This summary aims to give you an overview of the information contained in this document. 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 [**REDACTED**] *in the* [**REDACTED**]. *There are risks associated with any* [**REDACTED**]. *Some of the particular risks in* [**REDACTED**] *in the* [**REDACTED**] *are set forth in the section headed "Risk Factors" of this document. You should read that section carefully before you decide to* [**REDACTED**] *in the* [**REDACTED**].

OVERVIEW

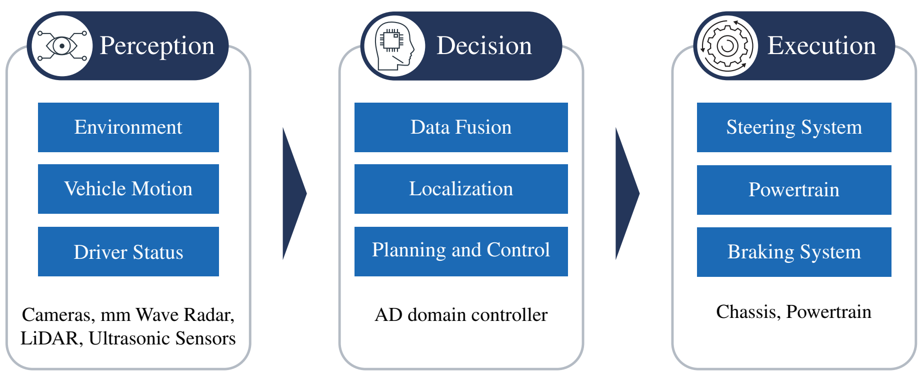
We are an autonomous driving solution provider in China with a focus on AD domain controllers. We have commercialized level 2 to level 2+ (level 2+ is not an official classification under SAE(1) standard), and are developing level 2 to level 4, autonomous driving solutions for automotive manufacturers (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) 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.

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 Crusie 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.

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^{TM}, 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 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 15 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.

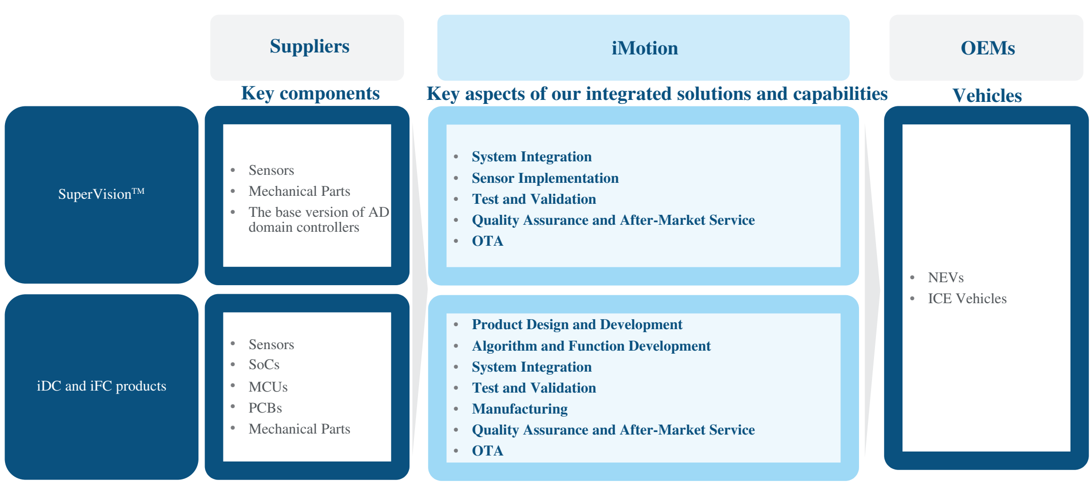
Since 2018, we have established a strategic partnership with Mobileye, and Mobileye has become one of our key suppliers who primarily supplied the base version of AD domain controllers for SuperVision™. The AD domain controller solution we provided for ZEEKR 001 was one of the first applications in the 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 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:



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	
	(RMB in thousands, except for percentages)						*(Unaudited)*			
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%
Subtotal	*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%**

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.

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**
	(RMB in thousands)				
				(Unaudited)	
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.

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.

- *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 15 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 Chauffeur™, 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."

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 three series-produced vehicle models from Geely Group's premium electric vehicle brand, namely ZEEKR 001, ZEEKR 009 and ZEEKR 001 (European version). 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 three series-produced vehicle models from Geely Group's premium electric vehicle brand, namely ZEEKR 001, ZEEKR 009 and ZEEKR 001 (European version).

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.

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.

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;

- 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."

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 document, as well as the information set forth in the section headed "Financial Information."

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	
	(RMB in thousands, except for percentages)									
							(Unaudited)			
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)%**

Adjusted Loss (Non-IFRS Measure)

To supplement our consolidated financial statements, which are presented in accordance with IFRS Accounting Standards, we also use the adjusted loss (Non-IFRS 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 measures facilitates comparisons of operating performance from year to year and provides useful information to [**REDACTED**] 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 measures are appropriate for evaluating our operating performance. The use of this non-IFRS 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 measure may not be comparable to similar measures presented by other companies.

We define the adjusted loss (Non-IFRS measure) as the loss for the year, excluding (i) share-based payment, (ii) financial cost on financial instruments with preferred rights at amortized cost, and (iii) [**REDACTED**] 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-[**REDACTED**] Investors of ordinary shares with preferred rights in Pre-[**REDACTED**] financings that conferred certain preferred rights, including redemption rights, upon such Pre-[**REDACTED**] 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-[**REDACTED**] Investors, because we and the related Pre-[**REDACTED**] Investors have mutually agreed to terminate such preferred rights.

The following table sets forth the reconciliations of our non-IFRS 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
			(RMB in thousands)		
				(Unaudited)	
Non-IFRS 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

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2020	2021	2022	2022	2023
	(RMB in thousands)				
				(Unaudited)	
Financial cost on financial instruments with preferred rights at amortized cost	9,604	412,362	279,420	244,680	—
[**REDACTED**] expenses	—	—	2,056	—	10,367
Adjusted loss (Non-IFRS measure)	**(35,669)**	**(34,129)**	**(16,874)**	**(33,625)**	**(46,161)**

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-[**REDACTED**] Investors of ordinary shares in Pre-[**REDACTED**] financings that conferred certain preferred rights, representing the redemption rights, granted to certain Pre-[**REDACTED**] 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 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
	(RMB in thousands)			
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 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 (ii) 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 discontinuation of certain business, 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-[**REDACTED**] 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-[**REDACTED**] 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 document.

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
	(RMB in thousands)				
				(Unaudited)	
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)

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2020	2021	2022	2022	2023
	(RMB in thousands)				
				(Unaudited)	
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.

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 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.

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 [**REDACTED**] 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.

In the future, we aim to maintain sustainability and achieve profitability 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 SuperVision™ and 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 SuperVision™ and 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.

- **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 [**REDACTED**] from the [**REDACTED**]. 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."

PRE-[REDACTED] INVESTORS

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

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 [**REDACTED**] (assuming the [**REDACTED**] is not exercised), 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 [**REDACTED**]% of the issued share capital of our Company. Accordingly, upon completion of the [**REDACTED**], 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 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 document, it is unlikely that we will be eligible to pay a dividend out of our profits in the foreseeable future.

[**REDACTED**]

We estimate that we will receive [**REDACTED**] from the [**REDACTED**] of approximately HK$[**REDACTED**], after deducting [**REDACTED**] commissions, fees and estimated expenses payable by us in connection with the [**REDACTED**], assuming no exercise of the [**REDACTED**], and assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, which is the mid-point of the indicative [**REDACTED**] range stated in this document. If the [**REDACTED**] is set at HK$[**REDACTED**] per Share, which is the high end of the indicative [**REDACTED**] range, the [**REDACTED**] from the [**REDACTED**] will increase by approximately HK$[**REDACTED**]. If the [**REDACTED**] is set at HK$[**REDACTED**] per Share, which is the low end of the indicative [**REDACTED**] range, the [**REDACTED**] from the [**REDACTED**] will decrease by approximately HK$[**REDACTED**].

Assuming an [**REDACTED**] at the mid-point of the indicative [**REDACTED**] range, we currently intend to apply these [**REDACTED**] for the following purposes, subject to changes in light of our evolving business needs and changing market conditions: (i) approximately [45.0]% of the [**REDACTED**] or approximately HK$[**REDACTED**], for enhancing research and development of our autonomous driving solutions and products; (ii) approximately [35.0]% of the [**REDACTED**] or approximately HK$[**REDACTED**], for capital expenditure in relation to our R&D headquarters, manufacturing premises and new production lines; (iii) approximately [10.0]% of the [**REDACTED**] or approximately HK$[**REDACTED**], for expanding our sales and service network; and (iv) approximately [10.0]% of the [**REDACTED**] or approximately HK$[**REDACTED**], for working capital and general corporate purposes. For details, see "Future Plans and [**REDACTED**]."

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 [**REDACTED**]. 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 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;

- 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, and supply changes, 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.

[**REDACTED**] EXPENSES

Based on the mid-point [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**], the total estimated [**REDACTED**] expenses in relation to the [**REDACTED**] is approximately RMB[**REDACTED**], representing [**REDACTED**]% of the total [**REDACTED**] from the [**REDACTED**] of approximately HK$[**REDACTED**] (RMB[**REDACTED**]). We had incurred [**REDACTED**] 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 [**REDACTED**] expenses, which are expected to be recognized directly as a deduction from equity upon the [**REDACTED**]. We expect to incur additional [**REDACTED**] expenses of approximately RMB[**REDACTED**], of which RMB[**REDACTED**] is expected to be charged to our consolidated statement of comprehensive income and RMB[**REDACTED**] will be deducted from equity. The amount of the [**REDACTED**]-related expenses of approximately RMB[**REDACTED**], which mainly includes [**REDACTED**], is expected to be accounted for as a deduction from equity upon the completion of the [**REDACTED**]. The amount of the non-[**REDACTED**]-related expenses of approximately RMB[**REDACTED**] primarily include fees and expenses of legal advisers and accountants of RMB[**REDACTED**] and other fees and expenses of RMB[**REDACTED**].

APPLICATION FOR [REDACTED] ON THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for the granting of the [**REDACTED**] of, and permission to [**REDACTED**] our H Shares to be issued pursuant to (i) the [**REDACTED**] (including any H Shares which may be issued pursuant to the exercise of the [**REDACTED**]) 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$1,448.3 million) in the financial year ended December 31, 2022 which exceeds HK$500 million, and (ii) our expected [**REDACTED**] at the time of [**REDACTED**], which, based on the low-end of the indicative [**REDACTED**] range, exceeds HK$4 billion.

[REDACTED] STATISTICS

The statistics in the following table are based on the assumptions that [**REDACTED**] Shares will be in issue pursuant to the [**REDACTED**] and the [**REDACTED**] is not exercised:

	Based on an [REDACTED] of HK$[REDACTED] per [REDACTED]	**Based on an [REDACTED] of HK$[REDACTED] per [REDACTED]**
[**REDACTED**] of our Shares[1]	HK$[**REDACTED**]	HK$[**REDACTED**]
[**REDACTED**] of our H Shares[2]	HK$[**REDACTED**]	HK$[**REDACTED**]
[**REDACTED**] adjusted consolidated net tangible assets per Share[3]	HK$[**REDACTED**]	HK$[**REDACTED**]

Notes:

(1) The calculation of [**REDACTED**] is based on [**REDACTED**] Shares expected to be in issue immediately upon completion of the [**REDACTED**], assuming the [**REDACTED**] is not exercised.

(2) The calculation of [**REDACTED**] of our H Shares is based on [**REDACTED**] H Shares expected to be in issue immediately upon completion of the [**REDACTED**], assuming the [**REDACTED**] is not exercised.

(3) The [**REDACTED**] 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 — [**REDACTED**] Financial Information" and on the basis that [**REDACTED**] Shares were in issue assuming the [**REDACTED**] had taken place on June 30, 2023, without taking into account any H Shares which may be allotted and issued upon the exercise of the [**REDACTED**], or 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.

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."

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 [**REDACTED**] is a direct overseas [**REDACTED**] 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.

No Material Adverse Change

Our Directors confirm that, up to the date of this document, 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 document.