*You should read the following discussion and analysis of our financial condition and results of operations together with our consolidated financial statements as of and for each of the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, and the accompanying notes included in the Accountant's Report set out in Appendix I to this document. Our consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the IASB ("**IFRS Accounting Standards**"), which may differ in material aspects from generally accepted accounting principles in other jurisdictions. You should read the entire Accountant's Report and not merely rely on the information contained in this section.*

*The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties, many of which we cannot control or foresee. In evaluating our business, you should carefully consider all of the information provided in this document, including the sections headed "Risk Factors" and "Business."*

## OVERVIEW

We are an autonomous driving solution provider in China with a focus on AD domain controllers. We have commercialized level 2 to level 2+, and are developing level 2 to level 4, autonomous driving solutions for automotive manufacturers (OEMs). Our revenue increased significantly from RMB47.7 million in 2020 to RMB178.3 million in 2021 and further to RMB1,325.9 million in 2022, with a CAGR of 427.2%. Our revenue increased by 51.2% from RMB359.2 million for the six months ended June 30, 2022 to RMB543.2 million for the six months ended June 30, 2023. At the relatively early stages of large-scale commercialization, we have been loss-making since 2020 and we expect to incur net loss and net operating cash outflow in 2023. For details, see "Business — Business Sustainability." As a tier 1 supplier, we offer various autonomous driving in-vehicle solutions and products to OEMs on both new energy vehicles (NEVs) and internal combustion engine (ICE) vehicles. Our autonomous driving domain controller (AD domain controller) solutions typically include (i) AD domain controller; (ii) associated sensors, which we procure from third-party suppliers and integrate into our solutions; (iii) integrated software, algorithms and functions; and (iv) relevant services such as sensor implementation, vehicle systems integration, and function testing and validation.

We have commercialized two AD domain controller product lines which support level 2 to level 2+ autonomous driving functions, covering a wide price range of passenger vehicles and all types of driving scenarios, including highways, ring roads, complex urban roads, country roads, and parking areas.

During the Track Record Period, we generated most of our revenue from the sale of our autonomous driving solutions and products to automotive manufacturers (OEMs) and we delivered approximately 130 thousand units of AD domain controllers in total. Most of these were SuperVision™ supplied to Geely Group, which were based on Mobileye's technology and the base version of AD domain controllers acquired from Mobileye. As of the Latest Practicable Date, we obtained letters of nomination associated with 15 renowned OEM customers, such as Geely, Great Wall Motor, Chery and Dongfeng, among others, who are expected to source AD domain controllers and iFC products from us.

## BASIS OF PRESENTATION

Our consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. All IFRS Accounting Standards effective for the accounting period commencing from January 1, 2020, together with the relevant transitional provisions, have been adopted by us in the preparation of the consolidated financial information throughout the Track Record Period. Our consolidated financial statements have been prepared on a historical cost basis, except for the certain financial assets and liabilities that are measured at fair value.

## FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our business and results of operations are affected by the general factors that impact our total addressable market, including, among others, overall economic growth in China and globally, the widespread adoption of autonomous driving solutions and products, the development of intelligent mobility technology, raw material costs, regulatory, tax and geopolitical environments and the competitive landscape for autonomous driving solutions and products. Changes in any of these general factors could affect the demand for our solutions and products and our results of operations.

In addition to the general factors mentioned above, we believe our results of operations are more directly affected by the following specific factors:

- Our ability to deepen relationships with existing customers and expand our customer base;
- Our ability to successfully develop and commercialize our autonomous driving solutions and products, and to optimize our autonomous driving solution and product mix;
- Our ability to continually innovate our technology capabilities to maintain our leadership in product performance and quality; and
- Our ability to effectively manage our costs and expenses and enhance operating efficiency.

**Our ability to deepen relationships with existing customers and expand our customer base**

Our revenue increased significantly from RMB47.7 million in 2020 to RMB178.3 million in 2021 and further to RMB1,325.9 million in 2022, and by 51.2% from RMB359.2 million for the six months ended June 30, 2022 to RMB543.2 million for the six months ended June 30, 2023. Such growth was mainly driven by our ability to deepen our relationships with existing customers and expand our customer base.

First, our future growth is dependent on our ability to maintain and deepen relationships with our existing customers. Our customers primarily consist of OEMs that install our autonomous driving solutions and products on their vehicles. Geely Group was our largest customer in 2021 and 2022 and for the six months ended June 30, 2023. For the years ended December 31, 2021 and 2022 and for the six months ended June 30, 2023, our revenue from Geely Group was RMB94.5 million, RMB1,277.5 million and RMB516.0 million, respectively, representing approximately 53.0%, 96.4% and 95.0% of our total revenue during the same periods. We are committed to expanding our cooperation with existing customers. For example, following ZEEKR 001, the second vehicle model from Geely Group's premium electric vehicle brand that started series production in January 2023, ZEEKR 009, has also been equipped with SuperVision™. Two additional brands under Geely Group, Polestar and Smart, are expected to install SuperVision™ globally in their upcoming electric vehicle models, beginning in 2023. Moreover, empowered by our advanced over-the-air (OTA) technology, we will be able to provide better autonomous driving experiences to our OEM customers and end users, to further deepen our cooperation with existing OEM customers. Furthermore, we will continue to enhance our industry insights and develop technologies to improve our product performance and provide more innovative solutions and products. Changes in relationship with our existing customers may materially affect our results of operation and financial condition. For example, to our knowledge based on public information and our communication with Mobileye, Mobileye and Polestar may collaborate with another system integrator to incorporate Mobileye's next-generation autonomous driving solutions, including Chauffeur™, into a particular vehicle model of Polestar that we have agreed to work on. See "Risk Factors — Risks Relating to Our Business and Industry — We are subject to concentration risk of deriving a substantial portion of revenue from our sales to Geely Group and from SuperVision™ based on the base version of AD domain controllers supplied by Mobileye and the loss of, or a significant reduction in, revenue from such customers or products could materially and adversely affect our results of operations."

Second, we are dedicated to identifying, engaging and retaining new customers to expand our customer base. Leveraging our deep insights and strong R&D capabilities in autonomous driving, we are committed to attracting industry-leading OEM customers. We are focused on exploring new OEM customers leveraging our solution and product offerings and technical capabilities to address our OEM customers' changing needs. As of the Latest Practicable Date, we obtained letters of nomination associated with 15 renowned OEM customers, such as Geely, Great Wall Motor, Chery and Dongfeng, among others. As we continue to develop and launch solutions and products with market competitiveness, promote our brand and expand our sales and service network, we expect to attract more OEM customers and achieve revenue growth in the future.

As we operate in intensely competitive markets, we need to conduct promotion and marketing activities to expand our customer base. Our selling expenses primarily consist of employee benefit expenses and share-based payments related to our sales and marketing personnel as well as advertising and publicity expenses. In 2020, 2021 and 2022 and for the six months ended June 30, 2022 and 2023, our selling expenses were RMB3.0 million, RMB9.4 million, RMB27.7 million, RMB16.1 million and RMB13.6 million, respectively. We anticipate that our selling expenses will continue to grow in the future in line with our continued business expansion.

**Our ability to successfully develop and commercialize our autonomous driving solutions and products, and to optimize our autonomous driving solution and product mix**

The continued advancement of our R&D projects of autonomous driving solutions and products, and the process of collaborating with downstream OEMs towards commercialization are crucial to our sustained business growth. We are currently developing our iDC High and iFC 3.0 solutions. Our iDC High is a high computing power solution that supports full-scenario autonomous driving experience and is expected to be delivered in 2024. We also expect to launch iFC 3.0, next generation intelligent front camera, in 2024. See "Business — Our Autonomous Driving Solutions and Products — Our Autonomous Driving Solution and Product Offerings" for more information on the development progress of our product offerings. Our results of operations in the coming years will be impacted by (i) the development status of our solutions and products, (ii) successful adaptation to our customers' vehicle models, and (iii) series production and commercialization of our products, among others. If we are unable to successfully complete the R&D projects, obtain letters of nomination from customers, receive confirmed customer orders, or achieve commercialization for our product offerings, or if we experience significant delays or cost overruns in doing any of the foregoing, our business and prospects could be materially and adversely affected.

In addition, our gross profit margin varies across business segments and product lines, due to a variety of factors including manufacturing costs, technological advancement, pricing power, market demand, and availability of competing products, among others. Generally, our autonomous driving-related R&D services have a high gross profit margin. For details, see "— Description of Major Components of Our Results of Operations — Gross Profit and Gross Profit Margin." In addition, some of our product lines, such as SuperVision™, have experienced and may experience higher rate of growth, affecting our revenue mix. Changes in our product mix and revenue mix may also affect our overall gross profit margin and subsequently other aspects of our business performance.

In 2020 and 2021, our gross profit margin remained relatively stable at 20.1% and 20.6%, respectively. Our gross profit margin decreased from 20.6% in 2021 to 8.3% in 2022, primarily because we generated a greater portion of revenue from sales of AD domain controller solutions following the series production of our first SuperVision™ project in collaboration with Mobileye in October 2021, which had a lower gross profit margin as compared to other business segments, such as autonomous driving-related R&D services and sales of PCBA products. Our gross profit margin increased from 6.4% for the six months ended June 30, 2022 to 7.6% for the six months ended June 30, 2023, primarily because we gradually achieved stronger economies of scale and had increasing bargaining power against suppliers following the series production of our products.

**Our ability to continually innovate our technology capabilities to maintain our leadership in product performance and quality**

According to Frost & Sullivan, in terms of revenue generated from sales of AD domain controllers in 2022, we are the fourth largest AD domain controller provider in China taking into account the in-house developed domain controllers by OEMs, with a market share of 8.6%. Our financial performance is significantly dependent on our ability to maintain our leading position which is further dependent on our continuous investments in research and development. We invest significantly in the R&D of autonomous driving technology. Our R&D expenses increased from RMB44.1 million in 2020 to RMB54.9 million in 2021 and further to RMB104.0 million in 2022, representing a CAGR of 53.6%. Our R&D expenses increased significantly from RMB46.4 million for the six months ended June 30, 2022 to RMB104.0 million for the six months ended June 30, 2023. As of June 30, 2023, we had 250 R&D personnel, representing 74.2% of our total employees. We expect our R&D expenses to remain substantial in the future. We are committed to enhancing our autonomous driving technology capabilities through our investment in R&D, which we believe will further drive our future revenue growth.

We expect to continuously enhance our R&D capabilities, which enable us to provide industry-leading autonomous driving solutions and products that address various needs of our OEM customers. We believe it is essential that we continue to upgrade and optimize our autonomous driving solutions and products as we successfully implement our R&D roadmap, especially on our core algorithms and flexible middleware. We plan to continue to significantly invest in developing and upgrading our technology. We also intend to continue to invest heavily in attracting and retaining key talent to strengthen our technological advantages and to support our business growth and drive our overall long-term growth. If we fail to continue our innovation, our market position and results of operations may be adversely affected.

In addition to our in-house R&D capabilities, we also collaborated with Mobileye to introduce the SuperVision™ to our OEM customers. Following on the success of our existing partnerships, we are actively exploring new partnership opportunities globally to enhance our technology capabilities. The successful collaboration arrangements with our existing and potential business partners will have an impact on our results of operations.

### Our ability to effectively manage our costs and expenses and enhance operating efficiency

Our ability to achieve and maintain profitability is dependent in part on our ability to control our costs and expenses through enhancing our operating leverage and efficiency. In 2020, 2021 and 2022 and for the six months ended June 30, 2022 and 2023, our cost of sales primarily consists of raw materials and consumables used, which amounted to RMB27.4 million, RMB103.2 million, RMB1,128.2 million, RMB313.7 million and RMB482.4 million, respectively. The main raw materials and consumables used in the production of our autonomous driving products include automotive-grade chips, sensors, electronic units, and PCB, mechanical parts, fasteners and packaging materials. Our ability to effectively control raw material and consumables costs as we continue to ramp up our production volume has affected and will continue to affect our financial results significantly. We expect that as our sales volume increases over time, we will be able to reduce our average unit cost and achieve economies of scale to improve our gross profit margin. In addition, we also plan to leverage our in-house production capability to reduce the use of outsourced materials and make use of alternative raw materials to optimize our cost structure and improve our financial performance.

Our operating efficiency is also affected by our ability to streamline our operations across our business. Controlling operating expenses to achieve optimal operating efficiency is important to our success. As our business grows in scale, we expect to benefit from significant operating leverage and to realize structural cost savings. We believe the continued growth of our business and expansion of our market share can benefit us from economies of scale.

## MATERIAL ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Set forth below are discussions of the accounting policies that we believe are of critical importance to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. Other material accounting policies, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, are set forth in detail in note 2 and note 4 to the Accountant's Report in Appendix I in this document.

## Material Accounting Policies

### *Revenue Recognition*

We recognize revenue when (or as) a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by our performance as we perform;

- our performance creates or enhances an asset that the customer controls as we perform; or

- our performance does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

In determining whether our revenue should be reported gross or net is based on a continuing assessment of various factors. When determining whether we are acting as the principal or agent in offering goods or services to the customer, we need to first identify who controls the specified goods or services before they are transferred to the customer. We follow the accounting guidance for principal-agent considerations to assess whether we control the specified goods or service before it is transferred to the customer, the indicators of which including but not limited to (a) whether the entity is primarily responsible for fulfilling the promise to provide the specified service; (b) whether the entity has inventory risk before the specified service has been transferred to a customer; and (c) whether the entity has discretion in establishing the prices for the specified goods or service. The management considers the above factors in totality, as none of the factors individually are considered presumptive or determinative, and applies judgment when assessing the indicators depending on each different circumstances.

We mainly provide autonomous driving-related R&D services to OEMs to develop software, hardware, algorithm and function for autonomous driving solutions and products for vehicle models in such OEMs' pipelines, and when such R&D is successfully validated, the OEMs would engage us for the production and sales of such autonomous driving solutions and products. Other than the above core business in relation to autonomous driving solutions and products, we are also engaged in the manufacturing and sales of printed circuit board assembly (PCBA) products to certain customers by using surface-mount technology (SMT).

The following is a description of the accounting policy for the principal revenue streams of us:

*(a) Sales of autonomous driving solutions and products and PCBA products*

Revenue generated from sales of autonomous driving solutions and products primarily includes revenues from sales of our main products, AD domain controllers and iFC products, to OEMs, which is recognized at the point in time when we satisfy a performance obligation by transferring control over a product to a customer, generally upon the acceptance of the products. For PCBA products with revenue recognized at a point in time, we recognize revenue upon transfer of control, which generally occurs upon shipment to the customers and transfer of title and risk of loss under standard commercial terms. The revenue is measured based on consideration, less value added tax, specified in a contract with a customer, as well as adjusted for any variable consideration (i.e. price concessions or annual price adjustments) based on contract terms and historical patterns.

*(b) Provision of autonomous driving-related R&D services*

We provide autonomous driving-related R&D services to OEMs, including (i) software and hardware development in autonomous driving segment; (ii) autonomous driving algorithm and function development; and (iii) functional safety consulting and validation service. We recognize revenue at a point in time when performance obligations are satisfied as well as the agreed deliverables are accepted by customers. We do not have any enforceable right to payment before the agreed deliverables are accepted by customers.

***Fair Value Measurement***

To provide an indication about the reliability of the inputs used in determining fair value, we have classified its financial instruments into the three levels prescribed under the accounting standards.

- Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by us is the current bid price. These instruments are included in level 1.

- Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Our policy is to recognize transfers into and out of fair value hierarchy levels as at the end of each of the years/periods during the Track Record Period.

### *Inventories*

Raw materials, semi-finished goods, work in progress and finished goods are stated at the lower of cost and net realizable value. Cost comprises direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### *Financial Instruments with Preferred Rights at Amortized Cost*

A contract that contains an obligation to purchase our equity instruments for cash or another financial asset gives rise to a financial liability for the present value of the redemption amount. Even if our obligations to purchase are conditional on the counterparty exercising a right to redeem, the financial instruments with preferred rights are recognized as financial liability initially at the present value of the redemption amount and subsequently measured at amortized cost with interest charged in finance costs.

We derecognize financial liabilities when, and only when, our obligations are discharged, canceled or have expired. The carrying amount of the financial instruments derecognized was credited into the equity.

## Critical Accounting Estimates and Judgements

The preparation of consolidated financial information requires the use of accounting estimates, which, by definition, will seldom equal the actual results. Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

### *Fair Value of Financial Assets at FVTPL*

The fair value of financial assets that are not traded in an active market is determined by using valuation techniques. We use our judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Changes in these assumptions and estimates could materially affect the respective fair value of these investments.

***Recognition of share-based payment expenses***

As detailed in note 27 to the Accountant's Report in Appendix I in this document, certain shares transfer and grant of shares under the share award schemes have resulted in share-based payment expenses.

We have engaged an independent valuer to determine the total fair value of the equity incentive tools granted to employees. The discounted cash flow method and back solve method were used to determine the total equity value of our Company and then equity allocation model was adopted to determine the fair value of the equity incentive tools. Significant estimates on assumptions, such as risk-free interest rate, volatility and dividend yield are made based on management's best estimates. Further details are included in note 27 to the Accountant's Report in Appendix I in this document.

As the awards granted in equity settled share-based payment plan are conditional on a [**REDACTED**] ("[**REDACTED**]"). We have estimated the [**REDACTED**]'s probability and [**REDACTED**] date when we calculated share based payment expenses at the end of each year/period during the Track Record Period. Since [**REDACTED**] condition is considered as vesting condition, we also need to consider when the [**REDACTED**] is probable. If the service period under the service condition ends before [**REDACTED**], then the vesting period will end on [**REDACTED**] date; if the service period under the service condition ends after [**REDACTED**], then the vesting period will end according to the service conditions. As of June 30, 2023, we assessed that it is probable for the performance condition (i.e., [**REDACTED**]) to be achieved in the future.

We also have to estimate the expected forfeiture rate at the end of vesting periods ("**Forfeiture Rate**") of the restricted shares granted in order to determine the amount of share-based payment expenses charged to profit or loss. The Forfeiture Rate of the restricted shares awarded of our Group to managements and employees were assessed to be 15% to 30%, 25% to 45%, 25% to 45% and 25% to 45% as of December 31, 2020, 2021 and 2022 and June 30, 2023, respectively.

***Write-down of Inventories***

Our management reviews the condition of inventories at each reporting date, and makes allowance for inventories that are identified as obsolete, slow-moving or no longer recoverable or suitable for use in production. We carry out the inventory review on a product-by-product basis and makes allowances by reference to the latest market prices and current market conditions.

***Income Taxes and Deferred Income Tax***

There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgment is required from us in determining the provisions for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

We recognize deferred income tax assets based on estimates that it is probable to generate sufficient taxable profits in the foreseeable future against which the deductible losses will be utilized. The recognition of deferred income tax assets mainly involves management's judgments and estimations about the timing and the amount of taxable profits of the companies who has tax losses. No deferred income tax asset has been recognized in respect of such tax losses due to the unpredictability of future taxable income.

***Warranty Provisions***

We provide product warranties on all new goods based on the contracts with its customers at the time of sale of goods. We accrue a warranty reserve for the goods sold by multiplying the expected unit costs for warranty services by the sales volume, which includes the best estimate of projected costs to repair or replace items under warranties. These estimates are primarily based on the estimates of the nature, frequency and average costs of future claims. These estimates are inherently uncertain given our relatively short history of sales, and changes to the historical or projected warranty experience may cause material changes to the warranty provisions in the future. The portion of the warranty reserve expected to be incurred within the next 12 months is included within the accrued a warranty provision and other current liabilities while the remaining balance is included within other non-current liabilities on the consolidated balance sheets. Warranty cost is recorded as a component of cost of sales in the consolidated statements of comprehensive loss. We re-evaluate the adequacy of the warranty accrual on a regular basis.

## DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

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

| | For the Year Ended December 31, | | | | | | For the Six Months Ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | | 2021 | | 2022 | | 2022 | | 2023 | |
| | *(RMB in thousands, except for percentages)* | | | | | | *(Unaudited)* | | | |
| **Revenue** | **47,655** | **100.0%** | **178,258** | **100.0%** | **1,325,882** | **100.0%** | **359,171** | **100.0%** | **543,212** | **100.0%** |
| Cost of sales | (38,059) | (79.9)% | (141,475) | (79.4)% | (1,215,309) | (91.7)% | (336,069) | (93.6)% | (502,173) | (92.4)% |
| **Gross profit** | **9,596** | **20.1%** | **36,783** | **20.6%** | **110,573** | **8.3%** | **23,102** | **6.4%** | **41,039** | **7.6%** |
| Selling expenses | (3,046) | (6.4)% | (9,403) | (5.3)% | (27,681) | (2.1)% | (16,096) | (4.5)% | (13,565) | (2.5)% |
| Administrative expenses | (8,591) | (18.0)% | (29,715) | (16.7)% | (41,517) | (3.1)% | (14,203) | (4.0)% | (38,382) | (7.1)% |
| Research and development expenses | (44,141) | (92.6)% | (54,948) | (30.8)% | (104,047) | (7.8)% | (46,430) | (12.9)% | (103,987) | (19.1)% |
| (Net impairment)/reversal of impairment losses on financial assets | (90) | (0.2)% | (1,453) | (0.8)% | (3,717) | (0.3)% | (1,471) | (0.4)% | 2,989 | 0.6% |
| Other income | 3,716 | 7.8% | 3,421 | 1.9% | 4,710 | 0.4% | 473 | 0.1% | 4,224 | 0.8% |
| Other gains/(losses) — net | (387) | (0.8)% | 4,929 | 2.8% | (628) | (0.0)% | (567) | (0.2)% | 6,133 | 1.1% |
| **Operating loss** | **(42,943)** | **(90.1)%** | **(50,386)** | **(28.3)%** | **(62,307)** | **(4.7)%** | **(55,192)** | **(15.4)%** | **(101,549)** | **(18.7)%** |
| Finance income | 9 | 0.0% | 94 | 0.1% | 100 | 0.0% | 85 | 0.0% | 2,034 | 0.4% |
| Finance costs | (10,893) | (22.9)% | (413,907) | (232.2)% | (280,169) | (21.1)% | (245,325) | (68.3)% | (233) | (0.0)% |
| **Finance (costs)/income — net** | **(10,884)** | **(22.9)%** | **(413,813)** | **(232.1)%** | **(280,069)** | **(21.1)%** | **(245,240)** | **(68.3)%** | **1,801** | **0.3%** |
| **Loss before income tax** | **(53,827)** | **(113.0)%** | **(464,199)** | **(260.4)%** | **(342,376)** | **(25.8)%** | **(300,432)** | **(83.6)%** | **(99,748)** | **(18.4)%** |
| Income tax expenses | — | — | — | — | — | — | — | — | — | — |
| **Loss for the year/period** | **(53,827)** | **(113.0)%** | **(464,199)** | **(260.4)%** | **(342,376)** | **(25.8)%** | **(300,432)** | **(83.6)%** | **(99,748)** | **(18.4)%** |
| Other comprehensive income/(loss): | | | | | | | | | | |
| *Items that may be subsequently reclassified to profit or loss* | | | | | | | | | | |
| *Currency translation differences* | 3 | 0.0% | (6) | (0.0)% | — | — | — | — | — | — |
| **Loss and total comprehensive loss for the year attributable to the owners of the Company** | **(53,824)** | **(112.9)%** | **(464,205)** | **(260.4)%** | **(342,376)** | **(25.8)%** | **(300,432)** | **(83.6)%** | **(99,748)** | **(18.4)%** |

## ADJUSTED LOSS (NON-IFRS MEASURE)

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

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

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

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

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

## Revenue

We generate revenue from (i) sales of autonomous driving solutions and products, (ii) rendering of autonomous driving-related R&D services, and (iii) sales of PCBA products. For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, our revenue amounted to RMB47.7 million, RMB178.3 million, RMB1,325.9 million, RMB359.2 million and RMB543.2 million, respectively. The following table sets forth a breakdown of our revenue both in absolute amount and as a percentage of our total revenue for the periods indicated:

| | For the Year Ended December 31, | | | | | | For the Six Months Ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | | 2021 | | 2022 | | 2022 | | 2023 | |
| | *(RMB in thousands, except for percentages)* | | | | | | *(Unaudited)* | | | |
| Autonomous driving solutions and products | | | | | | | | | | |
| — AD domain controller solutions | — | — | 86,010 | 48.2% | 1,249,834 | 94.3% | 335,959 | 93.5% | 515,535 | 94.9% |
| — Intelligent front cameras | 440 | 0.9% | 144 | 0.1% | 3,115 | 0.2% | 796 | 0.3% | 5,321 | 1.0% |
| *Subtotal* | *440* | *0.9%* | *86,154* | *48.3%* | *1,252,949* | *94.5%* | *336,755* | *93.8%* | *520,856* | *95.9%* |
| Autonomous driving-related R&D services | 4,826 | 10.1% | 34,503 | 19.4% | 37,956 | 2.9% | 5,460 | 1.5% | 12,083 | 2.2% |
| Sales of PCBA products | 42,389 | 89.0% | 57,601 | 32.3% | 34,977 | 2.6% | 16,956 | 4.7% | 10,273 | 1.9% |
| **Total** | **47,655** | **100.0%** | **178,258** | **100.0%** | **1,325,882** | **100.0%** | **359,171** | **100.0%** | **543,212** | **100.0%** |

***Sales of Autonomous Driving Solutions and Products***

During the Track Record Period, revenue generated from sales of autonomous driving solutions and products amounted to RMB0.4 million, RMB86.2 million, RMB1,252.9 million, RMB336.8 million and RMB520.9 million, respectively, accounting for 0.9%, 48.3%, 94.5%, 93.8% and 95.9% of our total revenue for the same periods, respectively. Our autonomous driving solutions and products can be classified into two categories, namely AD domain controller solutions and intelligent front cameras. The series production of our first SuperVision™ project in collaboration with Mobileye started in October 2021. For details, see "Business — Our Autonomous Driving Solutions and Products — Our Autonomous Driving Solution and Product Offerings — AD Domain Controllers — SuperVision™." Since then, the sales of SuperVision™ has become our main source of revenue. In addition, a portion of our revenue was generated from the sales of intelligent front cameras, namely our iFC series.

***Rendering of Autonomous Driving-related R&D Services***

During the Track Record Period, we also generated revenue from provision of autonomous driving-related R&D services. Our R&D services are primarily focused on three aspects: (i) the development of software and hardware for the autonomous driving segment; (ii) the development of algorithms and functions for autonomous driving; and (iii) functional safety consulting and validation. During the Track Record Period, revenue generated from rendering autonomous driving-related R&D services amounted to RMB4.8 million, RMB34.5 million, RMB38.0 million, RMB5.5 million and RMB12.1 million, respectively, accounting for 10.1%, 19.4%, 2.9%, 1.5% and 2.2% of our total revenue for the same periods, respectively.

***Sales of PCBA products***

During the Track Record Period, we also generated revenue from sales of PCBA products to third parties. During the Track Record Period, revenue generated from sales of PCBA products amounted to RMB42.4 million, RMB57.6 million, RMB35.0 million, RMB17.0 million and RMB10.3 million, respectively, accounting for 89.0%, 32.3%, 2.6%, 4.7% and 1.9% of our total revenue for the same periods, respectively.

### Cost of Sales

Our cost of sales primarily consists of (i) raw materials and consumables used, primarily including automotive-grade chips, sensors, electronic units, and PCB, mechanical parts, fasteners and packaging materials, (ii) design and testing expenses, primarily including expenses incurred for the provision of autonomous driving-related R&D services, as well as for software verification and flashing in offering autonomous driving solutions, (iii) employee benefit expenses which include salaries and bonus, (iv) share-based payments, (v) depreciation and amortization expenses, and (vi) others, which primarily include travel expenses, freight expenses, tax and surcharges, provisions for impairment of inventories, and expenses relating to short term leases for production purpose. The table below sets forth a breakdown of our cost of sales by nature for the periods indicated:

| | For the Year Ended December 31, | | | | | | For the Six Months Ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | | 2021 | | 2022 | | 2022 | | 2023 | |
| | *(RMB in thousands, except for percentages)* | | | | | | *(Unaudited)* | | | |
| Raw materials and consumables used[(1)] | | | | | | | | | | |
| — Base version of AD domain controllers procured from Mobileye | — | — | 50,395 | 35.6% | 783,828 | 64.5% | 211,834 | 63.0% | 430,887 | 80.4% |
| — Other raw materials and consumables used | 27,370 | 71.9% | 52,823 | 37.3% | 344,324 | 28.3% | 101,891 | 30.4% | 78,473 | 15.7% |
| | 27,370 | 71.9% | 103,218 | 73.0% | 1,128,152 | 92.8% | 313,725 | 93.4% | 482,360 | 96.1% |
| Design and testing expenses | | | | | | | | | | |
| — Software verification and flashing in offering autonomous driving solutions[(2)] | — | — | 15,241 | 10.8% | 28,225 | 2.3% | 4,723 | 1.4% | 6,003 | 1.2% |
| — Rendering of autonomous driving- related R&D services | 2,014 | 5.3% | 7,812 | 5.5% | 13,855 | 1.1% | 2,362 | 0.7% | 3,608 | 0.7% |
| — Other design and development expenses | 36 | 0.1% | 42 | 0.0% | 23 | 0.0% | 14 | 0.0% | 13 | 0.0% |
| | 2,050 | 5.4% | 23,095 | 16.3% | 42,103 | 3.5% | 7,099 | 2.1% | 9,624 | 1.9% |
| Employee benefit expenses | 3,112 | 8.2% | 6,986 | 4.9% | 25,608 | 2.1% | 8,102 | 2.4% | 4,945 | 1.0% |
| Share-based payments | 738 | 1.9% | 1,618 | 1.1% | 4,916 | 0.4% | 2,518 | 0.7% | 147 | 0.0% |
| Depreciation and amortization expenses | 3,099 | 8.1% | 4,130 | 2.9% | 5,511 | 0.5% | 2,650 | 0.8% | 2,334 | 0.5% |
| Others | 1,690 | 4.4% | 2,428 | 1.7% | 9,018 | 0.7% | 1,975 | 0.6% | 2,763 | 0.6% |
| **Total** | **38,059** | **100.0%** | **141,475** | **100.0%** | **1,215,309** | **100.0%** | **336,069** | **100.0%** | **502,173** | **100.0%** |

*Note:*

(1) During the Track Record Period, a significant portion of our costs for raw materials and consumables were attributable to the procurement of the base version of the AD domain controller for SuperVision™ from Mobileye.

(2) In 2021, 2022, and for the six months ended June 30, 2022 and 2023, 100.0%, 99.5%, 99.0% and 93.1% of our design and testing expenses for software verification and flashing in relation to SuperVision™, respectively.

### Gross Profit and Gross Profit Margin

The following table sets forth a breakdown of our gross profit and gross profit margin by business segments during the Track Record Period:

| | For the Year Ended December 31, | | | | | | For the Six Months Ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | | 2021 | | 2022 | | 2022 | | 2023 | |
| | Gross Profit | Gross Profit Margin | Gross Profit | Gross Profit Margin | Gross Profit | Gross Profit Margin | Gross Profit | Gross Profit Margin | Gross Profit | Gross Profit Margin |
| | *(RMB in thousands, except for percentages)* | | | | | | | | | |
| | | | | | | | *(Unaudited)* | | | |
| Autonomous driving solutions and products | | | | | | | | | | |
| — AD domain controller solutions | – | – | 4,549 | 5.3% | 92,866 | 7.4% | 21,099 | 6.3% | 37,320 | 7.2% |
| — Intelligent front cameras | 212 | 48.1% | 75 | 52.0% | 482 | 15.5% | (61) | (7.7)% | (609) | (11.4)% |
| *Subtotal* | *212* | *48.1%* | *4,624* | *5.4%* | *93,348* | *7.5%* | *21,038* | *6.2%* | *36,711* | *7.0%* |
| Autonomous driving-related R&D services | 405 | 8.4% | 23,625 | 68.5% | 13,229 | 34.9% | (171) | (3.1)% | 4,292 | 35.5% |
| Sales of PCBA products | 8,979 | 21.2% | 8,534 | 14.8% | 3,996 | 11.4% | 2,235 | 13.2% | 36 | 0.3% |
| **Total** | **9,596** | **20.1%** | **36,783** | **20.6%** | **110,573** | **8.3%** | **23,102** | **6.4%** | **41,039** | **7.6%** |

In 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, our gross profit margin was 20.1%, 20.6%, 8.3%, 6.4% and 7.6%, respectively. In 2020 and 2021, our gross profit margin remained relatively stable at 20.1% and 20.6%, respectively. Our gross profit margin decreased from 20.6% in 2021 to 8.3% in 2022, primarily because we generated a greater portion of revenue from sales of AD domain controller solutions following the series production of our first SuperVision™ project in collaboration with Mobileye in October 2021, which had a relatively low gross profit margin as compared to other business segments. Our gross profit margin increased from 6.4% for the six months ended June 30, 2022 to 7.6% for the six months ended June 30, 2023, primarily because we gradually achieved stronger economies of scale and had increasing bargaining power against suppliers following the series production of our products.

Sales of AD domain controller solutions had a gross profit margin of 5.3% and 7.4% in 2021 and 2022, respectively. The increase in gross profit margin was primarily because we gradually achieved stronger economies of scale and had increasing bargaining power against suppliers following the series production of our first SuperVision™ project in collaboration with Mobileye in October 2021. The increase in gross profit margin of AD domain controller solutions from 6.3% for the six months ended June 30, 2022 to 7.2% for the six months ended June 30, 2023 was primarily because of our increasing bargaining power against suppliers following the increasing sales of our AD domain controller solutions.

Gross profit margin of intelligent front cameras remained relatively stable at 48.1% in 2020 and 52.0% in 2021, and decreased to 15.5% in 2022. The gross profit margin of intelligent front cameras remained relatively high in 2020 and 2021 and decreased in 2022 primarily because we generated a significant portion of revenue from sales of sample products prior to the series production of iFC 2.0 in August 2021. Sales of sample products generally had a relatively higher gross profit margin because the volume of sample sales is usually one single unit and sample products had a relatively high selling price per unit to reflect the high cost of raw materials and staff cost used and allocated for manufacturing each single unit. Customers of such sample sales were mainly OEMs, including Geely Group, and the majority of whom continued to purchase iFC 2.0 from us after the commencement of the series production. Gross profit margin of intelligent front cameras was a negative of 7.7% and a negative of 11.4% for the six months ended June 30, 2022 and 2023, respectively, primarily because we sold iFC products to a limited number of OEM customers. To ensure our products could be incorporated into such OEM customers' supply chains, we strategically adjusted our selling prices. By gaining favor from these OEMs, we believe we can not only enhance our market reputation but also make it easier to attract new OEM customers. As our products' reputation steadily grows, we will consistently adapt our pricing strategy to capitalize on our increased bargaining power.

Gross profit margin of autonomous driving-related R&D services increased from 8.4% in 2020 to 68.5% in 2021, and decreased to 34.9% in 2022. We recorded a negative gross profit margin of 3.1% of autonomous driving-related R&D services for the six months ended June 30, 2022. Gross profit margin of autonomous driving-related R&D services was 35.5% for the six months ended June 30, 2023. Such changes were primarily because our gross profit margin varied across different R&D projects and we generated a significant portion of revenue from certain R&D projects in relation to the development of autonomous driving solutions in 2021 and the first half of 2023, which had a relatively higher gross profit margin and we generated a significant portion of revenue from a R&D project in relation to the development of ADAS solutions with single camera in the first half of 2022, which had a relatively low gross profit margin. Our R&D services are charged on a project-by-project basis. When determining the prices of each R&D project, we generally consider (i) whether the R&D project are connected with our existing R&D activities thus requiring less costs and expenses, (ii) our strategic collaborative relationships with the R&D service customers, (iii) the potential of achieving future series production with a particular customer on the R&D projects, and (iv) the budget of R&D service customers. Taking into account the aforementioned factors, the service fees we charged varied across different R&D project and in turn affect our gross profit margins for different R&D projects.

Gross profit margin of PCBA products decreased from 21.2% in 2020 to 14.8% in 2021, and further decreased to 11.4% in 2022. Gross profit margin of PCBA products decreased from 13.2% for the six months ended June 30, 2022 to 0.3% for the six months ended June 30, 2023. The decreases were primarily because (i) revenue generated from sales of PCBA products to certain of our customers was not recognized for the six months ended June 30, 2023, which shared a relatively higher gross profit margin; and (ii) we strategically adjusted the prices of our PCBA products delivered to our major customers of PCBA products in response to the intensified market competition.

**Selling Expenses**

Our selling expenses primarily consist of (i) share-based payments to our sales and marketing personnel, (ii) employee benefit expenses which include salaries and bonus of our sales and marketing personnel, (iii) warranty, which was in relation to after-sales quality guarantee of our products, (iv) advertising and publicity expenses, (v) business development expenses for sales and marketing purposes, (vi) travel expenses for sales and marketing purposes, (vii) depreciation and amortization expenses allocated to the sales and marketing department, and (viii) other miscellaneous expenses, such as training expenses and expenses relating to short term lease for sales and marketing purposes.

For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, we incurred selling expenses of RMB3.0 million, RMB9.4 million, RMB27.7 million, RMB16.1 million and RMB13.6 million, respectively, representing 6.4%, 5.3%, 2.1%, 4.5% and 2.5% of our revenue for the same periods, respectively. The following table sets forth a breakdown of our selling expenses for the periods indicated:

| | For the Year Ended December 31, | | | | | | For the Six Months Ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | | 2021 | | 2022 | | 2022 | | 2023 | |
| | *(RMB in thousands, except for percentages)* | | | | | | | | | |
| | | | | | | | *(Unaudited)* | | | |
| Share-based payment | 641 | 21.0% | 5,437 | 57.8% | 15,895 | 57.4% | 12,496 | 77.6% | 4,698 | 34.6% |
| Employee benefit expenses | 1,547 | 50.8% | 2,103 | 22.4% | 4,410 | 15.9% | 2,160 | 13.4% | 2,507 | 18.5% |
| Warranty | — | — | 198 | 2.1% | 3,746 | 13.5% | 553 | 3.4% | 4,274 | 31.5% |
| Advertising and publicity expenses | 633 | 20.8% | 865 | 9.2% | 2,157 | 7.8% | 394 | 2.4% | 1,115 | 8.2% |
| Business development expenses | 22 | 0.7% | 231 | 2.5% | 736 | 2.7% | 183 | 1.1% | 641 | 4.7% |
| Travel expenses | 124 | 4.1% | 287 | 3.1% | 467 | 1.7% | 202 | 1.3% | 226 | 1.7% |
| Depreciation and amortization expenses | 37 | 1.2% | 48 | 0.5% | 41 | 0.1% | 23 | 0.1% | 31 | 0.2% |
| Others | 42 | 1.4% | 234 | 2.5% | 229 | 0.8% | 85 | 0.5% | 73 | 0.5% |
| **Total** | **3,046** | **100.0%** | **9,403** | **100.0%** | **27,681** | **100.0%** | **16,096** | **100.0%** | **13,565** | **100.0%** |

### Administrative Expenses

Our administrative expenses primarily consist of (i) employee benefit expenses which include salaries and bonus of our administrative personnel, (ii) share-based payments to our administrative personnel, (iii) professional fees paid to external consultants, accountants and legal advisors, (iv) depreciation and amortization expenses, (v) [**REDACTED**] expenses, (vi) bank charges, (vii) electricity expenses, (viii) travel expenses for administrative purposes, (ix) training expenses, and (x) other miscellaneous expenses, such as expenses relating to short term leases for administrative purposes and office supplies used.

For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, we incurred administrative expenses of RMB8.6 million, RMB29.7 million, RMB41.5 million, RMB14.2 million and RMB38.4 million, respectively, representing 18.0%, 16.7%, 3.1%, 4.0% and 7.1% of our revenue for the same periods, respectively. The following table sets forth a breakdown of our administrative expenses for the periods indicated:

| | For the Year Ended December 31, | | | | | | For the Six Months Ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | | 2021 | | 2022 | | 2022 | | 2023 | |
| | *(RMB in thousands, except for percentages)* | | | | | | | | | |
| | | | | | | | *(Unaudited)* | | | |
| Employee benefit expenses | 4,460 | 51.9% | 10,363 | 34.9% | 18,521 | 44.6% | 7,810 | 55.0% | 11,868 | 30.9% |
| Share-based payments | 560 | 6.5% | 4,588 | 15.4% | 10,992 | 26.5% | 1,627 | 11.5% | 10,649 | 27.7% |
| Professional fees | 915 | 10.7% | 10,499 | 35.3% | 3,964 | 9.5% | 1,966 | 13.8% | 1,917 | 5.0% |
| Depreciation and amortization expenses | 1,376 | 16.0% | 1,100 | 3.7% | 2,370 | 5.7% | 1,199 | 8.4% | 1,366 | 3.6% |
| [**REDACTED**] expenses | — | 0.0% | — | 0.0% | 2,056 | 5.0% | — | 0.0% | 10,367 | 27.0% |
| Bank charges | 22 | 0.3% | 677 | 2.3% | 839 | 2.0% | 444 | 3.1% | 95 | 0.2% |
| Electricity expenses | 183 | 2.1% | 365 | 1.2% | 389 | 0.9% | 175 | 1.2% | 201 | 0.5% |
| Travel expenses | 73 | 0.8% | 870 | 2.9% | 377 | 0.9% | 149 | 1.1% | 475 | 1.2% |
| Training expenses | 331 | 3.9% | 122 | 0.4% | 104 | 0.3% | 32 | 0.2% | 54 | 0.2% |
| Others | 671 | 7.8% | 1,131 | 3.8% | 1,905 | 4.6% | 801 | 5.7% | 1,390 | 3.7% |
| **Total** | **8,591** | **100.0%** | **29,715** | **100.0%** | **41,517** | **100.0%** | **14,203** | **100.0%** | **38,382** | **100.0%** |

### Research and Development Expenses

Our research and development expenses primarily consist of (i) employee benefit expenses which include salaries and bonus of our R&D personnel, (ii) share-based payments to our R&D personnel, (iii) design and development expenses for R&D purposes, (iv) depreciation and amortization expenses for R&D purposes, (v) raw materials and consumables used, (vi) travel expenses for R&D purposes, and (vii) other miscellaneous expenses, such as expenses relating to short term leases for R&D purposes and business development expenses. For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, we incurred research and development expenses of RMB44.1 million, RMB54.9 million, RMB104.0 million, RMB46.4 million and RMB104.0 million, respectively. The following table sets forth a breakdown of our research and development expenses for the periods indicated:

| | For the Year Ended December 31, | | | | | | For the Six Months Ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | | 2021 | | 2022 | | 2022 | | 2023 | |
| | *(RMB in thousands, except for percentages)* | | | | | | | | | |
| | | | | | | | *(Unaudited)* | | | |
| Employee benefit expenses | 23,864 | 54.1% | 32,418 | 59.0% | 62,406 | 60.0% | 25,910 | 55.8% | 57,789 | 55.6% |
| Share-based payments | 6,615 | 15.0% | 6,065 | 11.0% | 12,223 | 11.7% | 5,487 | 11.8% | 27,725 | 26.7% |
| Design and development expenses | 8,328 | 18.9% | 6,213 | 11.3% | 14,677 | 14.1% | 8,205 | 17.7% | 10,783 | 10.4% |
| Depreciation and amortization expenses | 3,044 | 6.9% | 5,237 | 9.5% | 6,031 | 5.8% | 2,591 | 5.6% | 4,978 | 4.8% |
| Raw materials and consumables used | 465 | 1.1% | 2,706 | 4.9% | 4,235 | 4.1% | 2,704 | 5.8% | 480 | 0.5% |
| Travel expenses | 696 | 1.6% | 1,166 | 2.1% | 2,978 | 2.9% | 1,023 | 2.2% | 1,104 | 1.0% |
| Others | 1,129 | 2.6% | 1,143 | 2.1% | 1,497 | 1.4% | 510 | 1.1% | 1,128 | 1.0% |
| **Total** | **44,141** | **100.0%** | **54,948** | **100.0%** | **104,047** | **100.0%** | **46,430** | **100.0%** | **103,987** | **100.0%** |

### Net Impairment Losses on Financial Assets

Net impairment losses on financial assets primarily represent impairment losses of trade and notes receivables. For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022, we recorded net impairment losses on financial assets of RMB0.1 million, RMB1.5 million, RMB3.7 million and RMB1.5 million, respectively. For the six months ended June 30, 2023, we recorded reversal of impairment losses on financial assets of RMB3.0 million, respectively.

### Other Income

Our other income primarily consists of government subsidies for our R&D expenditures and our manufacturing bases. For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, we incurred other income of RMB3.7 million, RMB3.4 million, RMB4.7 million, RMB0.5 million and RMB4.2 million, respectively. There are no unfulfilled conditions or other contingencies attaching to the subsidies recognized.

**Other Gains/(Losses) – Net**

Our net other gains/(losses) primarily consist of (i) net fair value gains on financial assets at FVTPL in relation to gains from our wealth management products, (ii) net foreign exchange losses, (iii) net fair value losses or gains on derivative financial instruments, (iv) net gains or losses on disposals of property, plant and equipment, and intangible assets, (v) loss on liquidation of a subsidiary, and (vi) others. We incurred net other losses of RMB0.4 million, RMB0.6 million and RMB0.6 million for the year ended December 31, 2020 and 2022 and the six months ended June 30, 2022, respectively, and we recorded net other gains of RMB4.9 million and RMB6.1 million for the year ended December 31, 2021 and the six months ended June 30, 2023, respectively.

We incurred a loss of RMB9,000 in relation to the liquidation of our German subsidiary in 2021. We initially established our presence in Germany in July 2018, when we established a subsidiary with the primary goal of collaborating with local institutions to conduct preliminary research on advanced autonomous driving technologies (level 3 and above). However, after approximately two years of operation, we decided to dissolve the German subsidiary taking into account (i) the fact that we were primarily focused on the large-scale commercialization of autonomous driving solutions and products, and (ii) short-term unfeasibility of the technology and its limited potential to aid in the commercialization of our autonomous driving solutions and products. In March 2020, we submitted the dissolution application to the competent authority. The German subsidiary was subsequently liquidated and deregistered in November 2021. Prior to the liquidation, the German subsidiary had not been involved in any material non-compliance incidents or subject to any regulatory enquiry or investigation.

The table below sets forth a breakdown of our other gains and losses for the periods indicated.

| | For the Year Ended December 31, | | | For the Six Months Ended June 30, | |
|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2022 | 2023 |
| | *(RMB in thousands, except for percentages)* | | | *(Unaudited)* | |
| Net fair value gains on financial assets at FVTPL | 493 | 3,890 | 7,729 | 4,213 | 5,110 |
| Net foreign exchange (losses)/gains | (870) | (212) | (6,284) | (2,945) | 884 |
| Net fair value (losses)/gains on derivative financial instruments | — | 1,518 | (2,252) | (2,252) | — |

| | For the Year Ended December 31, | | | For the Six Months Ended June 30, | |
|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2022 | 2023 |
| | *(RMB in thousands, except for percentages)* | | | | |
| | | | | *(Unaudited)* | |
| Net gains/(losses) on disposals of property, plant and equipment, and intangible assets | 24 | (266) | (73) | 13 | 88 |
| Loss on liquidation of a subsidiary | — | 9 | — | — | — |
| Others | (34) | (10) | 252 | 404 | 51 |
| **Total** | **(387)** | **4,929** | **(628)** | **(567)** | **6,133** |

**Finance Income**

Our finance income primarily consists of interest income on cash at bank. In 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, we recorded finance income of RMB9.0 thousand, RMB94.0 thousand, RMB100.0 thousand, RMB85.0 thousand and RMB2,034.0 thousand, respectively.

**Finance Costs**

Our finance costs primarily consist of (i) interest expenses on bank borrowing; (ii) financial cost on financial instruments with preferred rights at amortized cost, which was in relation to the redemption and other preferred rights held by Pre-[**REDACTED**] investors; and (iii) interest and finance charges on lease liabilities. In 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, we recorded finance costs of RMB10.9 million, RMB413.9 million, RMB280.2 million, RMB245.3 million and RMB0.2 million, respectively.

During the Track Record Period, we recorded financial instruments with preferred rights in connection with the issuance by our Company to Pre-[**REDACTED**] Investors of ordinary shares with preferred rights in Pre-[**REDACTED**] financings that confer certain preferred rights, including redemption rights, upon such Pre-[**REDACTED**] Investors. Financial instruments with preferred rights were recorded as financial liabilities upon capital contribution by the related Pre-[**REDACTED**] Investors, because we do not control any of the triggering events of the redemption rights conferred upon the Pre-[**REDACTED**] Investors and accordingly do not consider the Shares issued to the Pre-[**REDACTED**] Investors as equity. The fair value for initial recognition represented the present value of the amount expected to be paid to the investors upon redemption which was assumed at the dates of issuance of the financial instruments. We have ceased to record any such financial cost with respect to the preferred rights previously conferred upon the Pre-[**REDACTED**] Investors, because we and the related Pre-[**REDACTED**] Investors have mutually agreed to terminate such preferred rights.

The following table sets forth a breakdown of our finance costs for the periods indicated:

| | For the Year Ended December 31, | | | | | | For the Six Months Ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | | 2021 | | 2022 | | 2022 | | 2023 | |
| | *(RMB in thousands, except for percentages)* | | | | | | | | | |
| | | | | | | | *(Unaudited)* | | | |
| Financial cost on financial instruments with preferred rights at amortized cost | 9,604 | 88.2% | 412,362 | 99.6% | 279,420 | 99.7% | 244,680 | 99.8% | — | — |
| Interest expenses on bank borrowings | 910 | 8.4% | 1,254 | 0.3% | 484 | 0.2% | 512 | 0.2% | 137 | 58.8% |
| Interest and finance charges on lease liabilities | 379 | 3.5% | 291 | 0.1% | 265 | 0.1% | 133 | 0.0% | 96 | 41.2% |
| **Total** | **10,893** | **100.0%** | **413,907** | **100.0%** | **280,169** | **100.0%** | **245,325** | **100.0%** | **233** | **100.0%** |

## Loss for the Year/Period

As a result of the foregoing, our net loss in 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023 was RMB53.8 million, RMB464.2 million, RMB342.4 million, RMB300.4 million and RMB99.7 million, respectively.

## Income Tax Expense

Our Company obtained the High and New Technology Enterprises ("**HNTE**") status in 2019 and hence is entitled to a preferential tax rate of 15% for a three-year period commencing 2019, which has been renewed for another three years starting from 2022.

Our subsidiaries are qualified as small low-profit enterprises and enjoy the preferential income tax policies. The subsidiaries' effective corporate income tax rate was 20% during the Track Record Period. Since 2022, iMotion Electronics Technology (Suzhou) Co., Ltd. no longer qualified as Micro and Small Enterprises.

According to the relevant laws and regulations promulgated by the STA, enterprises engaging in research and development activities are entitled to claim 175% from 2018 onwards (subsequently raised to 200% from 2021 onwards) of their research and development expenses incurred as tax deductible expenses.

The table below sets forth a reconciliation of the expected income tax calculated at the applicable corporate income tax rate and loss before income tax, with the actual corporate income tax during the Track Record Period:

| | For the Year Ended December 31, | | | For the Six Months Ended June 30, | |
|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2022 | 2023 |
| | *(RMB in thousands, except for percentages)* | | | | |
| | | | | *(Unaudited)* | |
| Loss before income tax | (53,827) | (464,199) | (342,376) | (300,432) | (99,748) |
| Income tax credit computed at the applicable income tax rate of 25% | (13,457) | (116,050) | (85,593) | (75,108) | (24,937) |
| Tax effects of: | | | | | |
| Preferential tax rate | 5,394 | 46,658 | 34,541 | 29,924 | 11,019 |
| Expenses not deductible for taxation purposes | 1,455 | 61,888 | 42,010 | 36,732 | 67 |
| Super Deduction in respect of R&D expenditures | (2,831) | (5,208) | (10,450) | (4,479) | (9,952) |
| Utilization of previously unrecognized tax losses | (99) | — | (304) | — | (2,432) |
| Temporary differences for which no deferred income tax assets were recognized | 1,350 | 2,054 | 8,147 | 3,757 | 6,839 |
| Tax losses for which no deferred income tax asset was recognized | 8,188 | 10,658 | 11,649 | 9,174 | 19,396 |
| Income tax expense | — | — | — | — | — |

For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, expenses not deductible for taxation purposes amounted to RMB1.5 million, RMB61.9 million, RMB42.0 million, RMB36.7 million and RMB67.0 thousand, respectively, mainly representing the tax impact from financial cost on financial instruments with preferred rights at amortized cost.

### Impact of Foreign Exchange Fluctuation

In 2020, 2021 and 2022, we had net foreign exchange losses of RMB0.9 million, RMB0.2 million and RMB6.3 million, respectively. For the six months ended June 30, 2023, we had net foreign exchange gains of RMB0.9 million. Our net foreign exchange losses primarily represent losses resulting from the fluctuation of foreign exchange rate between the invoice date and the settlement date. During the Track Record Period, the fluctuation of our net foreign exchange losses or gains were primarily due to our exposure to changes in the foreign exchange rates of Renminbi to U.S. dollars in relation to our transactions with Mobileye and Geely Group. Our purchases from and the payables to Mobileye are denominated in U.S. dollars, while the sales to and receivables from Geely Group are denominated in Renminbi. The credit terms Mobileye granted to us is 30 days from the invoice date, which means the U.S. dollar-denominated payables are normally expected to be settled within a short-term with no material fluctuations in the exchange rate of Renminbi against U.S. dollars. However, due to the strength of the U.S. dollar, we recorded net foreign exchange loss of RMB6.3 million for the year ended December 31, 2022.

The following table sets forth the sensitivity at the end of each period during the Track Record Period to a hypothetical change in the exchange rate of Renminbi against U.S. dollars, with all other variables held constant, of our loss before income tax (as a result of foreign exchange gains/losses on translation of U.S. dollar denominated financial assets and liabilities).

| | Loss before Income Tax | | | |
|---|---|---|---|---|
| | As of December 31, | | | As of June 30, |
| | 2020 | 2021 | 2022 | 2023 |
| If the U.S. dollars strengthened by 10% against Renminbi | RMB1.6 million lower | RMB0.6 million higher | RMB9.5 million higher | RMB8.0 million higher |
| If the U.S. dollars weakened by 10% against Renminbi | RMB1.6 million higher | RMB0.6 million lower | RMB9.5 million lower | RMB8.0 million lower |

The following table sets forth the sensitivity for each period during the Track Record Period to a hypothetical change in the exchange rate of Renminbi against U.S. dollars, with all other variables held constant, of our gross profit and gross profit margin (as a result of the foreign exchange fluctuation of U.S. dollars denominated transactions).

| | Gross Profit/Gross Profit Margin | | | |
|---|---|---|---|---|
| | For the Year Ended December 31, | | | For the Six Months Ended June 30, |
| | 2020 | 2021 | 2022 | 2023 |
| If the U.S. dollars strengthened by 10% against Renminbi | RMB3.2 million/ 5.0 percentage points higher | RMB0.9 million/ 1.0 percentage point lower | RMB70.6 million/ 5.3 percentage points lower | RMB34.4 million/ 6.4 percentage points lower |
| If the U.S. dollars weakened by 10% against Renminbi | RMB3.2 million/ 5.7 percentage points lower | RMB0.9 million/ 1.1 percentage point higher | RMB70.6 million/ 5.4 percentage points higher | RMB34.4 million/ 6.4 percentage points higher |

For details relating to our foreign exchange exposure, see "Risk Factors — Risks relating to government regulations — Fluctuations in exchange rates could result in foreign currency exchange losses."

## DISCUSSION OF HISTORICAL OPERATING RESULTS

### Six Months Ended June 30, 2023 Compared to Six Months Ended June 30, 2022

#### *Revenue*

Our revenue increased by 51.2% from RMB359.2 million for the six months ended June 30, 2022 to RMB543.2 million for the six months ended June 30, 2023. The increase in our revenue was primarily driven by an increase in the sales of autonomous driving solutions and products.

- Revenue from sales of AD domain controller solutions increased by 53.5% from RMB336.0 million for the six months ended June 30, 2022 to RMB515.5 million for the six months ended June 30, 2023, which was primarily due to a significant increase in the sales volume of SuperVision™ in line with our business expansion.

- Revenue from sales of intelligent front cameras increased significantly from RMB0.8 million for the six months ended June 30, 2022 to RMB5.3 million for the six months ended June 30, 2023, which was primarily due to a significant increase in the sales volume of iFC 2.0 in line with our business expansion.

- Revenue from rendering of autonomous driving-related R&D services was RMB5.5 million and RMB12.1 million for the six months ended June 30, 2022 and 2023, respectively. The increase was primarily because we recognize revenue for autonomous driving-related R&D services on project basis and the increase in the six months ended June 30, 2023 was in relation to recognized revenue from certain R&D projects.

- Revenue from sales of PCBA products decreased by 39.4% from RMB17.0 million for the six months ended June 30, 2022 to RMB10.3 million for the six months ended June 30, 2023, which was primarily because we strategically focus on our core business which is sales of autonomous driving solutions and products.

***Cost of Sales***

Our cost of sales increased by 49.4% from RMB336.1 million for the six months ended June 30, 2022 to RMB502.2 million for the six months ended June 30, 2023, primarily due to the increase in sales volume for our autonomous driving solutions and products as a result of the success of SuperVision™ and iFC 2.0 products.

***Gross Profit and Gross Profit Margin***

Our gross profit increased by 77.6% from RMB23.1 million for the six months ended June 30, 2022 to RMB41.0 million for the six months ended June 30, 2023, which was in general driven by our rapid revenue growth.

- Gross profit of AD domain controller solutions increased by 76.8% from RMB21.1 million for the six months ended June 30, 2022 to RMB37.3 million for the six months ended June 30, 2023. The increase in gross profit was primarily driven by the rapid sales growth of SuperVision™.

- Gross profit of intelligent front cameras was a negative of RMB0.1 million for the six months ended June 30, 2022 and a negative of RMB0.6 million for the six months ended June 30, 2023. The changes was primarily because we strategically adjust our selling price downwards to establish collaborative relationship with certain OEM customers in terms of sales of intelligent front cameras.

- We recorded negative gross profit of RMB0.2 million of autonomous driving-related R&D services for the six months ended June 30, 2022. Gross profit of autonomous driving-related R&D services was RMB4.3 million for the six months ended June 30, 2023. The increase was because we recognize gross profit for autonomous driving-related R&D services on project basis and the increase in the six months ended June 30, 2023 was in relation to recognized gross profit from certain R&D projects.

- Gross profit of PCBA products decreased from RMB2.2 million for the six months ended June 30, 2022 to RMB36 thousand for the six months ended June 30, 2023. The decrease in gross profit was primarily because we strategically focused on our core business which is sales of autonomous driving solutions and products.

Our gross profit margin increased from 6.4% for the six months ended June 30, 2022 to 7.6% for the six months ended June 30, 2023, primarily due to the increase in the gross profit margins of AD domain controller solutions.

- Gross profit margin of AD domain controller solutions increased from 6.3% for the six months ended June 30, 2022 to 7.2% for the six months ended June 30, 2023. The increase in gross profit margin was primarily because of our increasing bargaining power against suppliers following the increasing sales of our AD domain controller solutions.

- Gross profit margin of intelligent front cameras was a negative of 7.7% for the six months ended June 30, 2022 and a negative of 11.4% for the six months ended June 30, 2023. The decrease in gross profit margin was primarily because we strategically adjust our selling price downwards to establish collaborative relationship with certain OEM customers in terms of sales of intelligent front cameras.

- We recorded a negative gross profit margin of 3.1% of autonomous driving-related R&D services for the six months ended June 30, 2022. Gross profit margin of autonomous driving-related R&D services was 35.5% for the six months ended June 30, 2023. Our gross profit margin of autonomous driving-related R&D services varied across different projects.

- Gross profit margin of PCBA products decreased from 13.2% for the six months ended June 30, 2022 to 0.3% for the six months ended June 30, 2023. The decrease in gross profit margin was primarily because we have not delivered our PCBA products to some of our PCBA customers, who yielded higher gross margins for the six months ended June 30, 2022.

***Selling Expenses***

Our selling expenses decreased by 15.7% from RMB16.1 million for the six months ended June 30, 2022 to RMB13.6 million for the six months ended June 30, 2023, primarily because we recorded share-based payments of RMB4.7 million for the six months ended June 30, 2023, as compared to RMB12.5 million for the six months ended June 30, 2022. Such decrease was partially offset by an increase in warranty of RMB3.7 million.

***Administrative Expenses***

Our administrative expenses increased significantly from RMB14.2 million for the six months ended June 30, 2022 to RMB38.4 million for the six months ended June 30, 2023, which was primarily due to (i) an increase in [**REDACTED**] expenses of RMB10.4 million, (ii) an increase in share-based payments to administrative personnel of RMB9.0 million and (iii) an increase in employee benefit expense of RMB4.1 million, which was as a result of the expansion of our administrative team and the growth in average salaries.

***Research and Development Expenses***

Our research and development expenses increased significantly from RMB46.4 million for the six months ended June 30, 2022 to RMB104.0 million for the six months ended June 30, 2023, which was primarily due to (i) an increase in employee benefit expenses related to our R&D personnel of RMB31.9 million as a result of the expansion of our R&D team to 250 members as of June 30, 2023 and the growth in average salaries, and (ii) an increase in share-based payments to R&D personnel of RMB22.2 million.

***(Net impairment)/reversal of impairment losses on financial assets***

We recorded net impairment losses on financial assets of RMB1.5 million for the six months ended June 30, 2022 and reversal of net impairment losses on financial assets of RMB3.0 million for the six months ended June 30, 2023. The change was primarily due to an increase in our collection of trade and notes receivables.

***Other Income***

Our other income increased significantly from RMB0.5 million for the six months ended June 30, 2022 to RMB4.2 million for the six months ended June 30, 2023, primarily due to an increase in government subsidies for our research and development expenditures, our manufacturing bases to support our business expansion.

***Other Gains/(Losses) — Net***

We recorded net other losses of RMB0.6 million for the six months ended June 30, 2022 and net other gains of RMB6.1 million for the six months ended June 30, 2023. Such change was primarily because (i) we recorded net foreign exchange gains of RMB0.9 million for the six months ended June 30, 2023, as compared to net foreign exchange losses of RMB2.9 million for the six months ended June 30, 2022, and (ii) we recorded net fair value losses on derivative financial instruments of RMB2.3 million six months ended June 30, 2022, as compared to nil for the six months ended June 30, 2023.

***Finance Income***

Our financial income increased significantly from RMB85.0 thousand for the six months ended June 30, 2022 to RMB2.0 million for the six months ended June 30, 2023, primarily due to an increase in interest income on cash at banks in relation to our notice deposits and short-term time deposits.

### *Finance Costs*

Our finance costs decreased significantly from RMB245.3 million for the six months ended June 30, 2022 to RMB0.2 million for the six months ended June 30, 2023, primarily due to a decrease in financial cost on financial instruments with preferred rights at amortized cost of RMB244.7 million, which was in relation to financial instruments with preferred rights in connection with the issuance by our Company to Pre-[**REDACTED**] Investors of ordinary shares in Pre-[**REDACTED**] financings that conferred certain preferred rights, including redemption rights, upon such Pre-[**REDACTED**] Investors. We and the related Pre-[**REDACTED**] Investors have mutually agreed to terminate such preferred rights in 2022, resulting in decreases in financial cost on financial instruments with preferred rights at amortized cost.

### *Loss for the Period*

As a result of the foregoing, our net loss decreased by 66.8% from RMB300.4 million for the six months ended June 30, 2022 to RMB99.7 million for the six months ended June 30, 2023.

## Year Ended December 31, 2022 Compared to the Year Ended December 31, 2021

### *Revenue*

Our revenue increased significantly from RMB178.3 million in 2021 to RMB1,325.9 million in 2022. The increase in our revenue was primarily driven by an increase in the sales of autonomous driving solutions and products.

- Revenue from sales of AD domain controller solutions increased significantly from RMB86.0 million in 2021 to RMB1,249.8 million in 2022, which was primarily due to a significant increase in the sales volume of SuperVision™. Our first SuperVision™ project in collaboration with Mobileye started series production in October 2021.

- Revenue from sales of intelligent front cameras increased significantly from RMB0.1 million in 2021 to RMB3.1 million in 2022, which was primarily due to a significant increase in the sales volume of iFC 2.0, which started series production in August 2021.

- Revenue from rendering of autonomous driving-related R&D services remained relatively stable at RMB34.5 million in 2021 and RMB38.0 million in 2022.

- Revenue from sales of PCBA products decreased by 39.3% from RMB57.6 million in 2021 to RMB35.0 million in 2022, which was primarily because we strategically focus on our core business which is sales of autonomous driving solutions and products.

***Cost of Sales***

Our cost of sales increased significantly from RMB141.5 million in 2021 to RMB1,215.3 million in 2022, primarily due to an increase of RMB1,024.9 million in raw materials and consumables used, which was in relation to the increase in sales volume for our autonomous driving solutions and products, primarily due to the success of SuperVision™ and iFC 2.0 products.

***Gross Profit and Gross Profit Margin***

Our gross profit increased significantly from RMB36.8 million in 2021 to RMB110.6 million in 2022, which was in general driven by our rapid revenue growth.

- Gross profit of AD domain controller solutions increased significantly from RMB4.5 million in 2021 to RMB92.9 million in 2022. The increase in gross profit was primarily driven by the rapid sales growth of SuperVision™.

- Gross profit of intelligent front cameras increased from RMB0.1 million in 2021 to RMB0.5 million in 2022. The increase in gross profit was primarily driven by sales growth of our iFC 2.0 after series production commenced in August 2021.

- Gross profit of autonomous driving-related R&D services decreased from RMB23.6 million in 2021 to RMB13.2 million in 2022. Such a decrease was primarily because our gross profit varied across different R&D projects and we generated a significant portion of revenue from a R&D project in relation to the development of advanced autonomous driving algorithms in 2021, which had a relatively high gross profit.

- Gross profit of PCBA products decreased from RMB8.5 million in 2021 to RMB4.0 million in 2022. The decrease in gross profit was primarily because we strategically focused on our core business which is sales of autonomous driving solutions and products.

Our gross profit margin decreased from 20.6% in 2021 to 8.3% in 2022, primarily because we generated a greater portion of revenue from sales of AD domain controller solutions in 2022 following the series production of the SuperVision™ projects in collaboration with Mobileye which had a lower gross profit margin as compared to other business segments.

- Gross profit margin of AD domain controller solutions increased from 5.3% in 2021 to 7.4% in 2022. The increase in gross profit margin was primarily because we gradually achieved stronger economies of scale and had increasing bargaining power against suppliers following the series production of our first SuperVision™ project in collaboration with Mobileye in October 2021.

- Gross profit margin of intelligent front cameras decreased from 52.0% in 2021 to 15.5% in 2022. The decrease in gross profit margin was primarily because we generated a significant portion of revenue from sales of sample products prior to the series production of iFC 2.0 in August 2021, which had a relatively high gross profit margin because the volume of sample sales usually hovered around one single unit and sample products had a relatively high selling price per unit to reflect the high cost of raw materials and staff cost used and allocated for manufacturing each single unit.

- Gross profit margin of autonomous driving-related R&D services decreased from 68.5% in 2021 to 34.9% in 2022. Such a decrease was primarily because our gross profit margin varied across different R&D projects and we generated a significant portion of revenue from a R&D project in relation to the development of advanced autonomous driving algorithms in 2021, which had a relatively high gross profit margin.

- Gross profit margin of PCBA products decreased from 14.8% in 2021 to 11.4% in 2022. The decrease in gross profit margin was primarily because (i) we strategically adjusted the prices of our PCBA products delivered to our major customers in response to the intensified market competition, and (ii) the average prices for our raw materials increased from 2021 to 2022.

***Selling Expenses***

Our selling expenses increased significantly from RMB9.4 million in 2021 to RMB27.7 million in 2022, primarily due to (i) an increase in share-based payments to sales and marketing personnel of RMB10.5 million, (ii) an increase in employee benefit expenses of RMB2.3 million as a result of the growth in average salaries of our sales and marketing staff.

***Administrative Expenses***

Our administrative expenses increased by 39.7% from RMB29.7 million in 2021 to RMB41.5 million in 2022, which was primarily due to (i) an increase in employee benefit expense of RMB8.2 million, which was as a result of the expansion of our administrative team and the growth in average salaries, and (ii) an increase in share-based payments to administrative personnel of RMB6.4 million. Such increase was partially offset by a decrease in professional fees of RMB6.5 million.

***Research and Development Expenses***

Our research and development expenses increased significantly from RMB54.9 million in 2021 to RMB104.0 million in 2022, which was primarily due to (i) an increase in employee benefit expenses related to our R&D personnel of RMB30.0 million as a result of the expansion of our R&D team from 126 employees in 2021 to 245 employees in 2022 and the growth in average salaries, (ii) an increase in design and development expenses of RMB8.5 million in relation to more testing and validation activities conducted in 2022 as compared to 2021, and (iii) an increase in share-based payments to R&D personnel of RMB6.2 million.

***Net Impairment Losses on Financial Assets***

Our net impairment losses on financial assets increased from RMB1.5 million in 2021 to RMB3.7 million in 2022, primarily due to an increase in our loss allowance for trade and notes receivables, which was primarily in line with the increase in the balances of our trade and notes receivables as a result of our business expansion.

***Other Income***

Our other income increased by 37.7% from RMB3.4 million in 2021 to RMB4.7 million in 2022, primarily due to an increase in government subsidies for our research and development expenditures, our manufacturing bases and our capabilities of maintaining the R&D headcounts to support our business expansion.

***Other Gains/(Losses) — Net***

We recorded net other gains of RMB4.9 million in 2021 and net other losses of RMB0.6 million in 2022. Such a change was primarily due to (i) an increase in net foreign exchange losses of RMB6.1 million and (ii) net fair value losses on derivative financial instruments of RMB2.3 million in 2022, as compared to net fair value gains on derivative financial instruments of RMB1.5 million in 2021, which was in relation to the settlement of foreign exchange forward contracts in 2022; partially offset by an increase in net fair value gains on financial assets at FVTPL of RMB3.8 million.

***Finance Income***

Our financial income remained relatively stable at RMB94.0 thousand and RMB100.0 thousand in 2021 and 2022, respectively.

***Finance Costs***

Our finance costs decreased by 32.3% from RMB413.9 million in 2021 to RMB280.2 million in 2022, primarily due to a decrease in financial cost on financial instruments with preferred rights at amortized cost of RMB132.9 million, which was in relation to financial instruments with preferred rights in connection with the issuance by our Company to Pre-[**REDACTED**] Investors of ordinary shares in Pre-[**REDACTED**] financings that conferred certain preferred rights, including redemption rights, upon such Pre-[**REDACTED**] Investors. We and the related Pre-[**REDACTED**] Investors have mutually agreed to terminate such preferred rights in 2022, resulting in decreases in financial cost on financial instruments with preferred rights at amortized cost.

***Loss for the Year***

As a result of the foregoing, our net loss decreased by 26.2% from RMB464.2 million in 2021 to RMB342.4 million in 2022.

### Year Ended December 31, 2021 Compared to the Year Ended December 31, 2020

#### *Revenue*

Our revenue increased significantly from RMB47.7 million in 2020 to RMB178.3 million in 2021. The increase in our revenue was primarily driven by an increase in the sales of autonomous driving solutions and products.

- The series production of our first SuperVision™ project in collaboration with Mobileye commenced in October 2021. In 2021, revenue generated from AD domain controller solutions was RMB86.0 million.

- Revenue from sales of intelligent front cameras decreased from RMB0.4 million in 2020 to RMB0.1 million in 2021, which was because we primarily sold sample iFC products prior to the series production of iFC 2.0 in 2021. Prices and sales volume for sample iFC products were determined on a project-by-project basis and may vary significantly.

- Revenue from rendering of autonomous driving-related R&D services increased significantly from RMB4.8 million in 2020 to RMB34.5 million in 2021, primarily because we generated a significant portion of revenue from a R&D project in 2021, which was related to the development of advanced autonomous driving algorithms.

- Revenue from sales of PCBA products increased by 35.9% from RMB42.4 million in 2020 to RMB57.6 million in 2021, which was primarily due to an increase in the sales volume to certain customers.

#### *Cost of Sales*

Our cost of sales increased significantly from RMB38.1 million in 2020 to RMB141.5 million in 2021, primarily due to an increase of RMB75.8 million in raw materials and consumables used after the commencement of series production of our first SuperVision™ project in collaboration with Mobileye and iFC 2.0 in 2021.

#### *Gross Profit and Gross Profit Margin*

Our gross profit increased significantly from RMB9.6 million in 2020 to RMB36.8 million in 2021, which was in general driven by our rapid revenue growth.

- The series production of our first SuperVision™ project in collaboration with Mobileye commenced in October 2021. In 2021, sales of AD domain controller solutions had a gross profit of RMB4.5 million.

- Gross profit of intelligent front cameras remained relatively stable at RMB0.2 million in 2020 and RMB0.1 million in 2021.

- Gross profit of autonomous driving-related R&D services increased significantly from RMB0.4 million in 2020 to RMB23.6 million in 2021. Such an increase was primarily because we generated a significant portion of revenue from a R&D project in 2021, which was related to the development of advanced autonomous driving algorithms and had a relatively high gross profit.

- Gross profit of PCBA products decreased from RMB9.0 million in 2020 to RMB8.5 million in 2021. Such a decrease was primarily because we strategically adjusted the prices of our PCBA products delivered to our major customers of PCBA products in response to the intensified market competition.

Our gross profit margin remained relatively stable at 20.1% in 2020 and 20.6% in 2021.

- In 2021, sales of AD domain controller solutions had a gross profit margin of 5.3%.

- Gross profit margin of intelligent front cameras remained relatively stable at 48.1% in 2020 and 52.0% in 2021.

- Gross profit margin of autonomous driving-related R&D services increased from 8.4% in 2020 to 68.5% in 2021. Such an increase was primarily because we generated a significant portion of revenue from a R&D project in 2021, which was related to the development of advanced autonomous driving algorithms and had a relatively high gross profit margin.

- Gross profit margin of PCBA products decreased from 21.2% in 2020 to 14.8% in 2021. Such a decrease was primarily because we strategically adjusted the prices of our PCBA products delivered to our major customers of PCBA products in response to the intensified market competition.

***Selling Expenses***

Our selling expenses increased significantly from RMB3.0 million in 2020 to RMB9.4 million in 2021, primarily due to an increase in share-based payments to sales and marketing personnel of RMB4.8 million as a result of the expansion of our sales and marketing team in line with our business growth and growth in average salaries.

***Administrative Expenses***

Our administrative expenses increased significantly from RMB8.6 million in 2020 to RMB29.7 million in 2021, primarily due to (i) an increase in professional fees of RMB9.6 million as a result of an increase in consulting and other professional services we received to support our business growth, mainly including professional fees of RMB9.4 million paid to

Huatai United Securities Co., Ltd., (華泰聯合證券有限責任公司) ("Huatai United") a third party service provider which is committed to providing comprehensive financial services for corporations, institutional investors and governments, etc., for the consultation services provided in relation to our series B+ and series C rounds of financing, and (ii) an increase in employee benefit expense of RMB5.9 million, which was as a result of the expansion of our administrative team and the growth in average salaries.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, except for Huatai United being a related party of Huatai Financial Holdings (Hong Kong) Limited, one of our Joint Sponsors, and save as disclosed above and in the subsection headed "Directors, Supervisors and Senior Management – Board of Directors – Non-executive Directors", to the best knowledge of our Company, there had been no past or present relationship, transaction or arrangement (family, employment, shareholding, trust, financing, or otherwise) between us, including our subsidiaries, directors, shareholders, senior management and any of their respective associates, with Huatai United, including its directors, shareholders, senior management and any of their respective associates.

***Research and Development Expenses***

Our research and development expenses increased by 24.5% from RMB44.1 million in 2020 to RMB54.9 million in 2021, primarily due to an increase in employee benefit expenses related to our R&D personnel of RMB8.6 million as a result of the expansion of our R&D team from 102 employees in 2020 to 126 employees in 2021 in line with the continuous advancement in our R&D capabilities.

***Net Impairment Losses on Financial Assets***

In 2020 and 2021, we recorded net impairment losses on financial assets of RMB0.1 million and RMB1.5 million. The increase was mainly due to an increase in our loss allowance for trade and notes receivables, which was in line with the increase in the balances of trade and notes receivables for the same period as a result of our business expansion.

***Other Income***

Our other income remained relatively stable at RMB3.7 million in 2020 and RMB3.4 million in 2021.

***Other Gains/(Losses) — Net***

We recorded net other losses of RMB0.4 million and net other gains of RMB4.9 million in 2020 and 2021, respectively. The fluctuation was primarily due to an increase in net fair value gains on financial assets at FVTPL of RMB3.4 million.

### *Finance Income*

Our finance income increased significantly from RMB9.0 thousand in 2020 to RMB94.0 thousand in 2021, primarily due to an increase in interest on our cash at bank.

### *Finance Costs*

Our finance costs increased significantly from RMB10.9 million in 2020 to RMB413.9 million in 2021, primarily due to an increase in financial cost on financial instruments with preferred rights at amortized cost of RMB402.8 million, which was in relation to financial instruments with preferred rights in connection with the issuance by our Company to Pre-[**REDACTED**] Investors of ordinary shares in Pre-[**REDACTED**] financings that conferred certain preferred rights, including redemption rights, upon such Pre-[**REDACTED**] Investors.

### *Loss for the Year*

As a result of the foregoing, we generated a net loss of RMB53.8 million in 2020 and RMB464.2 million in 2021.

## DISCUSSION OF CERTAIN KEY ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | *(RMB in thousands)* | | | |
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | 16,983 | 14,745 | 30,704 | 38,708 |
| Right-of-use assets | 6,599 | 39,352 | 37,408 | 35,461 |
| Intangible assets | 7,829 | 6,964 | 4,859 | 4,316 |
| Financial assets at fair value through profit or loss | — | 3,000 | 3,000 | 3,502 |
| Other non-current assets | 2,228 | 6,208 | 19,932 | 19,237 |
| | 33,639 | 70,269 | 95,903 | 101,224 |
| **Current assets** | | | | |
| Inventories | 9,484 | 47,006 | 271,974 | 162,081 |
| Other current assets | 7,193 | 10,782 | 45,178 | 60,313 |
| Trade and notes receivables | 15,248 | 111,289 | 289,358 | 126,890 |
| Financial assets at fair value through profit or loss | 24,443 | 242,832 | 182,408 | 250,591 |
| Derivative financial instruments | — | 1,451 | — | — |
| Restricted cash | 300 | 833 | 835 | 300 |
| Cash and cash equivalents | 16,912 | 32,042 | 365,745 | 146,687 |
| | 73,580 | 446,235 | 1,155,498 | 746,862 |
| **Total assets** | **107,219** | **516,504** | **1,251,401** | **848,086** |
| **EQUITY** | | | | |
| Paid-in capital | 7,569 | 9,087 | — | — |
| Share capital | — | — | 10,211 | 204,214 |
| Treasury stock | (142,366) | (465,516) | — | — |
| Reserves | 148,937 | 492,791 | 681,550 | 532,508 |
| Accumulated losses | (130,497) | (594,696) | (25,294) | (125,207) |
| **Total (deficits)/equity** | **(116,357)** | **(558,334)** | **666,467** | **611,515** |

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | *(RMB in thousands)* | | | |
| **LIABILITIES** | | | | |
| **Non-current liabilities** | | | | |
| Lease liabilities | 4,962 | 3,367 | 1,572 | 798 |
| Contract liabilities | — | 15,773 | 6,750 | 9,626 |
| Provisions | — | 132 | 3,281 | 5,187 |
| Deferred income | 300 | 1,217 | 883 | 717 |
| Financial instruments with preferred rights at amortized cost | 162,219 | 897,731 | — | — |
| | 167,481 | 918,220 | 12,486 | 16,328 |
| **Current liabilities** | | | | |
| Trade and notes payables | 6,778 | 90,440 | 438,417 | 128,384 |
| Other payables and accruals | 10,574 | 27,275 | 53,879 | 55,704 |
| Contract liabilities | 11,675 | 753 | 26,545 | 29,949 |
| Borrowings | 25,029 | 35,538 | 49,004 | — |
| Lease liabilities | 2,039 | 2,546 | 3,341 | 2,482 |
| Provisions | — | 66 | 1,262 | 3,724 |
| | 56,095 | 156,618 | 572,448 | 220,243 |
| **Total liabilities** | **223,576** | **1,074,838** | **584,934** | **236,571** |
| **Total (deficits)/equity and liabilities** | **107,219** | **516,504** | **1,251,401** | **848,086** |
| **Net current assets** | **17,485** | **289,617** | **583,050** | **526,619** |

**Property, Plant and Equipment**

Our property, plant and equipment primarily consist of machinery and molds, vehicles, electronic equipment and others, furniture, leasehold improvements and construction in progress.

Our property, plant and equipment increased by 26.1% from RMB30.7 million as of December 31, 2022 to RMB38.7 million as of June 30, 2023, primarily due to the increase of construction in progress, which was in line with our business expansion. Our property, plant and equipment increased significantly from RMB14.7 million as of December 31, 2021 to RMB30.7 million as of December 31, 2022 primarily due to the increase of machinery and molds and electronic equipment and others used in our series production and rendering of services, which was in line with our business expansion. Our property, plant and equipment decreased by 13.2% from RMB17.0 million as of December 31, 2020 to RMB14.7 million as of December 31, 2021, primarily attributable to an increase in accumulated depreciation.

**Right-of-use Assets**

Our right-of-use assets represent carrying amounts of acquired land use rights and leased buildings for our operations and research and development activities. The lease of land use right has a fixed term of 30 years, and the lease of buildings typically has a fixed term of three to five years. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, we apply the definition of a contract and determine the period for which the contract is enforceable.

Right-of-use assets are depreciated on a straight-line basis over the shorter of their respective estimated useful life and the lease term. In addition, we reassess whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the Track Record Period, there was no such triggering event. See note 14 to the Accountant's Report in Appendix I to this document for a detailed description of the change of right-of-use assets during the Track Record Period.

Our right-of-use assets decreased by 5.2% from RMB37.4 million as of December 31, 2022 to RMB35.5 million as of June 30, 2023, primarily due to the decrease of leases as a result of normal depreciation of right-of-use assets. Our right-of-use assets increased significantly from RMB6.6 million as of December 31, 2020 to RMB39.4 million as of December 31, 2021, primarily attributable to the increase of RMB33.9 million in land use rights as a result of the acquisition of the land use rights to construct our R&D headquarters in Suzhou in November 2021. Our right-of-use assets remained relatively stable at RMB39.4 million as of December 31, 2021 and RMB37.4 million as of December 31, 2022.

**Other Non-current Assets**

Our other non-current assets primarily represent (i) contract fulfillment costs, representing costs incurred more than one year in relation to the fulfillment of orders for our autonomous driving-related R&D services, which have not yet been recognized as cost of sales, (ii) prepayment for property, plant and equipment, and (iii) capitalized upfront fees we pre-paid to a customer as a condition precedent to fulfill orders for our autonomous driving products. We recorded other non-current assets of RMB2.2 million, RMB6.2 million and RMB19.9 million, as of December 31, 2020, 2021 and 2022, respectively. The increase was primarily attributable to the increase of capitalized upfront fees, as a result of our business expansion.

Our other non-current assets decreased by 3.5% from RMB19.9 million as of December 31, 2022 to RMB19.2 million as of June 30, 2023, primarily due to the decrease of capitalized upfront fees, mainly attributable to the amortization of part of upfront fees to net sales in relation to the transfer of relevant goods.

**Inventories**

Our inventories consist of (i) raw materials; (ii) semi-finished goods; (iii) work in progress; and (iv) finished goods. Raw materials primarily consist of materials for series production and research and development. Semi-finished goods are materials or components of the final products that may come from other raw materials or semi-finished goods. Work in progress is partially-completed goods that are still in the production process. Finished goods are products ready for transit at our production plants and products delivered to customers without acceptance. The following table sets forth a breakdown of our inventories as of the dates indicated and turnover days of our inventories for the periods indicated:

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2023** |
| | *(RMB in thousands)* | | | |
| Raw materials | 5,730 | 7,325 | 36,700 | 101,248 |
| Semi-finished goods | 1,731 | 464 | 624 | 96 |
| Work in progress | 1,512 | 113 | 3,180 | 2,218 |
| Finished goods | 511 | 39,249 | 231,640 | 58,888 |
| | 9,484 | 47,151 | 272,144 | 162,450 |
| Less: provisions for impairment of raw materials | — | (145) | (170) | (369) |
| **Total** | **9,484** | **47,006** | **271,974** | **162,081** |

| | For the Year Ended December 31, | | | For the Six Months Ended June 30, |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2023** |
| Inventory turnover days[(1)] | 91 | 122 | 82 | 58 |

*Note:*

(1) Inventory turnover days are calculated by dividing the ending balance of inventories for the relevant period by cost of sales for the relevant period and multiplying by 365 days for the full-year period and 180 days for the six-month period.

The table below sets forth in the aging analysis of our inventories based on goods received date as of the dates indicated:

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2023** |
| | *(RMB'000)* | | | |
| Within 1 year | 9,097 | 46,821 | 270,989 | 159,136 |
| 1 to 2 years | 387 | 40 | 976 | 2,610 |
| 2 to 3 years | — | 290 | 17 | 585 |
| Over 3 years | — | — | 162 | 119 |
| **Total** | **9,484** | **47,151** | **272,144** | **162,450** |

Our inventories increased from RMB9.5 million as of December 31, 2020 to RMB47.0 million as of December 31, 2021, and further to RMB272.0 million as of December 31, 2022. Such an increase was primarily driven by the launch of SuperVision™ and iFC 2.0 products and the increases in their respective production volumes as a result of the robust demand. Our inventories decreased by 40.4% from RMB272.0 million as of December 31, 2022 to RMB162.1 million as of June 30, 2023, primarily due to a decrease of RMB172.8 million in finished goods, mainly associated with the recognition of cost of sales in early 2023 for the delivered finished goods at the end of 2022, partially offset by an increase of RMB64.5 million in raw materials prepared for the fulfillment of certain orders.

Our inventory turnover days increased from 91 days in 2020 to 122 days in 2021, as the series production of our first SuperVision™ project in collaboration with Mobileye started in the fourth quarter of 2021, resulting in a relatively high ending balance of inventories in 2021, while the cost of sales in 2021 was relatively low. Our inventory turnover days further decreased to 82 days in 2022 and 58 days for the six months ended June 30, 2023. The decrease from 2021 to 2022 was due to the increasing delivery and acceptance of SuperVision™ in 2022. The decrease from 2022 to the first half of 2023 was primarily due to the recognition of cost of sales in early 2023 for the delivered finished goods at the end of 2022, resulting in a relatively low ending balance of inventories for the six months ended June 30, 2023, while the total cost of sales for this half year was not low as a result of the successful delivery and acceptance of certain amounts of SuperVision™ and iDC Mid in the first half of 2023.

As of October 31, 2023, RMB117.4 million, or 72.4%, of our inventories as of June 30, 2023 had been subsequently sold or utilized.

**Other Current Assets**

Our other current assets primarily consist of (i) other receivables, such as deposits for rental of buildings and customs deposits; (ii) prepayments incurred during the ordinary course of our business, such as prepayments for raw materials to our suppliers and capitalized upfront fees; (iii) contract fulfillment costs, representing costs incurred within one year directly in relation to the fulfillment of orders for our autonomous driving-related R&D services, such as costs for labor, which have not yet been recognized as cost of sales. Such contract fulfillment costs are amortized to cost of sales when the performance obligations in the orders are satisfied as well as the agreed deliverables are accepted by our customers; (iv) deferred [**REDACTED**] expenses in relation to the [**REDACTED**]; and (v) deductible input VAT, representing the input VAT to be deducted for further VAT payments associated with the acquisition of property, plant and equipment, intangible assets and raw materials. The following table sets forth a breakdown of our other current assets as of the dates indicated:

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2023** |
| | *(RMB in thousands)* | | | |
| Other receivables, net | 927 | 2,937 | 1,512 | 2,706 |
| Prepayments | 323 | 1,192 | 11,670 | 13,351 |
| Contract fulfillment costs, net | 1,255 | 5,417 | 28,246 | 31,601 |
| Deferred [**REDACTED**] expenses | – | – | 1,754 | 9,444 |
| Deductible input VAT | 4,688 | 1,236 | 1,996 | 3,211 |
| **Total** | **7,193** | **10,782** | **45,178** | **60,313** |

Our other current assets increased by 33.5% from RMB45.2 million as of December 31, 2022 to RMB60.3 million as of June 30, 2023, primarily due to (i) an increase of RMB7.7 million in deferred [**REDACTED**] expenses in relation to the engagement of agents, legal counsel and other professional service providers for the [**REDACTED**]; and (ii) an increase of RMB3.4 million in net contract fulfillment costs mainly associated with the fulfillment of orders we entered into in 2022 for the provision of autonomous driving-related R&D services.

Our other current assets increased significantly from RMB10.8 million as of December 31, 2021 to RMB45.2 million as of December 31, 2022, primarily due to (i) an increase of RMB22.8 million in net contract fulfillment costs, as a result of the increase of contracts entered into in 2022 in line with our business expansion; and (ii) an increase of RMB10.5 million in prepayments, mainly representing prepayments for raw materials and capitalized upfront fees, which was in line with our business expansion.

Our other current assets increased by 49.9% from RMB7.2 million as of December 31, 2020 to RMB10.8 million as of December 31, 2021, primarily due to (i) an increase of RMB4.2 million in net contract fulfillment costs, (ii) an increase of RMB2.0 million in net other receivables, mainly attributable to the increase of customs deposits, as a result of the increase of imported materials for our business expansion, partially offset by a decrease of RMB3.5 million in deductible input VAT, due to the increase of output VAT outpacing the increase of input VAT, as a result of the increased sales of solutions and products in 2021 which generated more output VAT.

**Trade and Notes Receivables**

Our trade and notes receivables primarily consist of (i) notes receivables which represent bank acceptance notes aged less than six months; and (ii) trade receivables which represent receivables due from third parties. The following table sets forth a breakdown of our trade and notes receivables as of the dates indicated.

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | *(RMB in thousands)* | | | |
| Notes receivables | 254 | 904 | 750 | 7,775 |
| Provisions for impairment | — | — | — | — |
| | 254 | 904 | 750 | 7,775 |
| Trade receivables | | | | |
| Due from third parties | 15,201 | 112,041 | 293,978 | 121,438 |
| Provisions for impairment | (207) | (1,656) | (5,370) | (2,323) |
| | 14,994 | 110,385 | 288,608 | 119,115 |
| **Total** | **15,248** | **111,289** | **289,358** | **126,890** |

***Trade Receivables***

Our trade receivables primarily consist of outstanding amounts due from our customers for products we have sold and services we have provided in the ordinary course of our business. Our trading terms with our enterprise clients are mainly on credit. The credit period generally ranges from 30 days to 90 days. Trade receivables are generally settled in accordance with the terms of the respective contracts.

The following table sets forth the aging analysis of our trade receivables based on revenue recognition date, as of the dates indicated and turnover days of our trade receivables for the periods indicated.

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2023** |
| Within 3 months | 14,117 | 111,462 | 273,481 | 36,349 |
| 3 to 6 months | 1,084 | 194 | 20,031 | 38,626 |
| 6 to 12 months | — | 385 | 466 | 46,034 |
| Over 12 months | — | — | — | 429 |
| **Total** | **15,201** | **112,041** | **293,978** | **121,438** |

| | For the Year Ended December 31, | | | For the Six Months Ended June 30, |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2023** |
| Trade receivables turnover days[(1)] | 116 | 229 | 81 | 40 |

*Note:*

(1) Trade receivables turnover days are calculated by dividing the ending balance of trade receivables for the relevant period by the total revenue for the relevant period and multiplying by 365 days for the full-year period and 180 days for the six-month period.

Our trade receivables, net of provisions for impairment, increased significantly from RMB15.0 million as of December 31, 2020 to RMB110.4 million as of December 31, 2021, and further increased to RMB288.6 million as of December 31, 2022, which was in line with our business expansion and primarily due to the increase in our sales as a result of the launch of SuperVision™. Our trade receivables, net of provisions for impairment, decreased significantly from RMB288.6 million as of December 31, 2022 to RMB119.1 million as of June 30, 2023, mainly because of (i) our customers' settlement for sales accrued in the fourth quarter of 2022; and (ii) the decrease of sales in the first half of 2023 compared to the second half of 2022, which was attributable to the seasonal fluctuation of the market. See also "Business — Seasonality."

Our trade receivables turnover days increased from 116 days in 2020 to 229 days in 2021, as the series production of our first SuperVision™ project started in the fourth quarter of 2021, resulting in a relatively high ending balance of our trade receivables in 2021, while the total revenue in 2021 was relatively low. Our trade receivables turnover days further decreased to

81 days in 2022 and 40 days for the six months ended June 30, 2023. The relatively long turnover days in 2022 were primarily in line with the increasing sales of SuperVision™. The relatively short turnover days in the first half of 2023 were mainly because of (i) our customers' settlement for sales accrued in the fourth quarter of 2022; and (ii) the decrease of sales in the first half of 2023 compared to the second half of 2022, which was attributable to the seasonal fluctuation of the market, resulting in a relatively low ending balance of our trade receivables for the six months ended June 30, 2023, while the total revenue for this half year was not low as a result of the successful delivery and acceptance of certain amounts of SuperVision™ and iDC Mid in the first half of 2023.

We have made periodic assessments as well as individual assessments on recoverability based on historical settlement records and adjusts for forward-looking information. We review our trade receivables balance and follow up with customers with past due trade receivables on a monthly basis. We recognize trade receivables as impaired and provision for doubtful debts with reference to the assessment on the expected loss based on a forward-looking basis. As of December 31, 2020, 2021 and 2022 and June 30, 2023, our provisions for impairment of trade receivables were RMB0.2 million, RMB1.7 million, RMB5.4 million and RMB2.3 million, respectively. We do not hold any collateral or other credit enhancements over our trade receivable balances. Trade receivables are non-interest-bearing.

Our Directors consider that there is no material recoverability issue with respect to the outstanding trade receivables and that our impairment allowance was adequate in light of the prevailing circumstances as of the Latest Practicable Date, based on (i) our periodic assessment to closely monitor our credit exposure and identify significant increases in credit risks and, where applicable, make timely allowance for expected credit losses, (ii) the stringent internal measures we have taken to enhance the management and collection of trade receivables, and (iii) the reliability and track record of settlement from our customers, which are mainly established companies well-known in the industry. See note 3.1(b)(ii) and note 19 to the Accountant's Report in Appendix I to this document for details on our allowance for impairment of trade receivables.

As of October 31, 2023, RMB59.1 million, or 48.6%, of our trade receivables as of June 30, 2023 had been settled subsequently.

***Notes Receivables***

Our notes receivables represent bank acceptance notes aged less than six months, which amounted to RMB0.3 million, RMB0.9 million, RMB0.8 million and RMB7.8 million as of December 31, 2020, 2021 and 2022 and June 30, 2023, respectively. The significant increase of notes receivables from December 31, 2022 to June 30, 2023 was primarily due to the increase in cooperation with certain OEM customers in the first half of 2023, where the notes were the main settlement method. As of October 31, 2023, RMB2.8 million, or 36.2% of our notes receivables as of June 30, 2023 had been settled subsequently.

**Financial assets at FVTPL**

Our financial assets at fair value through profit or loss ("**FVTPL**") include (i) current financial assets at FVTPL, representing our investments in wealth management products issued by banks; and (ii) non-current financial assets at FVTPL, representing our investment in a unlisted investment with preferred rights. We make investments to improve returns on our excess liquidity. We manage and evaluate the performance of investments on a fair value basis in accordance with our risk management and investment strategy. The investment in financial assets at FVTPL after the [**REDACTED**] will be subject to the compliance with Chapter 14 of the Listing Rules.

The fair value measurement of these financial assets is categorized as level 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs. Level 3 inputs are unobservable inputs for the asset or liability. In relation to their valuation, with reference to the guidance under the "Guidance Note on Directors' Duties in the Context of Valuations in Corporate Transactions" issued by the SFC in May 2017 applicable to directors of companies listed on the Stock Exchange, our Directors adopted the following procedures: (i) reviewed the terms of the relevant agreements; and (ii) sought assistance from qualified external valuer where appropriate. Based on the above procedures, our Directors are of the view that the valuation of our financial assets are fair and reasonable and our financial statements are properly prepared.

The details on the fair value estimation are disclosed in Note 3.3 to the Accountant's Report as set out in Appendix I to this document, which was reported on by the Reporting Accountant in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. The Reporting Accountant's opinion on the historical financial information of our Group for the Track Record Period as a whole is set out on pages I-1 to I-3 of Appendix I to this document.

In relation to the valuation of the level 3 financial assets, the Joint Sponsors have performed relevant due diligence work in relation to the valuation of our Group's financial assets measured within level 3 fair value measurement, namely unlisted investment with preferred rights and investments in wealth management products issued by banks (the "**FVTPL Level 3 Financial Assets**"), including: (i) reviewed the valuation report prepared by an independent third party valuer (the "**Valuer**") and underlying documents of the FVTPL Level 3 Financial Assets to understand the assumptions, methodologies and considerations adopted in their respective valuation; (ii) discussed with the management team of our Group to understand the internal policy adopted by our Group that governs our investments decisions; and (iii) with reference to the Accountant's Report and the relevant notes in the Accountant's Report as contained in Appendix I to this Document, discussed with the Reporting Accountant to understand the work they have performed in relation to the financial assets at fair value through profit or loss for the purpose of reporting on the historical financial information of the Group, as a whole, for the Track Record Period. Based on the due diligence conducted by the Joint Sponsors, nothing came to their attention to cast doubt on the Directors' view on the valuation of our financial assets and our financial statements in material aspects.

We have investments in wealth management products amounting to RMB250.6 million as of June 30, 2023. The wealth management products we purchased were issued or sold by major and reputable financial institutions and are generally with comparatively low risks. The expected rates of return of such wealth management products that we held as of June 30, 2023 range from 0.5% to 3.0%. The underlying assets of the wealth management products primarily include monetary instruments, bonds, bond funds, central bank bills and other fixed income products and short-term financial instruments that we consider are of low risks and good liquidity. As of the Latest Practicable Date, to our best knowledge, all outstanding balance of the wealth management products we purchased as of June 30, 2023 had been recovered or could be redeemed on or shortly after the maturity date or requested redemption date during the business hours of the issuing financial institutions with the expected investment income. We generally do not hold our wealth management products for more than one year.

As part of our investment strategy, we will continue to use our cash surplus to purchase low-risk wealth management products. Our finance department is responsible for proposing, analyzing and evaluating potential investment in wealth management products and other financial assets. Investment proposals are subject to approvals by authorized personnel. Upon approvals, our finance department is responsible for purchasing such wealth management products and reviewing the performance of relevant wealth management products on a monthly basis. Our investment strategy related to financial products focuses on minimizing the financial risks by reasonably and conservatively matching the maturities or disposals of the portfolio to anticipated operating cash needs, while generating desirable investment returns for the benefits of our shareholders.

In assessing a proposal to invest in wealth management products, a number of criteria must be met, including, but not limited to (i) investment in high-risk products is prohibited; (ii) the primary objectives of investment activities are safety, liquidity and reasonable yield; (iii) the proposed investment must not interfere with our business operations or capital expenditures; and (iv) the wealth management products should be issued by a qualified financial institution.

The following table sets forth our financial assets at FVTPL as of the dates indicated:

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2023** |
| | *(RMB in thousands)* | | | |
| **Non-current assets** | | | | |
| Unlisted investment with preferred rights | — | 3,000 | 3,000 | 3,502 |

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2023** |
| | *(RMB in thousands)* | | | |
| **Current assets** | | | | |
| Investments in wealth management products issued by banks and financial institutes | 24,443 | 242,832 | 182,408 | 250,591 |
| **Total** | **24,443** | **245,832** | **185,408** | **254,093** |

Our financial assets at FVTPL amounted to RMB24.4 million, RMB245.8 million, RMB185.4 million and RMB254.1 million, as of December 31, 2020, 2021 and 2022 and June 30, 2023, respectively. During the Track Record Period, we purchased and redeemed wealth management products in accordance with our treasury management objective to improve returns on our available capital.

**Cash and Cash Equivalents**

Our cash and cash equivalents primarily represent cash at banks, net of restricted cash. As of December 31, 2020, 2021 and 2022, our cash and cash equivalents amounted to RMB16.9 million, RMB32.0 million and RMB365.7 million, respectively. The increase in cash and cash equivalents was primarily due to the proceeds we received from the Pre-[**REDACTED**] Investments. Our cash and cash equivalents decreased by 59.9% from RMB365.7 million as of December 31, 2022 to RMB146.7 million as of June 30, 2023, mainly in relation to the payment of employee salaries, the purchase of certain wealth management products and the repayment of bank borrowings, which were in line with our cash management policy.

### Trade and Notes Payables

Our trade and notes payables are primarily payables incurred for the purchase of raw materials used for our series production. The following table sets forth our trade and notes payables as of the dates indicated:

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | (RMB in thousands) | | | |
| Trade payables | 6,778 | 83,930 | 291,910 | 118,803 |
| Notes payables | — | 6,510 | 146,507 | 9,581 |
| **Total** | **6,778** | **90,440** | **438,417** | **128,384** |

#### *Trade Payables*

Trade payables primarily represent amounts due to third parties for the procurement of raw materials. During the Track Record Period, our suppliers generally granted us credit periods of 30 days to 60 days upon receipt of the VAT invoices.

The following table sets forth the aging analysis of our trade payables based on purchase date as of the dates indicated and turnover days for the periods indicated:

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| | (RMB in thousands) | | | |
| Up to 1 year | 6,724 | 83,906 | 291,826 | 118,469 |
| 1 to 2 years | 54 | 24 | 84 | 334 |
| **Total** | **6,778** | **83,930** | **291,910** | **118,803** |

| | For the Year Ended December 31, | | | For the Six Months Ended June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| Trade payables turnover days[(1)] | 65 | 217 | 88 | 43 |

*Note:*

(1) The trade payables turnover days are calculated by dividing the ending balance of trade payables for the relevant period by the cost of sales for the relevant period and multiplying by 365 days for the full-year period and 180 days for the six-month period.

Our trade payables increased significantly from RMB6.8 million as of December 31, 2020 to RMB83.9 million as of December 31, 2021 and further to RMB291.9 million as of December 31, 2022, as we purchased more materials for our series production in line with our business expansion. Our trade payables decreased by 59.3% from RMB291.9 million as of December 31, 2022 to RMB118.8 million as of June 30, 2023, primarily because (i) we settled large portion of trade payables as of December 31, 2022, and (ii) we lowered the procurement amount of raw materials, as a result of the decrease of sales in the first half of 2023 compared to the second half of 2022, which was attributable to the seasonal fluctuation of the market.

Our trade payables turnover days increased from 65 days in 2020 to 217 days in 2021, primarily because the series production of our first SuperVision™ project in collaboration with Mobileye started in the fourth quarter of 2021, resulting in a relatively high ending balance of our trade payables in 2021, while the total cost of sales in 2021 was relatively low. Our trade payables turnover days further decreased to 88 days in 2022 and 43 days for the six months ended June 30, 2023. The relatively long turnover days in 2022 were primarily due to the increasing procurement of raw materials, which was in response to the unstable supply chain and in line with our business expansion, and the relatively short turnover days in the first half of 2023 were mainly because (i) we settled large portion of trade payables as of December 31, 2022, and (ii) we lowered the procurement amount of raw materials, as a result of the decrease of sales in the first half of 2023 compared to the second half of 2022, which was attributable to the seasonal fluctuation of the market, resulting in a relatively low ending balance of our trade payables in the first half of 2023, while the total cost of sales were not low as a result of the successful delivery and acceptance of certain amount of SuperVision™ and iDC Mid in the first half of 2023.

As of October 31, 2023, RMB113.1 million, or 95.2%, of our trade payables as of June 30, 2023 had been settled subsequently.

### *Notes Payables*

Our notes payables represent bank acceptance notes issued to suppliers. Our notes payables increased from nil as of December 31, 2020 to RMB6.5 million as of December 31, 2021 and further to RMB146.5 million as of December 31, 2022. The increase in our notes payables was primarily due to the increase of bank acceptance notes to suppliers, which was in line with our business expansion. Our notes payables decreased by 93.5% from RMB146.5 million as of December 31, 2022 to RMB9.6 million as of June 30, 2023, primarily due to the discontinuation of certain business, for which we used notes as the main payment method. As of October 31, 2023, RMB9.6 million, or 100% of our notes payables as of June 30, 2023 had been settled subsequently.

### Other Payables and Accruals

Our other payables and accruals primarily consist of (i) payroll and welfare payables to certain employees; (ii) accruals incurred during the ordinary course of our business; (iii) other taxes payables, such as tariffs and VAT; (iv) payables for purchases of property, plant and equipment; (v) accrued [**REDACTED**] expenses; and (vi) others, mainly representing payables to Mobileye in relation to the R&D services for the development of software utilized in SuperVision™.

The following table sets forth our other payables and accruals as of the dates indicated:

| | As of December 31, | | | As of June 30, |
|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2023** |
| | *(RMB in thousands)* | | | |
| Payroll and welfare payables | 6,949 | 9,707 | 20,539 | 19,193 |
| Accruals | 2,925 | 3,225 | 5,089 | 3,261 |
| Other taxes payables | 290 | 332 | 8,830 | 5,269 |
| Payables for purchases of property, plant and equipment | 52 | 327 | 1,656 | 1,714 |
| Accrued [**REDACTED**] expenses | — | — | 3,811 | 4,417 |
| Others | 358 | 13,684 | 13,954 | 21,850 |
| **Total** | **10,574** | **27,275** | **53,879** | **55,704** |

Our other payables and accruals increased by 3.4% from RMB53.9 million as of December 31, 2022 to RMB55.7 million as of June 30, 2023, primarily due to an increase of RMB7.9 million in others, mainly representing payables to Mobileye in our rendering of certain R&D services to Geely Group, under which, we collected service fees from Geely Group that were payable to Mobileye who provided part of the R&D services in relation to its hardware and software used in SuperVision™, partially offset by a decrease of RMB3.6 million in other taxes payables associated with tariffs. The arrangement of payables to Mobileye is included in the framework purchasing agreement for SuperVision™ between Geely Group and our Company. See "Business — Our Customers — Our Relationship with Geely Group — Key Terms of The Framework Purchasing Agreement for SuperVision™." When we receive such service fees from Geely Group, which are not yet paid to Mobileye, cash at bank is debited and other payables and accruals is credited. After the payment of such amount to Mobileye, we debit other payables and accruals and credit cash at bank. During the Track Record Period, we received nil, RMB26.5 million, RMB21.9 million and RMB16.8 million from Geely Group, respectively, and paid nil, RMB12.9 million, RMB22.5 million and RMB8.0 million, to Mobileye on behalf of Geely Group, respectively. As of October 31, 2023, no payables made on behalf of Geely Group as of June 30, 2023 had been subsequently settled. While Geely Group provides us with advance payments, our payment schedule to Mobileye follows a milestone-based approach, where payments are made upon achieving specific project milestones. For our relationships with Geely Group and Mobileye, see "Business — Our Customers — Our Relationship with Geely Group" and "Business — Our Suppliers — Our Relationship with Mobileye."

Our other payables and accruals increased significantly from RMB27.3 million as of December 31, 2021 to RMB53.9 million as of December 31, 2022, primarily due to (i) an increase of RMB10.8 million in payroll and welfare payables, which was in line with the increase in personnel headcount and employee benefits as a result of the overall expansion of our Company; (ii) an increase of RMB8.5 million in taxes payables associated with tariffs; and (iii) an increase of RMB3.8 million in accrued [**REDACTED**] expenses in relation to the [**REDACTED**].

Our other payables and accruals increased significantly from RMB10.6 million as of December 31, 2020 to RMB27.3 million as of December 31, 2021, primarily due to an increase of RMB13.3 million in others, primarily due to the increase of rendering of certain R&D services to Geely Group in 2021, under which, we collected more service fees from Geely Group that were payable to Mobileye who provided part of the R&D services in relation to its hardware and software used in SuperVision™.

**Contract liabilities**

Our contract liabilities include (i) current contract liabilities, which primarily consist of the advance payments from our customers for our R&D services with a term of less than one year that had not been fully fulfilled. The recognition of revenue in relation to our current contract liabilities shall be done within one year; and (ii) non-current contract liabilities, which primarily consist of the advance payments from our customers for our R&D services with a term of over one year that had not been fully fulfilled.

We recorded current contract liabilities of RMB11.7 million, RMB0.8 million, RMB26.5 million and RMB29.9 million as of December 31, 2020, 2021 and 2022 and June 30, 2023, respectively. We recorded non-current contract liabilities of nil, RMB15.8 million, RMB6.8 million and RMB9.6 million as of December 31, 2020, 2021 and 2022 and June 30, 2023, respectively. The changes were primarily associated with the transfer of control of the agreed-upon deliverables under relevant service contracts.

As of October 31, 2023, RMB10.1 million, or 25.4%, of our contract liabilities as of June 30, 2023 had been recognized as revenue.

**Provisions**

During the Track Record Period, our provisions were primarily related to (i) onerous contract to be executed; and (ii) product warranties. As of December 31, 2020, 2021 and 2022 and June 30, 2023, we recorded provisions of nil, RMB0.2 million, RMB4.5 million and RMB8.9 million, respectively. The increase was primarily in line with our business expansion. In particular, the amount of provisions made for warranty during the Track Record Period was calculated based on 1% of total revenue generated from the sale of certain relevant autonomous driving solutions and products, taking into consideration any product liability waivers granted by our customers. Additionally, the actual warranty expenses incurred for the years ended December 31, 2021 and 2022 and the six months ended June 30, 2023 were approximately RMB1.7 million in aggregate, which were adequately covered by the provisions made during the Track Record Period. As of June 30, 2023, the unused provision was approximately RMB8.9 million, and we considered that this amount was sufficient to cover the remaining warranty period for certain autonomous driving solutions and products provided to our customers. The estimation of the amount of provisions made has been reviewed by our management on an ongoing basis and adjusted to reflect the current best estimate. For details, see note 31 to the Accountants' Report set out in Appendix I to this document.

**Financial Instruments with Preferred Rights at Amortized Cost**

During the Track Record Period, we recorded financial instruments with preferred rights in connection with the issuance by our Company to Pre-[**REDACTED**] Investors of ordinary shares with preferred rights in Pre-[**REDACTED**] financings that conferred certain preferred rights, including redemption rights, upon such Pre-[**REDACTED**] Investors. Financial instruments with preferred rights were recorded as financial liabilities upon capital contribution by the related Pre-[**REDACTED**] Investors, because we do not control any of the triggering events of the redemption rights conferred upon the Pre-[**REDACTED**] Investors and accordingly do not consider the ordinary shares with preferred rights issued to the Pre-[**REDACTED**] Investors as equity. We have ceased to record any such financial cost with respect to the preferred rights previously conferred upon the Pre-[**REDACTED**] Investors, because we and the related Pre-[**REDACTED**] Investors have mutually agreed to terminate such preferred rights.

We recorded financial instruments with preferred rights at amortized cost of RMB162.2 million and RMB897.7 million as of December 31, 2020 and 2021, respectively, in relation to Series Pre-A to Series C1 Financing. We did not record financial instruments with preferred rights at amortized cost as of December 31, 2022 and June 30, 2023, as a result of the termination of the preferred rights from such financial instruments in 2022.

For a discussion of our issuance of financial instruments with preferred rights at amortized cost, see the section headed "History and Corporate Structure" in this document. For further information regarding the financial instruments with preferred rights at amortized cost, see note 29 to the Accountant's Report set out in Appendix I to this document.

## KEY FINANCIAL RATIOS

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

| | For the Year Ended/As of December 31, | | | For the Six Months Ended/As of June 30, |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 |
| Gross profit margin (%)[1] | 20.1 | 20.6 | 8.3 | 7.6 |
| Adjusted net profit/(loss) margin (non-IFRS measure) (%)[2] | (74.8) | (19.1) | (1.3) | (8.5) |
| Current ratio[3] | 1.3 | 2.8 | 2.0 | 3.4 |
| Quick ratio[4] | 1.1 | 2.5 | 1.5 | 2.7 |

*Notes:*

(1) Gross profit margin equals gross profit divided by revenues for the year/period and multiplied by 100%.

(2) Adjusted net profit/(loss) margin (non-IFRS measure) equals adjusted profit/(loss) (non-IFRS measure) divided by revenues for the year/period and multiplied by 100%.

(3) Current ratio is calculated as total current assets divided by total current liabilities at the end of the year/period.

(4) Quick ratio is calculated as current assets less inventories divided by current liabilities at the end of the year/period.

## LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period and up to the Latest Practicable Date, we funded our cash requirements principally from revenue from sales of products and rendering of services and proceeds received from Pre-[**REDACTED**] Investments. Our cash and cash equivalents represent cash at banks, net of restricted cash. We had cash and cash equivalents of RMB16.9

million, RMB32.0 million, RMB365.7 million and RMB146.7 million as of December 31, 2020, 2021 and 2022 and June 30, 2023, respectively. Going forward, we believe that our liquidity requirements will be satisfied by using a combination of revenue from sales of products and rendering of services, funds raised from the capital markets from time to time and the [**REDACTED**] received from the [**REDACTED**].

### Current Assets/Liabilities

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

| | As of December 31, | | | As of June 30, | As of October 31, |
|---|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2023** | **2023** |
| | *(RMB in thousands)* | | | | |
| | | | | | *(Unaudited)* |
| **Current Assets** | | | | | |
| Inventories | 9,484 | 47,006 | 271,974 | 162,081 | 249,614 |
| Other current assets | 7,193 | 10,782 | 45,178 | 60,313 | 67,066 |
| Trade and notes receivables | 15,248 | 111,289 | 289,358 | 126,890 | 262,559 |
| Financial assets at fair value through profit or loss | 24,443 | 242,832 | 182,408 | 250,591 | 181,048 |
| Derivative financial instruments | — | 1,451 | — | — | — |
| Restricted cash | 300 | 833 | 835 | 300 | 306 |
| Cash and cash equivalents | 16,912 | 32,042 | 365,745 | 146,687 | 57,555 |
| **Total current assets** | **73,580** | **446,235** | **1,155,498** | **746,862** | **818,148** |
| **Current Liabilities** | | | | | |
| Trade and notes payables | 6,778 | 90,440 | 438,417 | 128,384 | 166,209 |
| Other payables and accruals | 10,574 | 27,275 | 53,879 | 55,704 | 63,321 |
| Contract liabilities | 11,675 | 753 | 26,545 | 29,949 | 29,637 |
| Borrowings | 25,029 | 35,538 | 49,004 | — | 77,998 |
| Lease liabilities | 2,039 | 2,546 | 3,341 | 2,482 | 2,372 |
| Provisions | — | 66 | 1,262 | 3,724 | 4,773 |
| **Total current liabilities** | **56,095** | **156,618** | **572,448** | **220,243** | **344,310** |
| **Net current assets** | **17,485** | **289,617** | **583,050** | **526,619** | **473,838** |

Our net current assets decreased from RMB526.6 million as of June 30, 2023 to RMB473.8 million as of October 31, 2023, primarily due to the increase of our current liabilities outpacing the increase of our current assets. The increase of our current liabilities was primarily due to (i) an increase of RMB78.0 million in borrowings to support our daily operations; and (ii) an increase of RMB37.8 million in trade and notes payables, mainly as a result of the increased procurement of raw materials which was in line with the increase of customer orders in the four months ended October 31, 2023. The increase of our current assets was primarily due to (i) an increase of RMB87.5 million in inventories, mainly representing the increase of finished goods in October 2023 which were delivered to certain customers but the acceptance has not yet been obtained; and (ii) an increase of RMB135.7 million in trade and notes receivables, mainly representing the increase of trade receivables associated with the successful acceptance of certain finished goods in the four months ended October 2023, partially offset by (i) a decrease of RMB89.1 million in cash and cash equivalents mainly used for the increased procurement of raw materials as a result of the increase of customer orders, and the new construction in progress; and (ii) a decrease of RMB69.5 million in financial assets at FVTPL mainly because we redeemed certain wealth management products.

Our net current assets decreased from RMB583.1 million as of December 31, 2022 to RMB526.6 million as of June 30, 2023, primarily due to the decrease of our current assets outpacing the decrease of our current liabilities. The decrease of our current assets was primarily due to (i) a decrease of RMB219.1 million in cash and cash equivalents, mainly in relation to the payment of employee salaries, the purchase of certain wealth management products and the repayment of bank borrowings, which were in line with our cash management policy; (ii) a decrease of RMB162.5 million in trade and notes receivables, mainly as a result of our customers' settlement for sales accrued in the fourth quarter of 2022 and the decrease of sales in the first half of 2023 compared to the second half of 2022; and (ii) a decrease of RMB109.9 million in inventories, mainly attributable to the recognition of cost of sales for the delivered finished goods at the end of 2022. The decrease of our current liabilities was primarily due to (i) a decrease of RMB310.0 million in trade and notes payables primarily because we settled large portion of trade payables as of December 31, 2022 and lowered the procurement amount of raw materials as a result of the decrease of sales in the first half of 2023 compared to the second half of 2022, as well as the discontinuation of certain business, for which we used notes as the main payment method; and (ii) a decrease of RMB49.0 million in borrowings as a result of the full settlement of our outstanding borrowings.

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

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

## Cash Flows

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

| | For the Year Ended December 31, | | | For the Six Months Ended June 30, | |
|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2022 | 2023 |
| | *(RMB in thousands)* | | | | |
| | | | | *(Unaudited)* | |
| Operating cash flows before changes in working capital | (27,249) | (25,185) | (3,820) | (27,238) | (57,988) |
| Changes in working capital | 3,405 | (37,813) | (61,847) | (921) | (24,928) |
| Interest received | 9 | 94 | 100 | 85 | 2,034 |
| Net cash used in operating activities | (23,835) | (62,904) | (65,567) | (28,074) | (80,882) |
| Net cash (used in)/generated from investing activities | (33,138) | (256,339) | 41,439 | (14,039) | (80,170) |
| Net cash generated from/(used in) financing activities | 70,828 | 334,601 | 355,909 | 77,094 | (58,566) |
| **Net increase/(decrease) in cash and cash equivalents** | **13,855** | **15,358** | **331,781** | **34,981** | **(219,618)** |
| Cash and cash equivalents at the beginning of the year/period | 3,066 | 16,912 | 32,042 | 32,042 | 365,745 |
| Exchange (losses)/gains on cash and cash equivalents | (9) | (228) | 1,922 | 632 | 560 |
| **Cash and cash equivalents at the end of year/period** | **16,912** | **32,042** | **365,745** | **67,655** | **146,687** |

***Net Cash Used in Operating Activities***

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

For the year ended December 31, 2022, our net cash used in operating activities was RMB65.6 million. Our loss before income tax was RMB342.4 million for the same period. The difference between our loss before income tax and our net cash used in operating activities was primarily attributable to certain non-operating items, primarily including (i) net finance costs of RMB280.1 million and (ii) share-based payment expenses of RMB44.0 million; and changes in certain working capital items, primarily including (i) an increase in inventories of RMB225.0 million, (ii) an increase in trade and notes receivables of RMB181.8 million, and (iii) an increase in trade and notes payables of RMB348.0 million.

For the year ended December 31, 2021, our net cash used in operating activities was RMB62.9 million. Our loss before income tax was RMB464.2 million for the same period. The difference between our loss before income tax and our net cash used in operating activities was primarily attributable to certain non-operating items, primarily including (i) net finance costs of RMB413.8 million and (ii) share-based payment expenses of RMB17.7 million; and changes in certain working capital items, primarily including (i) an increase in trade and notes receivables of RMB97.5 million, (ii) an increase in trade and notes payables of RMB83.7 million, and (iii) an increase in inventories of RMB37.7 million.

For the year ended December 31, 2020, our net cash used in operating activities was RMB23.8 million. Our loss before income tax was RMB53.8 million for the same period. The difference between our loss before income tax and our net cash used in operating activities was primarily attributable to certain non-operating items, primarily including (i) net finance costs of RMB10.9 million and (ii) share-based payment expenses of RMB8.6 million; and changes in certain working capital items, primarily including an increase in contract liabilities of RMB11.0 million.

***Net Cash (Used in)/Generated from Investing Activities***

For the six months ended June 30, 2023, our net cash used in investing activities was RMB80.2 million, primarily due to payments for financial assets at FVTPL of RMB1,345.4 million, partially offset by proceeds from disposals of financial assets at FVTPL of RMB1,281.8 million.

For the year ended December 31, 2022, our net cash generated from investing activities was RMB41.4 million, primarily due to proceeds from disposals of financial assets at FVTPL of RMB2,008.9 million, partially offset by (i) payments for financial assets at FVTPL of RMB1,940.7 million, and (ii) payments for property, plant and equipment of RMB24.4 million.

For the year ended December 31, 2021, our net cash used in investing activities was RMB256.3 million, primarily due to (i) payments for financial assets at FVTPL of RMB848.7 million, and (ii) payments for land use rights of RMB34.0 million, partially offset by proceeds from disposals of financial assets at FVTPL of RMB631.2 million.

For the year ended December 31, 2020, our net cash used in investing activities was RMB33.1 million, primarily due to (i) payments for financial assets at FVTPL of RMB65.2 million, and (ii) payments for property, plant and equipment of RMB2.9 million, partially offset by proceeds from disposals of financial assets at FVTPL of RMB41.3 million.

***Net Cash Generated from/(Used in) Financing Activities***

For the six months ended June 30, 2023, our net cash used in financing activities was RMB58.6 million, primarily due to repayments of borrowings of RMB48.9 million.

For the year ended December 31, 2022, our net cash generated from financing activities was RMB355.9 million, primarily due to proceeds from contributions from equity holders of RMB346.0 million.

For the year ended December 31, 2021, our net cash generated from financing activities was RMB334.6 million, primarily due to proceeds from contributions from equity holders of RMB327.7 million.

For the year ended December 31, 2020, our net cash generated from financing activities was RMB70.8 million, primarily due to (i) proceeds from contributions from equity holders of RMB58.9 million, and (ii) proceeds from borrowings of RMB27.0 million.

## INDEBTEDNESS

| | As of December 31, | | | As of June 30, | As of October 31, |
|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 | 2023 |
| | | | *RMB'000* | | |
| | | | | | *(Unaudited)* |
| **Current liabilities** | | | | | |
| Borrowings | 25,029 | 35,538 | 49,004 | — | 77,998 |
| Lease liabilities | 2,039 | 2,546 | 3,341 | 2,482 | 2,372 |

| | As of December 31, | | | As of June 30, | As of October 31, |
|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 | 2023 |
| | | | *RMB'000* | | |
| | | | | | *(Unaudited)* |
| | 27,068 | 38,084 | 52,345 | 2,482 | 80,370 |
| **Non-current liabilities** | | | | | |
| Lease liabilities | 4,962 | 3,367 | 1,572 | 798 | 886 |
| **Total indebtedness** | **32,030** | **41,451** | **53,917** | **3,280** | **81,256** |

**Borrowings**

As of December 31, 2020, 2021 and 2022, and June 30 and October 31, 2023, we had borrowings of RMB25.0 million, RMB35.5 million, RMB49.0 million, nil and RMB78.0 million, respectively. Our borrowings were primarily used to finance our increased working capital requirements driven by our business expansion during the Track Record Period. As of October 31, 2023, we had unutilized bank facilities of RMB650.0 million. The followings table sets forth our borrowings as of the dates indicated:

| | As of December 31, | | | As of June 30, | As of October 31, |
|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 | 2023 |
| | | | *(RMB in thousands)* | | |
| | | | | | *(Unaudited)* |
| **Borrowings included in current liabilities** | | | | | |
| Bank borrowings | 25,000[(1)] | 35,500[(2)] | — | — | 77,875[(4)] |
| Other loans | — | — | 48,857[(3)] | — | — |
| Interest payables | 29 | 38 | 147 | — | 123 |
| **Total borrowings** | **25,029** | **35,538** | **49,004** | **—** | **77,998** |

*Notes:*

(1) Consisting of (a) short-term borrowings from a PRC bank with a principal amount of RMB23.0 million and an effective interest rate of 4.16% per annum. The bank borrowings were guaranteed by Mr. Song Yang; and (b) short-term borrowings from a PRC bank with a principal amount of RMB2.0 million and an effective interest rate of 4.79% per annum. Such bank borrowings were guaranteed by one of our subsidiaries, iMotion Electronics. We fully repaid the aforementioned bank borrowings and related interest in 2021 and the guarantee was released accordingly.

(2) Short-term borrowings from a PRC bank with a principal amount of RMB35.5 million and an effective interest rate of 3.86% per annum. The bank borrowings were guaranteed by Mr. Song Yang. We fully repaid the aforementioned bank borrowings and related interest in 2022 and the guarantee was released accordingly.

(3) Import bill advances paid by a PRC bank with amounts totaling RMB48.9 million and an effective interest rate of 2.4% per annum. Such loans were unsecured and unguaranteed. We fully repaid the aforementioned bank loans in 2023.

(4) Consisting of (a) short-term borrowings from a PRC bank with a principal amount of US$4.35 million and an effective interest rate of 5.80% per annum; and (b) short-term borrowings from a PRC bank with a principal amount of US$6.5 million and an effective interest rate of 5.75% per annum. Such bank borrowings were unsecured and unguaranteed.

## Lease Liabilities

Our lease liabilities are in relation to properties that we lease primarily for our offices and manufacturing plants. The following table sets forth the details of our lease liabilities as of the dates indicated:

| | As of December 31, | | | As of June 30, | As of October 31, |
|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 | 2023 |
| | *(RMB in thousands)* | | | | |
| | | | | | *(Unaudited)* |
| Current | 2,039 | 2,546 | 3,341 | 2,482 | 2,372 |
| Non-current | 4,962 | 3,367 | 1,572 | 798 | 886 |
| **Total** | **7,001** | **5,913** | **4,913** | **3,280** | **3,258** |

During the Track Record Period and as of the Latest Practicable Date, none of our creditors of the indebtedness described above had claimed default against us to the best of our knowledge. Our Directors also confirm that we did not experience difficulty in obtaining borrowings, material default in payment on borrowings, payables to related parties, lessors, financial institutions or investors during the Track Record Period and up to the Latest Practicable Date.

Save as disclosed above, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as of October 31, 2023.

## CONTINGENT LIABILITIES

As of December 31, 2020, 2021 and 2022, June 30 and October 31, 2023, we did not have any material contingent liabilities, guarantees of any litigations or claims of material importance, pending or threatened against any member of our Company. Our Directors have confirmed that there had not been any material change in the contingent liabilities of our Company since October 31, 2023 and up to the Latest Practicable Date.

## CAPITAL EXPENDITURES

The following table sets forth our capital expenditures for the years/periods indicated:

| | For the Year Ended December 31, | | | For the Six Months Ended June 30, | |
|---|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2022** | **2023** |
| | *(RMB in thousands)* | | | | |
| | | | | *(Unaudited)* | |
| Payments for land use rights | — | 34,021 | — | — | — |
| Payments for property, plant and equipment | 2,904 | 4,097 | 24,437 | 9,404 | 15,092 |
| Payments for intangible assets | 7,812 | 2,506 | 1,506 | 690 | 1,603 |
| **Total** | **10,716** | **40,624** | **25,943** | **10,094** | **16,695** |

Our capital expenditures in 2020, 2021 and 2022 were RMB10.7 million, RMB40.6 million and RMB25.9 million, respectively, primarily due to payments for land use rights and purchase of property, plant and equipment. Our capital expenditures for the six months ended June 30, 2023 were RMB16.7 million, primarily due to payments for property, plant and equipment.

We intend to fund our future capital expenditures with our existing cash balance, financial assets at FVTPL, revenue from sales of products and rendering of services, bank borrowings and [**REDACTED**] from the [**REDACTED**]. See the section headed "Future Plans and [**REDACTED**]" for more details. We may reallocate the fund to be utilized on capital expenditures based on our ongoing business needs.

## CONTRACTUAL OBLIGATIONS

### Capital Commitments

As of December 31, 2021 and 2022 and June 30, 2023, we had capital commitments contracted, but not yet provided, of RMB0.4 million, RMB1.9 million and RMB137.3 million, respectively. Such capital commitments reflected the capital expenditure we contracted for but not provided on acquisition of property, plant and equipment.

## OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

## RELATED PARTY TRANSACTIONS

Other than the emoluments paid or payable to our key management personnel, we did not enter into any material transactions with our related parties during the Track Record Period. Our Directors are of the view that the compensation payment to our key management personnel was conducted in the ordinary course of business on an arm's length basis and did not distort our results of operations or make our historical results not reflective of our future performance. See note 36 and note 37(a) to the Accountant's Report set out in Appendix I in this document for details.

## QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to a variety of market risks including credit risk and liquidity risk in the normal course of our business. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. For details of the risks to which we are exposed, see note 3 to the Accountant's Report set out in Appendix I in this document.

## [REDACTED] EXPENSES

Based on the mid-point [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**], the total estimated [**REDACTED**] expenses in relation to the [**REDACTED**] is approximately RMB[**REDACTED**], representing [**REDACTED**]% of the total [**REDACTED**] from the [**REDACTED**] of approximately HK$[**REDACTED**] (RMB[**REDACTED**]). We had incurred [**REDACTED**] expenses of RMB21.9 million as of June 30, 2023, of which RMB12.5 million has been charged to our consolidated statement of comprehensive income and RMB9.4 million was recognized as deferred [**REDACTED**] expenses, which are expected to be recognized directly as a deduction from equity upon the [**REDACTED**]. We expect to incur additional [**REDACTED**] expenses of approximately RMB[**REDACTED**], of which RMB[**REDACTED**] is expected to be charged to our consolidated statement of comprehensive income and RMB[**REDACTED**] will be deducted from equity. The amount of the [**REDACTED**]-related expenses of approximately RMB[**REDACTED**], which mainly includes [**REDACTED**] commission, is expected to be accounted for as a deduction from equity upon the completion of the [**REDACTED**]. The amount of the non-[**REDACTED**]-related expenses of approximately RMB[**REDACTED**] primarily include fees and expenses of legal advisers and accountants of RMB[**REDACTED**] and other fees and expenses of RMB[**REDACTED**].

## DIVIDENDS

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

## WORKING CAPITAL CONFIRMATION

Taking into account the financial resources available to us, including our cash and cash equivalents on hand, current financial assets at FVTPL, internally generated funds, available facilities and the estimated [**REDACTED**] from the [**REDACTED**], our Directors are of the view that we have sufficient working capital to meet our present needs and for the next 12 months from the date of this document. Our Directors confirm that we had no material defaults in payment of trade and non-trade payables during the Track Record Period.

## DISTRIBUTABLE RESERVES

As of June 30, 2023, we did not have any distributable reserves.

## [REDACTED] STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following [**REDACTED**] statement of adjusted consolidated net tangible assets attributable to equity holders of our Company prepared in accordance with Rule 4.29 of the Listing Rules and is set out below to illustrate the effect of the [**REDACTED**] on the audited consolidated net tangible assets attributable to equity holders of our Company as of June 30, 2023, as if the [**REDACTED**] had taken place on that date, assuming the [**REDACTED**] is not exercised.

The [**REDACTED**] statement of adjusted consolidated net tangible assets attributable to the equity holders of our Company has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the consolidated net tangible assets attributable to the equity holders of our Company, had the [**REDACTED**] been completed as of June 30, 2023 or at any future dates following the [**REDACTED**].

The following [**REDACTED**] statement of adjusted consolidated net tangible assets attributable to the equity holders of our Company is prepared based on the audited consolidated net assets of our Group attributable to the equity holders as of June 30, 2023 as derived from the Accountant's Report as set out in Appendix I to this document, and adjusted as follows:

| | **Audited consolidated net tangible assets of our Group attributable to the equity holders of our Company as of June 30, 2023** | **Estimated [REDACTED] from the [REDACTED]** | **[REDACTED] adjusted consolidated net tangible assets of our Group attributable to equity holders of our Company as of June 30, 2023** | **[REDACTED] adjusted consolidated net tangible assets of our Group attributable to the equity holders of our Company per Share** | |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB* | *HK$* |
| | *(Note 1)* | *(Note 2)* | | *(Note 3)* | *(Note 4)* |
| Based on an [REDACTED] of HK$[REDACTED] per H Share | 607,199 | **[REDACTED]** | **[REDACTED]** | **[REDACTED]** | **[REDACTED]** |
| Based on an [REDACTED] of HK$[REDACTED] per H Share | 607,199 | **[REDACTED]** | **[REDACTED]** | **[REDACTED]** | **[REDACTED]** |

*Notes:*

(1) The audited consolidated net tangible assets of our Group attributable to the equity holders of our Company as of June 30, 2023 is extracted from the Accountant's Report set out in Appendix I to this document, which is based on the audited consolidated net assets of our Group attributable to the equity holders of our Company as of June 30, 2023 of approximately RMB611,515,000 with adjustment for the intangible assets as of June 30, 2023 of approximately RMB4,316,000.

(2) The estimated [**REDACTED**] from the [**REDACTED**] are based on [**REDACTED**] and the indicative [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] and HK$[**REDACTED**] per [**REDACTED**], being the low end and high end of the indicative [**REDACTED**] range, respectively, after deduction of the [**REDACTED**] fees and other related expenses (excluding RMB12,423,000 [**REDACTED**] expenses which have been accounted for in the consolidated statement of comprehensive income up to June 30, 2023), without taking into account any H Shares which may be allotted and issued upon the exercise of the [**REDACTED**], or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates.

(3) The [**REDACTED**] adjusted consolidated net tangible assets of our Group attributable to the equity holders of our Company per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that [**REDACTED**] Shares were in issue assuming the [**REDACTED**] had taken place on June 30, 2023, without taking into account any H Shares which may be allotted and issued upon the exercise of the [**REDACTED**], or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates.

(4) For the purpose of this [**REDACTED**] adjusted consolidated net tangible assets, the amounts stated in Renminbi are converted to HK Dollars at the rate of RMB1.00 to HK$[1.0897]. No representation is made that the Renminbi have been, would have been or may be converted to HK Dollars, or vice versa, at that rate.

(5) No adjustment has been made to reflect any trading results or other transactions of our Group entered into subsequent to June 30, 2023.

## NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, the Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since June 30, 2023, which is the end date of the periods reported on in the Accountant's Report included in Appendix I to this document, and there is no event since June 30, 2023 that would materially affect the information as set out in the and the Accountant's Report included in Appendix I to this document.

## DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.