An [**REDACTED**] *in our H Shares involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an* [**REDACTED**] *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* [**REDACTED**] *of our H Shares could decline, and you may lose all or part of your* [**REDACTED**].

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.

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.

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 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. 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;
- 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.

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.

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.

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.

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 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. Furthermore, long development cycles or vehicle model cancellations or postponements would adversely affect 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 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 continuingly 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 document 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;
- 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.

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 increase the sales of our solutions and products or cause us to lose market share, any of which will adversely affect our business, financial condition and results of operations.

Our business 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.

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.

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 SuperVision™ 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 SuperVision™ 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 document.

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 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 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 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.

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.

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.

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 of NEVs, fiscal tightening or other factors may affect government incentives or subsides 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.

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 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 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.

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 Units of the PRC. For details, please refer to the section headed "Business — Licenses, Approvals and Permits" in this document. 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.

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 seven 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.

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.

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, 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.

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 [**REDACTED**] from the [**REDACTED**], 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.

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 [**REDACTED**]. 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.

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.

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.

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 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 [**REDACTED**] 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.

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.

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, 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 document.

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 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 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 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 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-[**REDACTED**] 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-[**REDACTED**] Investors in 2021. We and the related Pre-[**REDACTED**] 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.

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-fee 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. Cancelations of, reductions in, or rescheduling of customer orders could also 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 document. 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 ("**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. 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.

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 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.

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 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 [**REDACTED**] from the [**REDACTED**] 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 [**REDACTED**] from the [**REDACTED**]. 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 [**REDACTED**] 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.

RISKS RELATING TO THE [REDACTED]

There has been no previous public market for our H Shares, and the [REDACTED] and [REDACTED] of our H Shares may be volatile.

Prior to the [**REDACTED**], there has been no public market for our H Shares. The initial [**REDACTED**] for our H Shares was the result of negotiations among us and the [**REDACTED**] (for themselves and on behalf of the [**REDACTED**]) and the [**REDACTED**] may differ significantly from the [**REDACTED**] for our H Shares following the [**REDACTED**]. We have applied for [**REDACTED**] of and permission to [**REDACTED**] our H Shares on the Stock Exchange. There is no assurance that the [**REDACTED**] will result in the development of an active, [**REDACTED**] for our H Shares. Factors such as variations in our revenue, earnings and cash flows or any other developments of us may affect the [**REDACTED**] and [**REDACTED**] at which our H Shares will be [**REDACTED**].

Furthermore, the [**REDACTED**] and [**REDACTED**] of our H Shares may be volatile. The following factors, among others, may cause the [**REDACTED**] of our H Shares after the [**REDACTED**] to vary significantly from the [**REDACTED**]:

- 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 [**REDACTED**] not directly related to our performance and as a result, [**REDACTED**] in our H Shares may suffer substantial losses.

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

The [**REDACTED**] of our H Shares is expected to be determined on the [**REDACTED**]. However, our H Shares will not commence [**REDACTED**] on the Stock Exchange until they are delivered, which is expected to be several business days after the [**REDACTED**]. As a result, [**REDACTED**] may not be able to [**REDACTED**] or [**REDACTED**] our H Shares during that period. Accordingly, holders of our H Shares are subject to the risk that the [**REDACTED**] of our H Shares could fall before [**REDACTED**] begins as a result of adverse market conditions or other adverse developments, that could occur between the time of [**REDACTED**] and the time [**REDACTED**] begins.

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

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

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 [**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. 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 [**REDACTED**] 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.

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

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

The [**REDACTED**] 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;
- adversely affect our cash flows; or
- limit our flexibility in business development and strategic plans.

Because the [REDACTED] per Share is higher than the net tangible book value per Share, purchasers of our H Shares in the [REDACTED] will experience immediate dilution.

The [**REDACTED**] of our H Shares is higher than the net tangible book value per Share immediately prior to the [**REDACTED**]. Therefore, purchasers of our H Shares in the [**REDACTED**] will experience an immediate dilution. Existing Shareholders will receive an increase in the [**REDACTED**] adjusted consolidated net tangible assets value per share of their shares. [**REDACTED**] of H Shares may also experience further dilution if the [**REDACTED**] (on behalf of the [**REDACTED**]) exercise the [**REDACTED**] or if we issue additional H Shares in the future.

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 document 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 document 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 document, however, we cannot guarantee the quality or reliability of such source materials. They have not been prepared or independently verified by us, the [**REDACTED**] 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 statistics in this document 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, [**REDACTED**] should give consideration as to how much weight or importance they should attach to or place on such facts.

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

There may have been, prior to the publication of this document, and there may be, subsequent to the date of this document but prior to the completion of the [**REDACTED**], press and media coverage regarding us and the [**REDACTED**]. 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 [**REDACTED**] or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. Accordingly, prospective [**REDACTED**] should not rely on any such information, reports or publications in making their decision whether to [**REDACTED**] in our H Shares or in the [**REDACTED**]. You should rely solely upon the information contained in this document, [**REDACTED**] and any formal announcements made by us in making your [**REDACTED**] decision regarding our H Shares.

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

This document 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 document, 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 document. 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 document. 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 document should not be regarded as representations that our plans or objectives will be achieved, and [**REDACTED**] should not place undue reliance on such forward-looking statements. All forward looking statements contained in this document are qualified by reference to the cautionary statements set out in this section.