
FUTURE PLANS AND [REDACTED]

FUTURE PLANS

See “Business — Our Strategies” for a detailed description of our future plans.

[REDACTED]

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

- Approximately [45.0]% of the [REDACTED] or approximately HK\$[REDACTED], for enhancing research and development of our autonomous driving solutions and products, with the detailed breakdown of the [REDACTED] to be allocated as follows:
 - (i) Approximately [20.0]% of the [REDACTED] or approximately HK\$[REDACTED] will be used for expanding and upgrading our autonomous driving solution and product portfolio, primarily including (i) acquiring new R&D equipment, to facilitate our R&D process; (ii) introducing new technologies to expand our product portfolio; and (iii) expanding the R&D team responsible for the research and development of our autonomous driving solutions and products as well as enhancing their compensation. We plan to launch AD domain controllers and intelligent front cameras with more autonomous driving functions. We expect the series production of iDC High, a high computing power solution that supports full-scenario intelligent driving experience, to start in 2024. We plan to launch the iFC 3.0 solution in 2024, which is targeted to meet future C-NCAP and EURO-NCAP 5-star safety standards;
 - (ii) Approximately [15.0]% of the [REDACTED] or approximately HK\$[REDACTED] will be used to fund the improvement of our data analytic capabilities. We intend to apply the [REDACTED] for (i) enhancing our high-performance data management system, which will involve testing and maintenance expenses as well as investment in expanding our data management team and enhancing their compensation; (ii) improving our data processing and training clusters, including leasing data centers to improve computing power, expanding R&D team responsible for data processing and enhancing their compensation, and upgrading our servers; and (iii) expanding overseas computing resources by leasing overseas data center infrastructure

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and establishing an overseas team to ensure its maintenance and operations. We believe the high-performance data management system will benefit us primarily in the following aspects: (i) it can enhance our data analytic efficiency, which is crucial for the development and constant improvement of autonomous driving algorithms. A high-performance data management system can quickly process large datasets, enabling faster algorithm iteration; (ii) it can improve our data privacy and security. Our OEM customers own the data collected by them and may transmit it to us for OTA updates or product maintenance in the future. We will have the authorization to use desensitized and anonymized data for research and development of our autonomous driving solutions and products. A high-performance data management system can help improve data security and privacy by implementing measures to protect against unauthorized access while also adhering to industry regulations and addressing privacy concerns; and (iii) by optimizing data management, processing, and analysis, a high-performance data management system can help control the overall costs associated with data management, enabling us to allocate resources to other critical aspects of our business. Our goal is to create an effective, automated, and intelligent data loop system in order to shorten the time it takes to develop new software using new data; and

- (iii) Approximately [10.0]% of the [REDACTED] or approximately HK\$[REDACTED] will be used for the R&D of an integrated cockpit-driving platform for vehicles, including (i) acquiring new R&D equipment, to facilitate; (ii) introducing new technologies; and (iii) expanding the R&D team responsible for the R&D of integrated cockpit-driving platform as well as enhancing their compensation. In the initial stage, we will combine the SoC of the autonomous driving domain with the SoC of the intelligent cockpit domain, based on iDC High, to create a high-performance central computing platform that can be quickly implemented in different vehicle models. Subsequently, we will place greater emphasis on providing users with high-quality user experiences, offering them immersive entertainments such as 3D movies with enhanced performance or high-profile video games, in addition to excellent autonomous driving and fundamental intelligent cockpit functions.
- Approximately [35.0]% of the [REDACTED] or approximately HK\$[REDACTED], for capital expenditure in relation to our R&D headquarters, manufacturing premises and new production lines, including:
 - (i) Approximately [30.0]% of the [REDACTED] or approximately HK\$[REDACTED] will be used to improve our series production capabilities of autonomous driving solutions and products, and finance the construction of our R&D headquarters and manufacturing premises. In particular, we plan to use our [REDACTED] in (i) the construction of the R&D headquarters and manufacturing building; (ii) the construction of laboratories required for the new R&D headquarters; (iii) other investments including but not limited to operating system and automated warehousing system for the R&D headquarters and manufacturing premises (in addition to production lines); and

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(iv) salaries of employees at the construction site. We expect to complete the construction of our R&D headquarters and manufacturing premises with a total of 70,000 sq.m. in Suzhou by the end of 2025. As of the Latest Practicable Date, we had obtained the land use right certificate and land use planning permit for the land to be used for our new R&D headquarters and manufacturing premises. As of the Latest Practicable Date, we had started the construction of our new R&D headquarters and manufacturing premises. We do not intend to renew the lease agreement for our corporate headquarters and manufacturing facilities, which will expire in 2025, once our R&D headquarters and manufacturing facilities are completed; and

- (ii) Approximately [5.0]% of the [REDACTED] or approximately HK\$[REDACTED] will be used to enhance our production capacity and automation capabilities. As of the Latest Practicable Date, we had a semi-automatic iFC assembly line and an automatic iDC assembly line, as well as two SMT lines. The estimated annual production capacity of the Company's iFC assembly line and AD domain controller assembly line is approximately 129 thousand units and 212 thousand units, respectively, based on one shift with 11 working hours per day and 250 working days per year. Our two SMT lines have an estimated annual production capacity of approximately 1,168 thousand units of PCBA in aggregate, based on two shifts with 22 working hours per day and 26 working days per month. We plan to (i) set up a new automatic assembly line for iFC products by the end of 2023, which will have an annual production capacity of approximately 1,000,000 units (based on two shifts with 22 working hours per day and 26 working days per month), (ii) enhance our newly-added test line, which can be used to assemble AD domain controllers and is expected to have an annual production capacity of approximately 300,000 units (based on one shift with 11 working hours per day and 250 working days per year); and (iii) a new SMT line with an annual production capacity of approximately 600,000 to 700,000 units (based on two shifts with 22 working hours in aggregate per day and 26 working days per month). In comparison to our present two SMT lines, the new one is planned to have a higher production capacity and will be equipped with quality manufacturing equipment to manufacture PCBA with more printed electronic components and more sophisticated designs. In the future, we will continue to use our SMT lines, including the new SMT line we plan to purchase, to produce PCBA products as components of our own autonomous driving solutions and products.

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The following table sets forth additional details of the construction of our new R&D headquarters, manufacturing premises and new production lines, including the proposed timeline and estimated capital expenditure.

<u>Proposed Construction Plan</u>	<u>Estimated Capital Expenditure</u>	<u>Description</u>
Construction of the R&D headquarters and manufacturing building (Expected to be completed by June 2025)	RMB[REDACTED]	Including land acquisition costs, civil engineering expenses, decoration costs, and salaries of employees at the construction site, among others.
Acquirement of machinery (Including the new production lines) (Expected to be completed by December 2023)	RMB[REDACTED]	Primarily relating to construction of new production lines and the upgrade of existing production lines.
Construction of laboratories (Expected to be completed by October 2025)	[REDACTED]	Constructing several laboratories to facilitate the R&D of autonomous driving solutions, primarily including an environmental laboratory, an electromagnetic compatibility laboratory, an optical laboratory, an electronics laboratory, test benches for software and a radar testing area.
Total	RMB[REDACTED]	

Note: The timeline and capital expenditures of our proposed construction plan are based on our best estimates taking into account the latest status of relevant projects, and the actual timing for execution of the construction plan may be subject to change based on various factors, including the sales growth of and market demand for autonomous driving solutions and products and our financial resources.

We expect to incur capital expenditure of approximately RMB[REDACTED] (equivalent to HK\$[REDACTED]) to implement the construction plan, of which approximately HK\$[REDACTED] will be financed by [REDACTED] from the [REDACTED] and remainder of approximately HK\$[REDACTED] will be financed by internal resources and bank borrowings.

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- Approximately [10.0]% of the [REDACTED] or approximately HK\$[REDACTED], for expanding our sales and service network, including:
 - (i) Approximately [5.0]% of the [REDACTED] or approximately HK\$[REDACTED] will be used for enhancing our selling and marketing capabilities. In particular, we intend to further expand our sales and marketing team, to deepen our relationships with existing customers and diversify our customer base. We also intend to organize offline technology events and attend more industry exhibitions to promote our solutions and products, thereby exploring more collaboration opportunities with OEMs; and
 - (ii) Approximately [5.0]% of the [REDACTED] or approximately HK\$[REDACTED] will be used to support our overseas expansion strategies and enhance our brand awareness. We will increase our investment in international markets, such as Europe and Southeast Asia. In particular, we will establish a subsidiary in Germany, which will be responsible for customer service, sales, and validation of autonomous driving solutions and products in relation to our business in Europe. We plan to allocate our [REDACTED] primarily in (i) investing in initial talent recruitment; (ii) acquiring autonomous driving system validation and verification equipment; (iii) leasing or purchasing office space, as well as any necessary renovations or modifications; and (iv) purchasing and installing the required office equipment. Our subsidiary and R&D center in Germany are expect to focus on two aspects of work: (i) providing services for domestic OEMs as they expand overseas; and (ii) establishing our own service point in Europe to develop business.

In 2018, the automotive industry witnessed a trend towards the research and development of level 3 and above autonomous driving technologies. In response to this trend, we initially established our presence in Germany in July 2018, when we established a subsidiary with the primary goal of collaborating with local institutions to conduct preliminary research on advanced autonomous driving technologies (level 3 and above). However, after approximately two years of operation, we decided to dissolve the German subsidiary taking into account (i) the fact that we decided to strategically focus on the large-scale commercialization of autonomous driving solutions and products, and concentrated our resources in China market and (ii) short-term unfeasibility of the technology and its limited potential to aid in the commercialization of our autonomous driving solutions and products. In March 2020, we submitted the dissolution application to the competent authority. The German subsidiary was subsequently liquidated and deregistered in November 2021. Since then, the autonomous driving industry has undergone significant expansion, and we have successfully established collaborations with several leading domestic OEMs, some of whom have intentions to export vehicles overseas. Based on these developments, we deem it necessary to establish a

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subsidiary in Germany to provide enhanced services and support to our OEM customers for their overseas plans. As of the Latest Practicable Date, we submitted applications to the competent authorities for the establishment of the subsidiary, and we expect to receive approval within 2023. We have begun the preliminary preparations for setting up the subsidiary, including hiring relevant R&D personnel. Our future plans will depend on the regulatory approval situation. We anticipate that our subsidiary in Germany, located in Europe’s automotive OEM hub, will be able to attract talent in the automotive and autonomous driving industries, facilitating our business expansion in Europe.

- Approximately [10.0]% of the [REDACTED] or approximately HK\$[REDACTED], for working capital and general corporate purposes.

The above allocation of the [REDACTED] from the [REDACTED] will be adjusted on a *pro rata* basis in the event that the [REDACTED] is fixed at a higher or lower level compared to the mid-point of the indicative [REDACTED] range stated in this document. If the [REDACTED] is exercised in full, the [REDACTED] that we will receive will be approximately HK\$[REDACTED], assuming an [REDACTED] of HK\$[REDACTED] per Share (being the mid-point of the indicative [REDACTED] range). In the event that the [REDACTED] is exercised in full, we intend to apply the additional [REDACTED] to the above purposes in the proportions stated above. We expect to finance the shortfall if the [REDACTED] of the [REDACTED] are less than our expected expenditure by using our internal funds and/or funds to be obtained from other financing activities, as appropriate.

To the extent that the [REDACTED] are not immediately applied to the above purposes and to the extent permitted by the relevant law and regulations, the unused [REDACTED] will only be held in short-term deposits with licensed banks or authorized financial institutions (as defined under the Securities and Futures Ordinance for Hong Kong based deposits or the applicable laws in the relevant jurisdiction for non-Hong Kong based deposits). We will make an appropriate announcement if there is any change to the above proposed [REDACTED].