Offering; and (ii) all member companies of our Group (other than our Company) are wholly owned by our Company.

As such, no person (other than our Company) will be interested, directly or indirectly, in 10% or more in any Share class with the right to, in any event, vote at the general meeting of any other member (other than our Company) of our Group.

3. Disclaimers

- (i) Save as disclosed in “History and Corporate Structure” and this section, none of our Directors, Supervisors or any of the parties listed in “— E. Other Information — 7. Consents of Experts” in this section:
 - (a) is interested in our promotion, or in any assets which, within the two years immediately preceding the date of this prospectus, have been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to our Company; or
 - (b) is materially interested in any contract or arrangement subsisting at the date of this prospectus that is significant in relation to our business;

- (ii) Save in connection with the Hong Kong Underwriting Agreement and the International Underwriting Agreement, none of the parties listed in “— E. Other Information — 7. Consents of Experts” in this section:
 - (a) is interested legally or beneficially in any Shares in any member of our Group;
or
 - (b) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group;
- (iii) None of our Directors or Supervisors or their close associates or any Shareholders of our Company who, to the knowledge of our Directors, owns more than 5% of our issued share capital has any interest in our top five customers or suppliers; and
- (iv) Save as disclosed in “Substantial Shareholders”, none of our Directors or Supervisors is a director or employee of a company that has an interest in the share capital of our Company which, once the H Shares are listed on the Stock Exchange, would have to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO.

D. EMPLOYEE INCENTIVE SCHEME

The Employee Incentive Scheme was adopted on April 25, 2019 and further revised on December 24, 2021. Two employee incentive platforms, namely Lanchi Platform and Zichi Platform, were established by Mr. SONG Yang to implement the Employee Incentive Scheme. As of the Latest Practicable Date, the two employee incentive platforms, in aggregate, held 27,978,820 Shares transferred from Mr. SONG Yang, representing 13.7% of the share capital of our Company, of which a total of 24,248,960 Shares are to implement the Employee Incentive Scheme and the remaining 3,729,860 Shares are Mr. SONG Yang’s personal interests in his controlled entities which are not subject to the Employee Incentive Scheme. For details of our employee incentive platforms, see “History and Corporate Structure — Corporate History — Employee Incentive Platforms.”

1. Purpose

For the purpose of establishing and improving long-term incentive mechanism of our Company, attracting and retaining high-end talents, fully mobilizing the enthusiasm of our Directors, senior management and other core employees, our Company adopted the Employee Incentive Scheme.

2. Administration

The general meeting of our Company (the “**General Meeting**”) shall be responsible for considering and approving the adoption, alteration and termination of the Employee Incentive Scheme.

The Board shall be responsible for formulating Employee Incentive Scheme and managing and implementing the Employee Incentive Scheme under the authorization of the General Meeting.

3. Participants

The participants include the core managerial and technical personnel of our Company or any of our subsidiaries, or other core employees who shall be deemed by the General Meeting to have material influence on the operating performance and future development of our Company (the “**Participants**”).

4. Total Number of the Underlying Shares of the Incentive Awards

Participants shall be interested in a total of 24,248,960 Shares through holding the limited partnerships (the “**Incentive Awards**”) in the employee incentive platforms, the underlying Shares of which were corresponding to the share capital of our Company of RMB24.2 million and representing 11.9% of the share capital of our Company in issue immediately prior to the Global Offering.

As of the date of this prospectus, all Incentive Awards have been granted and vested.

5. Subscription Price of the Incentive Awards

The subscription price of the Incentive Awards is determined on comprehensive consideration of factors, including the Participants’ contribution to our Company and their respective professional and technical competence. It is specified in the relevant share incentive agreement or share transfer agreement. The subscription proceeds shall be made to and kept by Mr. SONG Yang as the transferor of the Incentive Awards.

6. Form of the Employee Incentive Scheme

The Participants, as partners of the employee incentive platforms, which are in the form of limited partnerships, shall subscribe for the limited partnership interests from Mr. SONG Yang who is the general partner of the employee incentive platforms, thereby indirectly holding the Shares of our Company by virtue of their capacity as a limited partner of the relevant employee incentive platform.

All Participants agree that Mr. SONG Yang, the general partner of the employee incentive platforms, shall exercise the voting rights attaching to the Shares held by the employee incentive platforms.

7. Grant of the Incentive Awards

Mr. SONG Yang is entitled to determining the identities of Participants and number of Incentive Awards granted to each Participant, while The Board is responsible for the specific grant of the Incentive Awards and supervising the Participants to sign Share transfer agreements with Mr. SONG Yang, the general partner of the employee incentive platforms, within the specified time and make the corresponding payment as agreed.

The Participants shall actively cooperate with the Board to sign relevant documents and pay the consideration in a timely manner.

8. Redemption of the Incentive Awards

After the Company is listed and the lock-up period of the employee incentive platforms expires, the Participants may request the general partner to facilitate the redemption of the limited partnership interest by selling the Company's Shares held by the employee incentive platforms. To realize the limited partnership interests that they hold, the limited partners shall submit a written application (the "**Redemption Application**") to the general partner 15 business days prior to the exit window (i.e. the first business day in January and July each year), specifying the amount of limited partnership interests to be redeemed. Within 15 business days of receiving the Redemption Application, the general partner will examine whether the Redemption Application complies with the terms of the Employee Incentive Scheme and relevant applicable laws and regulations. In the event it is compliant, the general partner shall sell the corresponding Company's Shares for the amount of the limited partnership interests to be redeemed, and the proceeds based on the actual sale price, after deducting taxes and fees, will be used to realize the limited partnership interests.

9. Adjustment to the Employee Incentive Scheme

During the term of the Employee Incentive Scheme, if our Company has capital reserve or undistributed profit that are converted into the share capital or dividends *pari passu*, the partnership interests in the employee incentive platforms held by the Participants will remain still, while the number of Shares in our Company indirectly held by the Participants through employee incentive platforms shall change accordingly. If our Company issues new Shares, the number of Shares indirectly held by the Participants through the employee incentive platforms in our Company will remain still.

10. Mandatory Repurchase of the Incentive Awards

Where any of the following events occurs, the general partner of the employee incentive platforms, Mr. SONG Yang, has the right to repurchase all Incentive Awards held by the Participant(s) with his own funds:

- (i) the employment relationship between the Participant and our Group is terminated due to the Participant's voluntary resignation (including early termination of the employment contract) or mandatory retirement pursuant to applicable laws and regulations;

- (ii) the Participant dies, or is declared dead or missing by the people's courts of the PRC;
- (iii) the Participant loses the civil capability or labor capability;
- (iv) the employment relationship between the Participant and our Group is terminated due to non-fault dismissal or lay-off;
- (v) the employment relationship between the Participant and our Group is terminated due to mutual agreement through negotiations;
- (vi) the employment relationship between the Participant and our Group is terminated due to the expiration of the employment contract;
- (vii) the employment relationship between the Participant and our Group is terminated due to the Participant's violation of the laws and regulations or rules of our Company;
- (viii) the Participant is no longer qualified as an eligible Participant according to the provisions of the Employee Incentive Scheme;
- (ix) the Participant violates its obligations stipulated in the Employee Incentive Scheme; and
- (x) Other circumstances that the Board determines will cause negative impact on our Company.

Prior to the Listing, where any of the above events occurs, the general partner of the employee incentive platforms has the right to repurchase all Incentive Awards held by the Participants at the actual consideration the Participant paid. After the Listing, where any of the events stipulated in the above paragraphs (v) to (x) occurs, the general partner has the right to repurchase all Incentive Awards held by the Participants at the actual consideration the Participant paid; where any of the events stipulated in the above paragraphs (i) to (iv) occurs, the general partner could repurchase the Incentive Awards held by Participants in accordance with paragraph 10 below.

For the avoidance of doubt, Mr. SONG Yang will continue to be the beneficial owner of any repurchased Incentive Awards after the repurchase caused by any of the events stipulated in the above paragraphs (i) to (x).

11. Voluntary Withdraw by the Participants

Except for events stipulated in the above paragraph 10 occurs, the Participants have the right to withdraw from the employee incentive platforms by ways of transfer or withdrawal in accordance with the provisions of this Employee Incentive Scheme or with the consent of the Chairman.

Prior to the Listing, the Participants shall not transfer their partnership interests in the employee incentive platforms or withdraw from the employee incentive platforms. However, the Participants may transfer the partnership interests to other limited partners or other employees of our Company or any of our subsidiaries with the consent of the Chairman, and the consideration shall be negotiated by the transferors and the transferees. If no person aforementioned agrees to acquire the partnership interests, the general partner shall be qualified as a transferee. The consideration shall be calculated as follows: the actual amount of capital contribution corresponding to the partnership interests of the employee incentive platforms held by the transferor $\times (1+10\%$ annualized interest rate \times the holding period) (where “the holding period” refers to the number of days from the date of grant to the date of deciding transfer divided by 365 days, capped at three years). If the Participant withdraws from the partnership with the consent of the Chairman, the consideration of such withdrawal shall be determined according to the actual consideration of all the Incentive Awards the Participants paid.

After the Listing, while the Shares held by the employee incentive platforms are still in the lock-up period:

- (i) where any of the events stipulated in sub-paragraphs (i) to (iv) of paragraph 10 occurs, and the Participants transfer the partnership interests held by them, the consideration shall be negotiated between the transferors and the transferees; however, under the same conditions, the general partner enjoys the right of first refusal. If no person agrees to acquire, the general partner shall be qualified as a transferee at a consideration calculated as follows: actual amount of capital contribution corresponding to the partnership interests of the employee incentive platforms held by the transferor $\times (1+10\%$ annualized interest rate \times the holding period) (where “the holding period” refers to the number of days from the date of grant to the date of deciding transfer divided by 365 days, capped at three years);
- (ii) the consideration of the transfer could be negotiated between the transferors and the transferees under the special consent of the Chairman; and
- (iii) in case of withdrawal, the consideration shall be determined according to the resolution of the partners’ meeting of the employee incentive platforms at that time.

After the Listing and the Shares held by the employee incentive platforms have exceeded the lock-up period, the general partner could exit through sale of the Shares through the employee incentive platforms, and the proceeds shall be realized at the price corresponding to the Shares indirectly held by the exiting limited partners that are actually sold by the employee incentive platforms, after deduction of relevant taxes and fees.

12. Others

In principle, the exit window of the employee incentive platforms opens once every six months, which is the first business day of January and the first business day of July every year. If any of the events stipulated in paragraph 10 occurs to the Participants, they are not subject to the aforementioned exit window period.

13. Merger, Division and Change of Actual Controller of Our Company

If the actual controller of our Company changes or our Company is merged or divided for any reason, the partnership interests of our Company indirectly held by the Participants through the employee incentive platforms shall remain still. The Participants may not therefore request an accelerated withdrawal.

14. Details of the Incentive Awards Granted Under the Employee Incentive Scheme

As of the Latest Practicable Date, all Incentive Awards under the Employee Incentive Scheme were granted. Details of the Incentive Awards granted to Directors, Supervisors, senior management or connected persons under the Employee Incentive Scheme are set out below:

<u>Name</u>	<u>Position/Connected Relationship</u>	<u>Relevant Employee Incentive Platforms</u>	<u>Approximate Partnership Interests of the Employee Incentive Platforms</u>	<u>Approximate Number of Shares Corresponding to the Incentive Awards held by the Participant</u>	<u>Approximate Shareholding Percentage Corresponding to the Incentive Awards held by the Participant in the Total Number of Shares in Issue Immediately Prior to the Global Offering</u>
Mr. LU Yukun	Executive Director and chief technical officer	Lanchi Platform	37.1%	7,647,100	3.7%
Mr. LUO Hong	Chairman of the Board of Supervisors and Supervisor	Lanchi Platform	3.0%	612,260	0.3%
Mr. ZHU Qinghua	Supervisor	Lanchi Platform	8.0%	1,651,200	0.8%

Name	Position/Connected Relationship	Relevant Employee Incentive Platforms	Approximate Partnership Interests of the Employee Incentive Platforms	Approximate Number of Shares Corresponding to the Incentive Awards held by the Participant	Approximate Shareholding Percentage Corresponding to the Incentive Awards held by the Participant in the Total Number of Shares in Issue Immediately Prior to the Global Offering
Mr. WANG Bingjie	Supervisor	Lanchi Platform	7.7%	1,578,940	0.8%
Ms. LIU Fang	Chief financial officer	Lanchi Platform	1.9%	400,000	0.2%

E. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

As of the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance and no litigation arbitration or claim of material importance was known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our financial condition or results of operations.

3. Joint Sponsors

The Joint Sponsors have made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the H Shares to be converted from Domestic Shares and the H Shares to be issued pursuant to the Global Offering. All necessary arrangements have been made to enable our H Shares to be admitted into CCASS.

The Joint Sponsors satisfy the independence criteria as set out in Rule 3A.07 of the Listing Rules. The Joint Sponsors will be paid by our Company a fee of US\$600,000 in aggregate to act as sponsors to our Company in connection with the Listing.

4. Compliance Advisor

Our Company has appointed Quam Capital Limited as our Compliance Advisor in compliance with Rule 3A.19 of the Listing Rules.

5. Preliminary Expenses

We have not incurred any material preliminary expenses in relation to the incorporation of our Company.

6. Taxation of holder 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 effected on the H Share register of members of our Company, including in circumstances where such transaction is effected on the Stock Exchange. The current rate of Hong Kong stamp duty for such sale, purchase and transfer is a 0.1% of the consideration or, if higher, the fair value of the H Shares being sold or transferred.

7. Consents of Experts

The following experts have each given and have not withdrawn their respective written consents to the issue of this prospectus with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

<u>Name</u>	<u>Qualification</u>
Citigroup Global Markets Asia Limited	A licensed corporation to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities under the SFO
Huatai Financial Holdings (Hong Kong) Limited	A licensed corporation to conduct 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

<u>Name</u>	<u>Qualification</u>
CCB International Capital Limited	A licensed corporation to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) of regulated activities as defined under the SFO
Jingtian & Gongcheng	PRC legal advisors to our Company
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) and Registered Public Interest Entity Auditor under Accounting and Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant
Hogan Lovells	Legal advisor as to U.S. export control law to our Company

As of the Latest Practicable Date, none of the experts named above has any shareholding interest in our Company or any of our subsidiaries 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.

8. Promoters

The promoters of our Company are all of the 32 Shareholders of our Company as of December 29, 2022.

- (i) SONG Yang (宋陽)
- (ii) LI Shuangjiang (李雙江)
- (iii) LUO Hong (羅紅)
- (iv) Suzhou Lanchi Management Consulting Partnership (L.P.) (蘇州藍馳管理諮詢企業(有限合夥))
- (v) Jiaxing Zizhi No. 1 Equity Investment Partnership (L.P.) (嘉興自知一號股權投資合夥企業(有限合夥))
- (vi) Beijing CHJ Automotive Co., Ltd. (北京車和家信息技術有限公司)

- (vii) Shenzhen Guozhong SME Development Private Equity Investment Fund Partnership (L.P.) (深圳國中中小企業發展私募股權投資基金合夥企業(有限合夥))
- (viii) Suzhou Industrial Park Yuandian Zhengze No. 2 Venture Capital Partnership (L.P.) (蘇州工業園區原點正則貳號創業投資企業(有限合夥))
- (ix) CCBI Tech Venture (Suzhou) Combined Debt & Equity Private Equity Fund (L.P.) (建銀科創(蘇州)投貸聯動股權投資基金(有限合夥))
- (x) Guangdong Yuecai Small and Medium-sized Enterprises Equity Investment Fund Partnership (L.P.) (廣東粵財中小企業股權投資基金合夥企業(有限合夥))
- (xi) Zhuhai Hengqin Yixingbanyue Investment Partnership (L.P.) (珠海橫琴依星伴月投資合夥企業(有限合夥))
- (xii) Suzhou Zichi Management Consulting Partnership (L.P.) (蘇州紫馳管理諮詢合夥企業(有限合夥))
- (xiii) Suzhou Hongchi Management Consulting Partnership (L.P.) (蘇州紅馳管理諮詢合夥企業(有限合夥))
- (xiv) Guiyang Zhongtian Jiachuang Investment Co., Ltd. (貴陽中天佳創投資有限公司)
- (xv) Shenzhen Jiahui Chuangyao Investment Partnership (L.P.) (深圳市佳匯創耀投資合夥企業(有限合夥))
- (xvi) Shanghai Yaoyu Enterprise Management Consulting Partnership (L.P.) (上海瑤宇企業管理諮詢合夥企業(有限合夥))
- (xvii) China State-owned Enterprise Mixed Ownership Reform Fund Co., Ltd. (中國國有企業混合所有制改革基金有限公司)
- (xviii) Pingyang Kunyi Equity Investment Partnership (L.P.) (平陽昆毅股權投資合夥企業(有限合夥))
- (xix) Taicang Yanying No. 2 Biomedical Investment Management Center (L.P.) (太倉衍盈貳號生物醫藥投資管理中心(有限合夥))
- (xx) Suzhou Yongxin Ronghui Venture Capital Partnership (L.P.) (蘇州永鑫融慧創業投資合夥企業(有限合夥))
- (xxi) Iflytek Haihe (Tianjin) AI Venture Capital Fund Partnership (L.P.) (訊飛海河(天津)人工智能創業投資基金合夥企業(有限合夥))
- (xxii) Hefei Lianshan Innovation Industry Investment Fund Partnership (L.P.) (合肥連山創新產業投資基金合夥企業(有限合夥))

- (xxiii) XU Jingming (徐景明)
- (xxiv) Yangfan Zhiyuan Industrial Investment Fund (Suzhou) Partnership (L.P.) (揚帆致遠產業投資基金(蘇州)合夥企業(有限合夥))
- (xxv) Shenzhen China Merchants StartUP Capital Partnership (L.P.) (深圳招商啟航資本合夥企業(有限合夥))
- (xxvi) Suzhou Yafeng Phase II Equity Investment Partnership (L.P.) (蘇州雅楓二期股權投資合夥企業(有限合夥))
- (xxvii) Suzhou Industrial Park Science and Technology Innovation Investment Partnership (L.P.) (蘇州工業園區科技創新投資合夥企業(有限合夥))
- (xxviii) HL Klemove Electronics (Suzhou) Co., Ltd. (漢拿科銳動電子(蘇州)有限公司)
- (xxix) Suzhou Luchi Management Consulting Partnership (L.P.) (蘇州綠馳管理諮詢合夥企業(有限合夥))
- (xxx) Suzhou Qianrong Tairun Venture Capital Partnership (L.P.) (蘇州乾融泰潤創業投資合夥企業(有限合夥))
- (xxxi) Shaanxi Dechuang Smart Car Venture Capital Fund Partnership (L.P.) (陝西德創智能汽車創業投資基金合夥企業(有限合夥))
- (xxxii) Suzhou Yafeng Phase III Venture Investment Partnership (L.P.) (蘇州雅楓三期創業投資合夥企業(有限合夥))

Save as disclosed in “History and Corporate Structure”, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to the promoters named above in connection with the Global Offering and the related transactions described in this prospectus.

9. Bilingual Document

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

10. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in so far as applicable.

11. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in our financial, trading position or prospects since June 30, 2023, being the date of our combined financial statements as set out in “Appendix I — Accountant’s Report” of this prospectus, up to the date of this prospectus.

12. Miscellaneous

- (i) Save as disclosed in “History and Corporate Structure” and in connection with the Underwriting Agreements, within the two years immediately preceding the date of this prospectus:
 - (a) no share or loan capital of our Company or any of its subsidiaries has been issued nor agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (b) no commissions, discounts, brokerage fee or other special terms have been granted in connection with the issue or sale of any Share or loan capital of our Company or any of our subsidiaries;
 - (c) no Share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option; and
 - (d) no commission has been paid or is payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions of any share in our Company or any of our subsidiaries.
- (ii) We have not issued nor agreed to issue any founder shares, management shares or deferred shares;
- (iii) There are no arrangements under which future dividends are waived or agreed to be waived;
- (iv) There are no procedures for the exercise of any right of pre-emption or transferability of subscription rights;
- (v) There have been no interruptions in our business which may have or have had a significant effect on our financial position in the last 12 months;
- (vi) There are no restrictions affecting the remittance of profits or repatriation of capital by us into Hong Kong from outside Hong Kong;

- (vii) No part of the equity or debt securities of our Company, if any, is currently listed on or dealt in on any stock exchange or trading system, and no such listing or permission to list on any stock exchange other than the Hong Kong Stock Exchange is currently being or agreed to be sought; and

- (viii) Our Company has no outstanding convertible debt securities or debentures.

**APPENDIX VII DOCUMENTS DELIVERED TO THE REGISTRAR
OF COMPANIES AND AVAILABLE ON DISPLAY**

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

- (a) the written consents referred to in “Appendix VI — Statutory and General Information — E. Other Information — 7. Consents of Experts;” and
- (b) a copy of the material contract referred to in “Appendix VI — Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contracts.”

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the Stock Exchange’s website at www.hkexnews.hk and our Company’s website at www.imotion.ai during a period of 14 days from the date of this prospectus:

- (a) the Articles of Association;
- (b) the Accountant’s Report from PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;
- (c) the audited financial statements of our Group for the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023;
- (d) the report on unaudited pro forma financial information of our Group from PricewaterhouseCoopers, the text of which is set out in Appendix II to this prospectus;
- (e) the legal opinions issued by Jingtian & Gongcheng, our PRC Legal Advisors in respect of certain matters of our Group in the PRC;
- (f) the legal memorandum on U.S. export control law issued by Hogan Lovells;
- (g) the industry report prepared by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., the summary of which is set forth in “Industry Overview;”
- (h) a copy of each of the PRC Company Law, the PRC Securities Law, the Guidelines on the Bylaws of Listed Companies (2022 Revision) together with their unofficial English translations;

**APPENDIX VII DOCUMENTS DELIVERED TO THE REGISTRAR
OF COMPANIES AND AVAILABLE ON DISPLAY**

- (i) the material contracts referred to in “Appendix VI — Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contracts;”
- (j) the written consents referred to in “Appendix VI — Statutory and General Information — E. Other Information — 7. Consents of Experts;” and
- (k) the service contracts referred to in “Appendix VI — Statutory and General Information — C. Further Information about Our Directors, Supervisors and Substantial Shareholders — 1. Directors and Supervisors — (ii) Particulars of Service Contracts.”



知行汽車科技(蘇州)股份有限公司
iMotion Automotive Technology (Suzhou) Co., Ltd.