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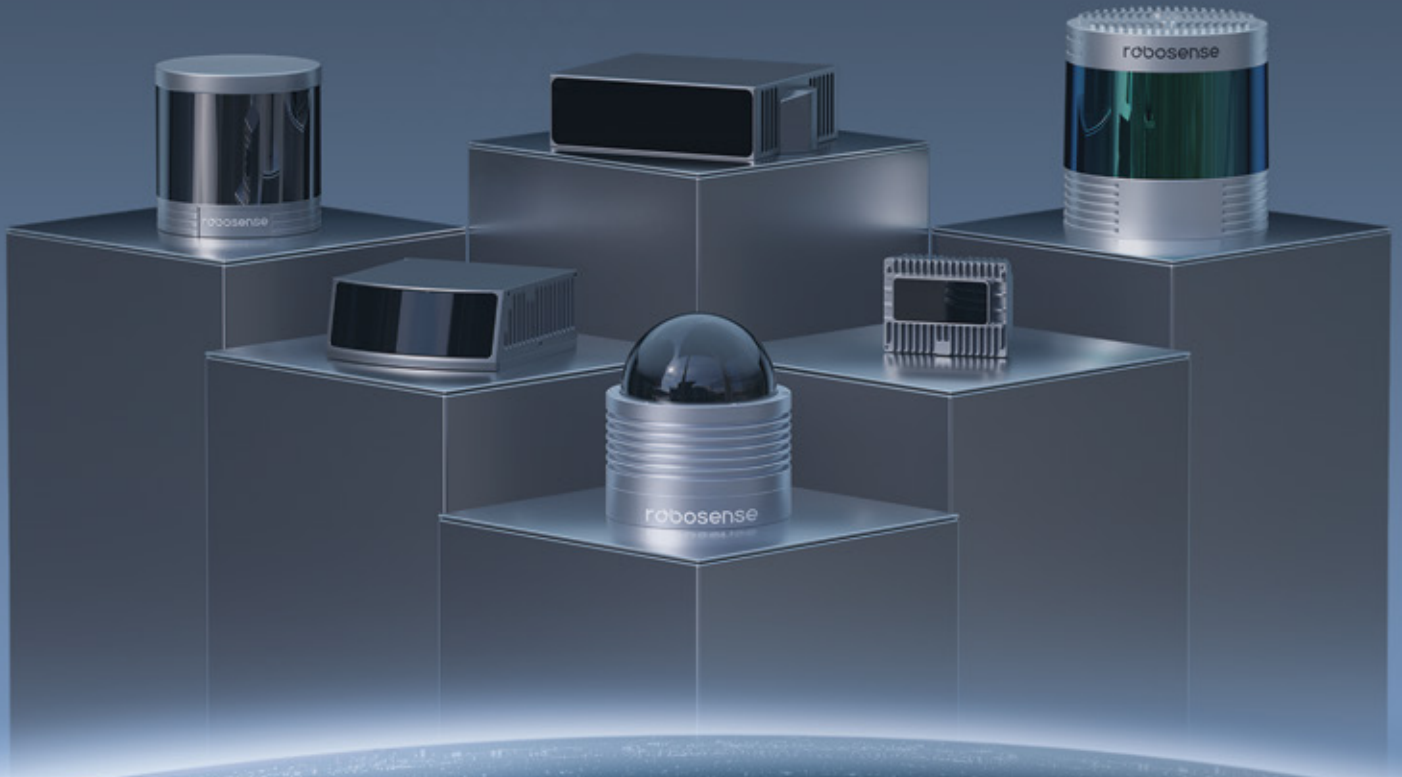
RoboSense Technology Co., Ltd
速騰聚創科技有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code : 2498



2023
ANNUAL REPORT





robosense

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Dr. Qiu Chunxin *(Chairman of the Board, Chief Scientist⁽²⁾)*
Mr. Liu Letian *(Chief Technology Officer)*
Mr. Qiu Chunchao *(Chief Executive Officer)⁽²⁾*

Non-executive Director

Dr. Zhu Xiaorui *(Scientific Advisor)*

Independent Non-executive Directors⁽¹⁾

Mr. Feng Jianfeng
Mr. Liu Ming
Mr. Ng Yuk Keung

AUDIT COMMITTEE⁽¹⁾

Mr. Ng Yuk Keung *(Chairman)*
Mr. Liu Ming
Dr. Zhu Xiaorui

REMUNERATION COMMITTEE⁽¹⁾

Mr. Feng Jianfeng *(Chairman)*
Mr. Liu Ming
Dr. Zhu Xiaorui

NOMINATION COMMITTEE

Dr. Qiu Chunxin *(Chairman)*
Mr. Feng Jianfeng
Mr. Ng Yuk Keung

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE⁽³⁾

Dr. Qiu Chunxin *(Chairman)*
Mr. Liu Letian
Mr. Qiu Chunchao

AUTHORIZED REPRESENTATIVES

Mr. Qiu Chunchao
Ms. Lau Yee Wa

JOINT COMPANY SECRETARIES

Mr. Lau Wing Kee
Ms. Lau Yee Wa

COMPLIANCE ADVISOR

Maxa Capital Limited
Unit 2602, 26/F, Golden Centre
188 Des Voeux Road Central
Sheung Wan Hong Kong

REGISTERED OFFICE

Maples Corporate Services Limited
P O Box 309
Ugland House
Grand Cayman
KY1-1104, Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Southern District
1213 Liuxian Avenue, Taoyuan Street
Nanshan District, Shenzhen, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Manulife Place
348 Kwun Tong Road, Kowloon, Hong Kong

CORPORATE INFORMATION

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Maples Fund Services (Cayman) Limited
PO Box 1093
Boundary Hall, Cricket Square
Grand Cayman
KY1-1102, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road, Hong Kong

PRINCIPAL BANKS

Bank of China (Hong Kong) Limited
Bank of China Limited, Shenzhen Tianan sub-branch
China Merchants Bank, Shenzhen branch

AUDITOR

PricewaterhouseCoopers
*Certified Public Accountants and
Registered Public Interest Entity Auditor*

LEGAL ADVISOR AS TO HONG KONG LAWS

Clifford Chance

COMPANY WEBSITE

www.robosense.ai/en

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- (1) Dr. Lu Cewu resigned as an independent non-executive Director, and a member of the Audit Committee and the Remuneration Committee of our Company with effect from February 9, 2024. Mr. Liu Ming was appointed as an independent non-executive Director, and a member of the Audit Committee and the Remuneration Committee of our Company with effect from February 9, 2024.
- (2) Dr. Qiu Chunxin resigned as the Chief Executive Officer and was appointed as the chief scientist with effect from March 27, 2024. Mr. Qiu Chunchao resigned as the executive president and was appointed as the Chief Executive Officer of our Company with effect from March 27, 2024.
- (3) Environmental, Social and Governance Committee of our Company was established on March 27, 2024.

CHAIRMAN'S STATEMENT

On January 5, 2024, RoboSense Technology Co., Ltd ("**RoboSense**" or "**Company**") was officially listed on the Hong Kong Stock Exchange ("**Stock Exchange**"), marking the recognition of RoboSense's achievements over the past nine years since its establishment in 2014 by investors and shareholders, as well as a new starting point and journey for RoboSense.

This is our first results report presented to the shareholders since our listing — 2023 Annual Report. I am very pleased to announce that RoboSense has experienced a very rapid business growth in 2023, with revenue reaching RMB1.12 billion in 2023, representing a year-on-year growth of 111.2%, of which the sales of ADAS LiDAR amounted to approximately 243,000 units, representing a year-on-year growth of 558.5%, while our gross profit margin improved from -7.4% in 2022 to 8.4% in 2023. These results have been encouraging.

As of the end of March 2024, our design wins for mass production of LiDAR products with 22 automotive OEMs and Tier 1 suppliers had increased to 65 vehicle models, and we had achieved SOP for 25 vehicle models with 12 of the abovementioned 22 automotive OEMs and Tier 1 suppliers. It is expected that more vehicle models will commence SOP in 2024. The Company has officially launched the first 940nm ultra-long-range LiDAR, M3 on January 9, 2024, the first day of CES. M3 is the world's first ultra-long-range LiDAR to achieve a 300m@10% reflectance detection capability using 940nm laser technology, and has ultra-high-definition three-dimensional imaging capabilities with angular resolution of 0.05°×0.05°, breaking the industry's technical barrier and industry perception that "only 1550nm laser transmission and reception scheme can achieve more than 250m@10% detection".

On April 15, 2024, we officially launched the new generation of automotive-grade mid-range LiDAR on the M platform — MX. This intelligent solid-state LiDAR, through the chip-based reconstruction of scanning, transmission-reception modules, and processing, leads the industry into the "thousand-yuan machine" era. With its exceptional performance, sleek design, and affordable pricing, MX has opened a new chapter in the development of high-level advanced driver assistance system ("**ADAS**") driving technology. Its introduction will accelerate the popularization of high-level ADAS driving, allowing more consumers to experience the safety and convenience of high-level ADAS driving. The launch of MX perfectly embodies our philosophy of "technology upward, technology for all," and reflects our unwavering commitment to enhancing the safety, efficiency, and level of intelligence in smart mobility.

COMPANY VISION

The completion of listing on the Stock Exchange has brought us to the next level. However, for us, this is just a beginning, and I hope investors can have a deeper understanding of RoboSense, which in a narrow sense, means robots+sense, but in a broader sense, it represents robots+cognition, and that is AI+robots. Therefore, RoboSense has defined itself as a robotics company since its inception. To become a global leading LiDAR company is only the first step of achieving our goal.

CHAIRMAN'S STATEMENT

OUR EXPERIENCE (PAST AND FUTURE INVESTMENTS IN AI+ROBOTS)

We have been working on LiDAR and perception solutions for more than nine years and have accumulated a lot of R&D and engineering experience, including hardware, AI-related software algorithm capabilities and chip technology, which have laid a solid foundation for our future development. Currently, we have a total of 563 professional R&D personnel, of which about 100 personnel are focused on R&D of chips and nearly 150 focused on AI algorithms. In 2023, our R&D expenses (excluding share-based compensation expenses therein) amounted to approximately RMB430 million, our R&D related asset investment amounted to RMB80 million, and the total R&D investment was approximately RMB510 million, of which approximately 30% was invested in R&D of AI, including algorithm, computing power and data storage, and approximately 22% invested in R&D of chips.

RoboSense's commercial applications in robotics

1. Let's begin with the application of LiDAR in traditional robots. For the past few years, the sales of our LiDAR for customers in the robotics industry has been in the leading position. We fulfill most of our robotics customers' needs with our Helios and Blackpearl products. In 2023, we have selected two types of robots for cleaning and unmanned forklift robots, as well as the scenarios of harbors and mines as our target markets and customers. And in the second half of 2023, we found strong demand for LiDAR for robots of home services, and our E platform products are able to meet the demand of such robots very well, and we expect to start delivery in Q4 2024.
2. As for the application of LiDAR in embodied intelligent robots, I believe that just as LiDAR is a key sensor for high-level ADAS driving, LiDAR with three-dimensional perception capabilities, which naturally carries in-depth information, will also be a key sensor for humanoid robots. I believe that the maturity of LiDAR in the automotive field can also be easily transferred to humanoid robots.
3. With the development of smart cars, computing power and sensor systems have rapidly matured the industry chain, and the relevant costs have dropped significantly while maintaining or improving performance. The sensors and edge computing power required for embodied intelligence will be similar to current smart electric vehicles.
4. In the past few years, we have regarded automotive as a relatively mature hardware platform to integrate the entire process of AI (including data, algorithms, and computing power clusters). We have established our own supercomputing center — the "Master Supercomputing Center (神機超算中心)". We have achieved significant progress on LiDAR and vision in multi-sensors-integrated perception solutions. Whether in terms of sensors or AI perception capabilities, these are areas in which RoboSense is expert, and also our fundamentals. We rely on certain hardware platforms, such as upper limbs (both arms + skillful hands), to complete end-to-end task execution and pursue the Scaling Law of embodied intelligence.

CHAIRMAN'S STATEMENT

Our mission is to “make the world safer and our living smarter”, with the first half of this statement is weak artificial intelligence, mainly refers to our goal of empowering automobiles with our LiDAR and perception systems so as to reduce traffic accidents and improve commuting efficiency through intelligent driving. And the second half of this statement is strong artificial intelligence, referring to our AI+ robots. I believe that in the next few years, robots will greatly improve our quality of life, with many tedious or dangerous tasks should be completed by robots, which will even become an extension of human beings and will be able to interact with the environment more naturally. Moving forward our team will continue to work hard and focus on developing our three core vertical centers hardware, AI, chips, which shall be utilized and applied on two horizontal sectors — automotive and robotics to adapt to this wave of artificial intelligence technology. Our vision is to become the world’s leading robotics technology platform company in the next ten years.

As I have to focus more on product research and development and enhancing the competitiveness of our products, as well as planning for the medium to long-term strategies of RoboSense, I have tendered my resignation as the Chief Executive Officer on March 27, 2024, but remained as chairman of the Board and assumed the role of Chief Scientist of the Company. Meanwhile, Mr. Qiu Chunchao was appointed by the Board as the Chief Executive Officer of the Company on the same day and will continue to lead the team to take on challenges, strive to achieve even better results and create better and higher value for the Company and its shareholders.

Qiu Chunxin

Chairman of the Board

April 26, 2024

FINANCIAL SUMMARY

A summary of our results and assets and liabilities of our Group for the last four financial years*, as extracted from the audited financial statements of our Group is set out below:

	For the year ended December 31,			
	2020	2021	2022	2023
	(RMB in thousands)			
Revenue	170,931	331,063	530,322	1,120,149
Cost of sales	(95,561)	(190,795)	(569,617)	(1,026,509)
Gross profit/(loss)	75,370	140,268	(39,295)	93,640
Research and development expenses	(81,534)	(133,037)	(305,941)	(635,112)
Sales and marketing expenses	(23,613)	(46,891)	(67,381)	(86,010)
General and administrative expenses	(37,603)	(142,374)	(188,352)	(345,943)
Net impairment losses on financial assets	(1,732)	(2,884)	(2,502)	(2,288)
Other income	8,143	18,761	31,483	45,427
Other gains/(losses) — net	358	584	(44,118)	(10,296)
Operating loss	(60,611)	(165,573)	(616,106)	(940,582)
Finance income/(costs) — net	677	(928)	15,445	78,086
Share of net profit of an associate accounted for using the equity method	—	—	—	4,457
Fair value changes in financial instruments issued to investors	(160,667)	(1,487,788)	(1,484,649)	(3,471,058)
Loss before income tax	(220,601)	(1,654,289)	(2,085,310)	(4,329,097)
Income tax expenses	—	(237)	(803)	(1,869)
Net loss	(220,601)	(1,654,526)	(2,086,113)	(4,330,966)
(Loss)/profit attributable to:				
Owners of the Company	(220,794)	(1,658,730)	(2,088,652)	(4,336,629)
Non-controlling interests	193	4,204	2,539	5,663

FINANCIAL SUMMARY

	As of December 31,			2023
	2020	2021	2022	
	(RMB in thousands)			
Total current assets	330,117	1,569,239	3,029,363	2,826,689
Total non-current assets	28,158	172,960	398,071	444,764
Total assets	358,275	1,742,199	3,427,434	3,271,453
Total current liabilities	122,853	1,280,887	7,594,095	10,847,517
Total non-current liabilities	1,187,292	3,097,231	870,597	1,493,775
Total liabilities	1,310,145	4,378,118	8,464,692	12,341,292
Total deficits	(951,870)	(2,635,919)	(5,037,258)	(9,069,839)
Total deficits and liabilities	358,275	1,742,199	3,427,434	3,271,453

* Shares of our Company were listed on the Main Board of the Stock Exchange on January 5, 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

We are a global leader in the LiDAR and perception solutions market. By integrating hardware and software, we have differentiated ourselves from most LiDAR companies in the market who only focus on hardware. Combined with visual or other sensors, LiDAR forms perception solutions that endow automobiles and robots with perception capabilities. We develop our solutions based on chip-driven LiDAR hardware and AI perception software, expanding application scenarios and realizing large-scale commercialization in the industry. Our business primarily comprises (i) sales of LiDAR hardware products for application in the ADAS, robotics and other non-automotive industries such as cleaning, logistics, industrial, public services and inspection, among others, (ii) sales of LiDAR perception solutions integrating our LiDAR hardware and AI perception software, and (iii) the provision of technology development and other services.

On January 9, 2024, at CES 2024, the Company unveiled its latest long-range LiDAR product, the M3, to the world. Targeted at the pre-production of L3+ autonomous driving systems, the M3 is built on the Company's mature 2D scanning technology from the M platform. It is the first ultra-long-range LiDAR to achieve a 300m@10% detection capability using a 940nm laser transmission and reception scheme, breaking the industry's technical barrier that "only 1550nm can achieve more than 250m@10% detection." The M3 also boasts exceptional detection capabilities for small objects. With its best angular resolution of 0.05°×0.05° and equivalent to 500 lines, combined with the 300m@10% detection range, it can identify scattered obstacles at a greater distance in advance, thereby helping intelligent vehicles to maneuver and avoid collisions in a timely manner. Moreover, compared to traditional ultra-long-range LiDARs that use 1550nm laser technology, the M3 is smaller in size, more cost-effective, and has lower power consumption, making high-level intelligent driving systems more affordable and easier to integrate into vehicle designs. With its highly mature platform technology, powerful performance, and ultimate cost-performance ratio, the M3 will provide a solid guarantee for customers to implement L3 to L4 level high-grade intelligent assisted driving systems in pre-production mass production applications, contributing to the continuous advancement of the global intelligent automotive industry towards L3+ autonomous driving.

MX is the new generation of automotive-grade mid-range LiDAR on the RoboSense M platform, which combines outstanding ultimate cost-effectiveness, leading performance, and compactness. MX is not only equipped with RoboSense's proprietary SoC chip, called M-Core, but also uses the proprietary 2D MEMS scanning chip. At the same time, the transceiver system completes the chip iteration upgrade, which is the culmination of the chipization of LiDAR. Thanks to its ultimate design, MX has an unparalleled 25mm thin and light-weight appearance, ultra-quiet operating sound, and ultra-low power consumption below 10W. MX has a maximum range of 200 meters and 120°×25° FOV, as well as the 126-beam [equivalent 251-beam in ROI area]. Through the "GAZE" technology upgrade, MX can achieve all range ROI, provide a safer and smarter driving experience.

Our Customer-Centric Technology and Product Approach

We led the era of mass production for automotive-grade solid-state LiDAR by delivering M1, our flagship LiDAR product back in June 2021. Since then, we have launched three LiDAR platforms utilizing our LiDAR hardware and LiDAR-on-chip technologies: the M Platform, the E Platform and the R Platform. In addition, we are in the process of designing and developing the F Platform, our next-generation LiDAR platform.

As of December 31, 2023, we had earned design wins for mass production of LiDAR products for 63 vehicle models with 22 automotive OEMs and Tier 1 suppliers, and achieved SOP for 24 vehicle models with 12 customers. We had established cooperation with more than 270 automotive OEMs and Tier 1 suppliers globally as of December 31, 2023. In 2023, our revenue generated from sales of our LiDAR products for ADAS applications increased to RMB777.1 million from RMB160.4 million in 2022, representing a significant year-on-year growth of 384.6%.

MANAGEMENT DISCUSSION AND ANALYSIS

We have also widely extended our application use cases beyond the automotive industry, such as agricultural robots, inspection robots, V2X solutions and reference solutions. As of December 31, 2023, we had served approximately 2,400 customers in the robotics and other non-automotive industries. In 2023, our revenue generated from sales of our LiDAR products for robotics and other industries decreased to RMB186.5 million from RMB239.1 million in 2022, representing a year-on-year reduction of 22.0%. Our revenue generated from solutions decreased to RMB110.1 million in 2023 from RMB122.3 million in 2022, representing a year-on-year reduction of 10.0%. In 2023, our revenue generated from services and others increased to RMB46.5 million from RMB8.7 million in 2022, representing a significant year-on-year growth of 437.7%.

Our Technology and Product Development

Innovation is core to our corporate culture. We have invested significant resources into the R&D of our LiDAR technologies. Our LiDAR products and solutions empowered by this proprietary technology are widely recognized by customers for their superior performance and cost advantages. Our full-stack, hardware and software integrated perception capabilities also provide us with greater commercialization opportunities than companies who exclusively offer LiDAR hardware products.

We have established three R&D centers in China, located in Shenzhen, Shanghai and Suzhou. Led by Dr. Qiu Chunxin (our co-founder, chairman of the Board, executive Director and chief scientist) and Mr. Liu Letian (our co-founder, executive Director and chief technology officer), our R&D teams are strategically placed in locations that are close to the best talent and to our business partners. The R&D team also collaborates with our operations and supply chain teams in order to continually optimize and improve manufacturing processes and assist with supply chain planning.

Our Mass Production Capabilities

We have accumulated significant know-how in product verification, engineering and manufacturing, all of which are crucial to the success of large-scale mass production and delivery. We operate two in-house manufacturing centers in Shenzhen. We also invested in a manufacturing center through our associate, Luxsense, in Dongguan. We have established a high level of control throughout the entire production process from prototype to mass production. Utilizing our automated intelligent manufacturing and engineering facilities, we are able to achieve high product consistency and effective cost control.

Business Outlook

While we were loss-making during the Reporting Period as we were still at a ramp-up stage, we had sustained significant improvement in our financial performance as we expand rapidly and aim at long-term business success and financial return in the fast-growing LiDAR solutions market.

Going forward, leveraging our competitive strengths, we will continue to implement our growth strategies, including our continued investment in our core technologies and refine our product offerings, strengthening our manufacturing and supply chain capabilities, strengthening and broadening our customer base, and attracting and retaining talent.

Since December 31, 2023 and up to the date of this annual report, there was no material adverse change in our financial or trading position or prospects and there was no event that would materially affect the information set out in our Group's consolidated financial statements in this annual report.

MANAGEMENT DISCUSSION AND ANALYSIS

Year ended December 31, 2023 compared to Year ended December 31, 2022

The following table sets forth the comparative figures for the years ended December 31, 2023 and 2022:

	For the year ended	
	December 31,	2022
	2023	2022
	(RMB, in thousands)	
Revenue	1,120,149	530,322
Cost of sales	(1,026,509)	(569,617)
Gross profit/(loss)	93,640	(39,295)
Research and development expenses	(635,112)	(305,941)
Sales and marketing expenses	(86,010)	(67,381)
General and administrative expenses	(345,943)	(188,352)
Net impairment losses on financial assets	(2,288)	(2,502)
Other income	45,427	31,483
Other losses — net	(10,296)	(44,118)
Operating loss	(940,582)	(616,106)
Finance income — net	78,086	15,445
Share of net profit of an associate accounted for using the equity method	4,457	—
Fair value changes in financial instruments issued to investors	(3,471,058)	(1,484,649)
Loss before income tax	(4,329,097)	(2,085,310)
Income tax expenses	(1,869)	(803)
Net loss	(4,330,966)	(2,086,113)
(Loss)/profit attributable to:		
Owners of the Company	(4,336,629)	(2,088,652)
Non-controlling interests	5,663	2,539

MANAGEMENT DISCUSSION AND ANALYSIS

	As of December 31,	
	2023	2022
	(RMB in thousands)	
Total current assets	2,826,689	3,029,363
Total non-current assets	444,764	398,071
Total assets	3,271,453	3,427,434
Total current liabilities	10,847,517	7,594,095
Total non-current liabilities	1,493,775	870,597
Total liabilities	12,341,292	8,464,692
Total deficits	(9,069,839)	(5,037,258)
Total deficits and liabilities	3,271,453	3,427,434

Revenue

	Year ended	
	December 31,	2022
	2023	2022
	(RMB in thousands)	
Revenue from:		
Products		
For ADAS	777,070	160,355
For robotics and others	186,473	239,053
	963,543	399,408
Solutions	110,074	122,260
Services and others	46,532	8,654
Total	1,120,149	530,322

MANAGEMENT DISCUSSION AND ANALYSIS

Our total revenue increased by 111.2% from RMB530.3 million for the year ended December 31, 2022 to RMB1,120.1 million for the year ended December 31, 2023. The increase was primarily due to the increased sales of products in 2023.

- Revenue from the sales of products increased by 141.2% from RMB399.4 million for the year ended December 31, 2022 to RMB963.5 million for the year ended December 31, 2023, primarily due to the increased sales of products for ADAS applications, such as our automotive-grade solid-state LiDAR. In 2023, our revenue generated from sales of our LiDAR products for ADAS applications increased to RMB777.1 million from RMB160.4 million in 2022, representing a significant year-on-year growth of 384.6%. The total number of our LiDAR products sold increased from approximately 57,000 units in 2022 to approximately 259,600 units in 2023. The number of LiDAR products sold for ADAS applications significantly increased from approximately 36,900 units in 2022 to approximately 243,000 units in 2023. The revenue growth driven by the increase in sales volume of products for ADAS applications was partially offset by (i) the decrease in the average unit price of products for ADAS applications from approximately RMB4,300 per unit in 2022 to approximately RMB3,200 per unit in 2023, as we sold more mass-produced LiDARs, which were typically priced at a lower unit price than their respective prototypes, in 2023, and (ii) the decrease in revenue generated from sales of products for robotics and others from RMB239.1 million in 2022 to RMB186.5 million in 2023, representing a year-on-year reduction of 22.0%, primarily because we strategically focused on capturing the market opportunities in the ADAS market, and have halted the production of RS-LiDAR-16, which is a product for robotics and other applications, since December 2022.
- Revenue from the sales of solutions decreased by 10.0% from RMB122.3 million for the year ended December 31, 2022 to RMB110.1 million for the year ended December 31, 2023, primarily due to the decrease in sales of reference solutions and partially offset by the increase in sales of V2X solutions that are tailored for smart infrastructure applications.
- Revenue from the provision of services and others increased significantly by 437.7% from RMB8.7 million for the year ended December 31, 2022 to RMB46.5 million for the year ended December 31, 2023, primarily due to the completion and revenue recognition of eight projects in 2023.

Cost of Sales

Our cost of sales increased by 80.2% from RMB569.6 million for the year ended December 31, 2022 to RMB1,026.5 million for the year ended December 31, 2023, primarily driven by the increase in sales of products in 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit/(Loss) and Gross Margin

	For the year ended December 31,			
	2023		2022	
	Gross Profit/(Loss)	Gross Margin	Gross Profit/(Loss)	Gross Margin
(RMB in thousands, except for percentages)				
Products				
For ADAS	(45,835)	(5.9%)	(162,091)	(101.1%)
For robotic and others	82,585	44.3%	98,920	41.4%
Solutions	60,975	55.4%	67,123	54.9%
Services and others	(4,085)	(8.8%)	(43,247)	(499.7%)
Total	93,640	8.4%	(39,295)	(7.4%)

Our gross loss was RMB39.3 million for the year ended December 31, 2022 whilst we recorded a gross profit of RMB93.6 million for the year ended December 31, 2023. Accordingly, the gross margin improved significantly from a gross loss margin of 7.4% for the year ended December 31, 2022 to gross profit margin of 8.4% for the year ended December 31, 2023.

Our overall gross margin was largely affected by the changes in the sales contribution from different product categories. The increase in overall gross margin from gross loss margin of 7.4% for the year ended December 31, 2022 to gross profit margin of 8.4% for the year ended December 31, 2023 was mainly attributable to the significant gross margin improvement across two product categories, namely (i) LiDAR products for ADAS applications, and (ii) provision of services and others.

In particular, for our LiDAR products for ADAS applications, we recorded a gross loss of RMB162.1 million and RMB45.8 million for the years ended December 31, 2022 and 2023, respectively. The gross margin for this product category improved significantly from a gross loss margin of 101.1% for the year ended December 31, 2022 to 5.9% for the year ended December 31, 2023. The prices of semiconductor chips we procured in 2023 were significantly lower than those procured at heightened costs in 2022. In 2022, due to the semiconductor chips supply shortage issue, the prices of semiconductor chip we procured were higher, which also resulted in a significant inventory provision incurred in 2022. In addition, our gross margin improvement was also attributable to the economies of scales, as we scaled up our production volume for LiDAR products for ADAS applications in 2023.

For our sales of LiDAR products for robotics and others, we recorded a gross profit of RMB98.9 million and RMB82.6 million for the years ended December 31, 2022 and 2023, respectively. The gross profit margin for this product category improved from 41.4% for the year ended December 31, 2022 to 44.3% for the year ended December 31, 2023. This was primarily because we have halted the production of RS-LiDAR-16 since December 2022, which were of a lower gross margin.

MANAGEMENT DISCUSSION AND ANALYSIS

For our provision of LiDAR perception solutions, we recorded a gross profit of RMB67.1 million and RMB61.0 million for the years ended December 31, 2022 and 2023, respectively. The gross profit margin for this product category increased slightly from 54.9% for the year ended December 31, 2022 to 55.4% for the year ended December 31, 2023.

For our provision of services, we recorded a gross loss of RMB43.2 million and RMB4.1 million for the years ended December 31, 2022 and 2023, respectively. The gross margin for this product category improved significantly from a gross loss margin of 499.7% for the year ended December 31, 2022 to 8.8% for the year ended December 31, 2023. This was primarily because we provided one-off technology development service to our certain key customers at favorable prices in 2022.

R&D Expenses

Our R&D expenses increased significantly by 107.6% from RMB305.9 million for the year ended December 31, 2022 to RMB635.1 million for the year ended December 31, 2023. The increase was primarily due to (i) the higher employee benefit expenses, which were mainly attributable to (a) the increase in share-based compensation of RMB207.2 million, and (b) the increase in the number of R&D personnel from 482 as of December 31, 2022 to 563 as of December 31, 2023 and improved remuneration package for our R&D personnel; and (ii) the increased R&D equipment, resulting in higher depreciation and amortization expenses. We recruited additional R&D personnel specialized in the development of proprietary chips, who enjoyed better remuneration package. Our R&D expenses excluding share-based compensation as a percentage of revenue reduced from 57.7% in 2022 to 38.2% in 2023.

Sales and Marketing Expenses

Our sales and marketing expenses increased by 27.6% from RMB67.4 million for the year ended December 31, 2022 to RMB86.0 million for the year ended December 31, 2023. The increase was primarily due to (i) the higher employee benefit expenses, which were mainly attributable to (a) the increase in share-based compensation of RMB4.4 million, and (b) improved remuneration package for our employees; and (ii) the increase in business development and promotion activities as the COVID-19 restrictions had been eased. Our sales and marketing expenses excluding share-based compensation as a percentage of revenue reduced from 12.7% in 2022 to 7.3% in 2023.

General and Administrative Expenses

Our general and administrative expenses increased significantly by 83.7% from RMB188.4 million for the year ended December 31, 2022 to RMB345.9 million for the year ended December 31, 2023. The increase was primarily due to (i) the increase in share-based compensation of RMB130.3 million, resulting in the higher employee benefit expenses, and (ii) the listing expenses incurred in 2023. Our general and administrative expenses excluding share-based compensation and listing expenses as a percentage of revenue reduced from 28.2% in 2022 to 11.8% in 2023.

Net Impairment Losses on Financial Assets

We recorded net impairment losses on financial assets of RMB2.3 million for the year ended December 31, 2023, which remained relatively stable as compared to that of RMB2.5 million for the year ended December 31, 2022.

Other Income

Our other income increased by 44.3% from RMB31.5 million for the year ended December 31, 2022 to RMB45.4 million for the year ended December 31, 2023. The increase was primarily due to the increase in government grants.

MANAGEMENT DISCUSSION AND ANALYSIS

Other Losses — Net

Our other losses, which were primarily net foreign exchange losses, decreased by 76.7% from RMB44.1 million for the year ended December 31, 2022 to RMB10.3 million for the year ended December 31, 2023. The foreign exchange losses we incurred in 2022 and 2023 were related to an RMB-denominated intra-group borrowing by RoboSense HK to Shenzhen Suteng. The functional currency of RoboSense HK was U.S. dollars. The less appreciation of U.S. dollars to RMB exchange rate caused the net foreign exchange losses to decrease in 2023.

Finance Income — Net

Net finance income increased by 405.6% from RMB15.4 million for the year ended December 31, 2022 to RMB78.1 million for the year ended December 31, 2023. The increase was primarily due to the increase in interest income from cash and cash equivalents.

Fair value changes in financial instruments issued to investors

Our fair value changes of Preferred Shares were negative RMB3.5 billion in 2023, and negative RMB1.5 billion in 2022, primarily due to the increase in the valuation of the Company. See Note 31 to the consolidated financial statements set forth in this annual report for details regarding the fair value changes in financial instruments issued to investors. Upon Listing, all the Preferred Shares were automatically converted into ordinary shares and were reclassified from liabilities to equity accordingly.

Net Loss

As a result of the foregoing, our net loss increased by 107.6% from RMB2,086.1 million for the year ended December 31, 2022 to RMB4,331.0 million for the year ended December 31, 2023.

Non-IFRS Measure

To supplement our consolidated financial statements, which are presented in accordance with IFRS, we also use adjusted net loss (non-IFRS measure) as an additional financial measure, which is not required by, or presented in accordance with IFRS. We believe this non-IFRS measure facilitates comparisons of operating performance from year to year and company to company by eliminating potential impacts of items, and provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of adjusted net loss (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. 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 an analysis of, our results of operations or financial condition as reported under IFRS. We define adjusted net loss (non-IFRS measure) as net loss for the period adjusted by adding back share-based compensation, fair value changes in financial instruments issued to investors and listing expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table reconciles our adjusted net loss (non-IFRS measure) for the periods presented with the most directly comparable financial measure calculated and presented in accordance with IFRS, which is net loss for the period:

	For the year ended	
	December 31,	2022
	(RMB in thousands)	
Reconciliation of net loss to adjusted net loss (non-IFRS measure):		
Net loss	(4,330,966)	(2,086,113)
Add:		
— Share-based compensation ⁽¹⁾	376,980	35,086
— Fair value changes in financial instruments issued to investors ⁽²⁾	3,471,058	1,484,649
— Listing expenses ⁽³⁾	48,695	3,558
Adjusted net loss (non-IFRS measure)	(434,233)	(562,820)

(1) Share-based compensation is non-cash in nature and mainly represents the arrangement that we receive services from employees as consideration for our equity instruments. Share-based compensation is not expected to result in future cash payments.

(2) Fair value changes in financial instruments issued to investors represent the fair value changes of the Preferred Shares, warrants and convertible notes issued by us, which will convert into equity upon Listing.

(3) Listing expenses are related to the Global Offering.

LIQUIDITY AND CAPITAL RESOURCES

We monitor and maintain a level of liquidity deemed adequate to finance our operations and mitigate the effects of fluctuations in cash flows. As of December 31, 2023, we had RMB1,835.5 million in cash and cash equivalents, restricted cash and time deposits, as compared to RMB2,156.5 million as of December 31, 2022. Our cash and cash equivalents primarily consist of cash at banks under RMB and USD denominations.

Our net operating cash outflow in 2023 was RMB516.5 million, representing a decrease from RMB523.1 million in 2022. Our net cash used in operating activities in 2023 is calculated by adjusting our loss before income tax of RMB4,329.1 million by non-cash and other items to arrive at an operating loss before changes in working capital of RMB423.9 million.

INDEBTEDNESS AND FINANCIAL RATIOS

Borrowings

As of December 31, 2023, we did not have any unutilized banking facilities.

MANAGEMENT DISCUSSION AND ANALYSIS

Lease Liabilities

As of December 31, 2023, we recognized total lease liabilities, including current and non-current lease liabilities, of RMB15.5 million, as compared to that of RMB30.5 million as of December 31, 2022, due to the fact that there was less new addition of lease liabilities in 2023, and the decrease in balance was primarily attributable to the annual amortization of the lease liabilities.

License Fees Payable

Our license rights are recognized as intangible assets. The license fees payable is initially recorded at fair value of the date of the license agreement. As of December 31, 2023, we recognized total license fees payable of RMB22.6 million, including current and non-current license fees payable, as compared to RMB28.2 million as of December 31, 2022, due to the fact that there was no new addition of license fees payable in 2023, and the slight decrease in balance was solely attributable to the payment of the license fees payable.

Financial Instruments Issued to Investors and Deposits Paid by Investors

As of December 31, 2023 and 2022, we recognized financial instruments issued to investors, including current and non-current, of RMB11,449.7 million and RMB6,996.0 million, respectively, primarily because we completed several rounds of financing by issuing shares with certain preferred rights upon capital contribution. Accordingly, we recognized the financial instruments with preferred rights as financial liabilities considering that all triggering events for the key redemption rights that could be exercised by the investors, are out of our control and these financial instruments do not meet the definition of equity for our Company. We designated financial instruments issued to investors as financial liabilities at fair value through profit or loss and subsequently measured at fair value.

We did not record any deposits paid by investors as of December 31, 2023, while the deposits paid by investors in relation to series G-2 of the pre-IPO investments of our Company amounted to RMB850.3 million as of December 31, 2022.

Financial Ratios

Our current ratio (calculated as current assets divided by current liabilities as of the same date) decreased to 26.1% as of December 31, 2023 from 39.9% as of December 31, 2022, mainly because financial instruments issued to investors increased as series G-2 completed in 2023.

Our gearing ratio (calculated as total liabilities divided by total assets as of the same date) increased to 377.2% as of December 31, 2023 from 247.0% as of December 31, 2022, mainly because financial instruments issued to investors increased as series G-2 completed in 2023.

CHARGE ON ASSETS

As of December 31, 2023, there was no charge on assets of our Group (FY2022: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL EXPENDITURES AND CAPITAL COMMITMENTS

Our capital expenditures were primarily used for the construction of our manufacturing facilities. In 2023, our capital expenditures decreased to RMB134.0 million from RMB181.9 million in 2022. In these periods, our capital expenditures were primarily used for construction of our manufacturing facilities and supply chain.

Our capital commitments were primarily related to (i) property, plant and equipment and (ii) intangible assets. As of December 31, 2023, the Company had capital commitments of RMB7.2 million, of which RMB5.5 million were attributable to property, plant and equipment and RMB1.7 million were attributable to intangible assets. This represents a slight decrease in our capital commitments from RMB8.1 million as of December 31, 2022.

As disclosed in the Prospectus, we plan to use approximately 20% of the net proceeds raised from the Global Offering for enhancing our manufacturing, testing and verification capabilities and approximately 5% of the net proceeds for exploring potential strategic partnerships or alliance opportunities. For further details of our proposed use of proceeds from the Global Offering, see the section headed “Future Plans and Use of Proceeds” in the Prospectus. Save as disclosed in this annual report, the Group had no other material capital expenditure or investment plan as of the date of this annual report.

CONTINGENT LIABILITIES

As of December 31, 2023, our Company did not have any material contingent liabilities.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save as disclosed in this annual report, our Company had no other significant investments and/or material acquisition or disposal of subsidiaries, associates and joint venture during the year ended December 31, 2023.

HUMAN RESOURCES

As of December 31, 2023, we had a total of 1,324 employees and almost all of our employees were based in Mainland China. We use various recruitment methods, including campus recruitment, online recruitment, other external recruitment channels as well as internal referrals and transfers. In addition to salaries and benefits, we generally provide performance-based bonuses for our full-time employees and commission for our sales and marketing staff. We have also established share incentive schemes, including the Pre-IPO Share Incentive Scheme A, the Pre-IPO Share Incentive Scheme B and the Post-IPO Share Incentive Scheme to incentivize our employees, details of which are set out in the Prospectus. We have established a comprehensive system for employee training and development, including general trainings covering corporate culture, employee rights and responsibilities, workplace safety, data security, and other logistics aspects, as well as specific trainings that improve employee knowledge and expertise in certain important areas related to our business. We are committed to making continued efforts to provide an engaging working environment to our employees.

MANAGEMENT DISCUSSION AND ANALYSIS

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in Note 39 to the consolidated financial information set forth in this annual report, we are not aware of any material subsequent events since the end of the Reporting Period to the date of this annual report.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

On January 5, 2024, the Shares of our Company were listed on the Main Board of the Stock Exchange. The net proceeds from the Global Offering (including the partial exercise of Over-allotment Option as disclosed in the announcement of the Company dated February 1, 2024) amounted to approximately HK\$953.0 million. We plan to use the net proceeds raised from the Global Offering in the coming two to three years as follows:

- Approximately 45% of the net proceeds for our research and development to continue building and enhancing our product pipeline as well as team expansion for supporting our R&D initiatives;
- Approximately 20% of the net proceeds for enhancing our manufacturing, testing and verification capabilities;
- Approximately 20% of the net proceeds for enhancing our sales and marketing efforts;
- Approximately 5% of the net proceeds for exploring potential strategic partnerships or alliance opportunities; and
- Approximately 10% of the net proceeds for working capital and for general corporate purposes to support our business operation and growth.

For details of the proposed uses of proceeds from the Global Offering, see the section headed "Future Plans and Use of Proceeds" in the Prospectus. As of the Latest Practicable Date, we did not anticipate any material change to our plan on the use of proceeds as stated in the Prospectus.

As of the Latest Practicable Date, we had utilized the net proceeds as set out in the table below.

MANAGEMENT DISCUSSION AND ANALYSIS

Intended use	Proportion of net proceeds allocated for each intended use (%)	Amount of net proceeds allocated for each intended use (HK\$ million)	Amount of net proceeds utilized for each intended use as of the Latest Practicable Date (HK\$ million)
For our research and development	45%	428.8	120.7
For enhancing our manufacturing, testing and verification capabilities	20%	190.6	147.9
For enhancing our sales and marketing efforts	20%	190.6	14.3
For exploring potential strategic partnerships or alliance opportunities	5%	47.7	–
For working capital and for general corporate purposes	10%	95.3	32.0

TREASURY POLICY

Our management performs the treasury functions and continues to monitor our cash requirements from time to time. If our cash requirements exceed the liquidity we hold at the time, our Company may seek credit facilities and external borrowings or issue securities as it considers necessary and appropriate.

PRINCIPAL RISKS AND UNCERTAINTIES

Our business faces risks including those set out in the section headed “Risk Factors” in the Prospectus. The following list is a summary of certain principal risks and uncertainties facing the Group, some of which are beyond its control:

- Our limited operating history makes it difficult to evaluate our future prospects and the risks and challenges we may encounter;
- We have a history of net losses, which may continue in the future;
- We have recorded net operating cash outflow in the past, which may reoccur in the future;
- We recorded net current liabilities and net liabilities;
- The failure to innovate our technology or develop new products to adapt to changing customer needs could harm our growth;

MANAGEMENT DISCUSSION AND ANALYSIS

- Continued pricing pressures from our customers, many of whom possess significant bargaining power, may result in lower than anticipated revenue and margins, which may materially and adversely affect our business prospects and results of operations;
- We are susceptible to supply shortages, long lead times and increased costs of raw materials and key components, any of which could disrupt our supply chain, increase our production costs, adversely affect our profitability and delay deliveries of our products to customers;
- As the LiDAR industry in which we operate is new and rapidly evolving, we are subject to intense competition and it is difficult to forecast adoption rates and demand for our products. If market adoption of LiDAR does not continue to grow according to expectations, it could materially and adversely affect our business prospects and results of operations; and
- There is no guarantee that our automotive OEM customers will purchase our products and solutions in any certain quantity or at any certain price even after we obtain design wins, and the period of time from product design to mass production is long and we are subject to the risks of termination or postponement of contracts or unsuccessful implementation.

RISK MANAGEMENT

We are exposed to a variety of financial risks, including market risks (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk as set out below. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. Risk management is carried out by the senior management of our Group. Our management regularly manages and monitors the financial risks of our Group to ensure appropriate measures are implemented in a timely and effective manner. During the Reporting Period, no hedging activity was undertaken by our Group.

Market Risk

Foreign Exchange Risk

Foreign exchange risk is the risk that the value of a financial instrument fluctuates because of the changes in foreign exchange rates. Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the respective functional currency of our Group's entities. The functional currency of our Company and majority of its overseas subsidiaries is USD whereas the functional currency of the PRC subsidiaries is RMB. Our Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to RMB and USD.

During the Reporting Period, our Group did not hedge transactions undertaken in foreign currencies but managed its foreign exchange risk by performing regular reviews of our Group's net foreign exchange exposures. See Note 3.1 to the consolidated financial statements in this annual report for details.

MANAGEMENT DISCUSSION AND ANALYSIS

Interest Rate Risk

Our Group's interest rate risk primarily arises from time deposits and cash and cash equivalents. Those carried at floating rates expose our Group to cash flow interest rate risk whereas those carried at fixed rates expose our Group to fair value interest rate risk. Our Group regularly monitors the interest rate risk to ensure there is no undue exposure to significant interest rate movements.

During the Reporting Period, our Group did not have any significant interest-bearing liabilities nor any significant interest-bearing assets except for time deposits and cash and cash equivalents. The fair value interest rate risk arises from financial assets and liabilities carried at fixed rates was not significant for our Group during the Reporting Period. See Note 3.1 to the consolidated financial statements in this annual report for details.

Price Risk

Our Group is exposed to price risk in respect of financial assets at FVPL, which mainly include investments in wealth management products. During the Reporting Period, our Group was not exposed to commodity price risk. See Note 3.3 to the consolidated financial statements in this annual report for details.

Credit Risk

Our Group is exposed to credit risk in relation to its cash and cash equivalents, time deposits, restricted cash, trade and notes receivables, other receivables and financial assets at FVOCI. The carrying amounts of above items represent our Group's maximum exposure to credit risk in relation to financial assets. The management of our Group manages credit risk on a group basis.

As of December 31, 2023, our cash and cash equivalent were mainly placed with reputable financial institutions in the PRC without significant credit issue, and our Group was not exposed to significant credit risk arising from other receivables having considered the counterparties' past operational and financial performance and other factors. See Note 3.1(b) to the consolidated financial statements in this annual report for details.

Liquidity Risk

Liquidity risk is the risk that our Group is unable to meet its obligations when they fall due, resulting from amount and maturity mismatches of assets and liabilities. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding. Due to the nature of the underlying businesses, our management responsible for treasury function aims to maintain flexibility in funding by keeping sufficient cash available. See Note 3.1(c) to the consolidated financial statements in this annual report for details.

DIRECTORS' REPORT

The Board is pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended December 31, 2023.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Company and its subsidiaries are engaged in (i) sales of LiDAR hardware products for applications in ADAS, as well as robotics and other non-automotive industries such as cleaning, logistics, industrial, public services and inspection, among others, (ii) sales of LiDAR perception solutions, integrating its LiDAR hardware and AI perception software, (iii) the provision of technology development and other services.

An analysis of the group's performance for the year by operating segment is set out Note 5 to the consolidated financial statements in this annual report.

DIRECTORS

The Directors from the Listing Date and up to the date of this annual report are:

Executive Directors

Dr. Qiu Chunxin (*Chairman of the Board and Chief Scientist*) (*appointed as the Chief Scientist and resigned as the Chief Executive Officer with effect from March 27, 2024*)

Mr. Liu Letian (*Chief Technology Officer*)

Mr. Qiu Chunchao (*Chief Executive Officer*) (*appointed as the Chief Executive Officer and resigned as the Executive President with effect from March 27, 2024*)

Non-executive Director

Dr. Zhu Xiaorui (*Scientific Advisor*)

Independent Non-executive Directors

Mr. Feng Jianfeng

Dr. Lu Cewu (*appointed with effect from January 5, 2024 and resigned with effect from February 9, 2024*)

Mr. Liu Ming (*appointed with effect from February 9, 2024*)

Mr. Ng Yuk Keung

DIRECTORS' REPORT

In accordance with Article 26.4 of the Company's Articles of Association, Mr. Liu Letian and Dr. Zhu Xiaorui retire by rotation at the forthcoming Annual General Meeting, and being eligible, offer themselves for re-election.

In accordance with Article 26.3 of the Company's Articles of Association, Mr. Feng Jianfeng and Mr. Ng Yuk Keung (whose appointment by the Board became effective on January 5, 2024) and Mr. Liu Ming (whose appointment by the Board became effective on February 9, 2024) retire at the forthcoming Annual General meeting, being eligible, offers themselves for re-election.

BUSINESS REVIEW

A fair review of the Group's business as required under Schedule 5 to the Companies Ordinance, including the Group's performance analysis during the year ended December 31, 2023, particulars of important events affecting the Group that have occurred since the end of the year ended December 31, 2023, as well as the possible future business development of the Group and possible risks that the Group may be facing, are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report.

Discussions on the environmental policies and performance, compliance by the Group with the relevant laws and regulations that have a significant impact on the Group and the account of the key relationships of the Group with its stakeholders are set out in the "Environmental, Social and Governance Report" of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended December 31, 2023 are set out in the consolidated statement of comprehensive loss of this annual report.

The Board does not recommend the payment of final dividend for the year ended December 31, 2023 (2022: Nil).

SHARE CAPITAL

Details of movements in share capital of the Company during the year ended December 31, 2023 are set out in Note 26 to the consolidated financial statements in this annual report.

DISTRIBUTABLE RESERVES

As of December 31, 2023, the Company did not have any distributable reserve.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate revenue attributable to the Group's largest customers for the year ended December 31, 2023 accounted for approximately 32.8% (2022: 10.2%) of the Group's total revenue. The aggregate revenue attributable to the Group's five largest customers for the year ended December 31, 2023 accounted for approximately 66.9% (2022: 33.2%) of the Group's total revenue.

DIRECTORS' REPORT

The aggregate purchases attributable to the Group's largest suppliers for the year ended December 31, 2023 accounted for approximately 21.2% (2022: 7.8%) of the Group's total purchases. The aggregate purchases attributable to the Group's five largest suppliers for the year ended December 31, 2023 accounted for approximately 38.1% (2022: 26.0%) of the Group's total purchases.

To the best knowledge of the Directors, none of the Directors or their associates or any Shareholders who owned more than 5% of the Company's issued share capital, had any beneficial interest in any of the Group's five largest customers or suppliers during the year ended December 31, 2023.

SUBSIDIARIES OF THE COMPANY

The details of the subsidiaries of the Company are set out in Note 1.2 to the consolidated financial statements of this annual report.

PROPERTY, PLANT AND EQUIPMENT

The details of the property, plant and equipment of the Group and their movements during the year ended December 31, 2023 are set out in Note 13 to the consolidated financial statements of this annual report.

None of the Company's properties are held for development and/or sale or for investment purposes.

BORROWINGS

As of December 31, 2023, we did not have any unutilized banking facilities.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended December 31, 2023, to the best knowledge of the Directors, there was no material breach of or non-compliance with applicable laws and regulations, that have a significant impact on the business and operations of the Group, by the Group.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable within one year without payment of compensation other than statutory compensation.

DIRECTORS' REPORT

MANAGEMENT CONTRACTS

Other than the Directors' service contracts and appointment letters, no contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year or subsisted at the end of the year ended December 31, 2023.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

In compliance with the Corporate Governance Code, the Company has established the remuneration committee of the Company to formulate remuneration policies.

The remuneration is determined and recommended based on each Director's qualification, experience and the prevailing market conditions. As for the independent non-executive Directors, their remuneration is determined by the Board upon recommendation from the remuneration committee of the Company.

The Directors and the senior management personnel are eligible participants of the Share Incentive Schemes, details of which are set out in this annual report and Note 28 to the consolidated financial statements.

Details of the emoluments of the Directors and five highest paid individuals of the Group are set out in Notes 36 and 9 to the consolidated financial statements of this annual report.

None of the Directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors as an inducement to join, or upon joining the Group, or as compensation for loss of office for the year ended December 31, 2023.

Except as disclosed above, no other payments have been made or are payable, for the year ended December 31, 2023, by the Group to or on behalf of any of the Directors.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or his or her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year under December 31, 2023 or at any time during the year ended December 31, 2023.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Each of our Directors has confirmed that he/she did not have any interest in a business which materially competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules as of the latest practicable date of the Prospectus and up to the year ended December 31, 2023.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance in respect of legal actions arising out of corporate activities against the current Directors and senior management of the Company and its associated companies and the Directors and senior management of the Company and its associated companies who resigned during the year ended December 31, 2023. The permitted indemnity provision is in force for the benefit of the Directors as required by the provisions of the Companies Ordinance.

CONTINUING CONNECTED TRANSACTIONS

During the year ended December 31, 2023, the Company and the Group had conducted the following transactions, which upon Listing constitute the Company's partially exempt continuing connected transactions.

LiDAR Products and Solutions Sales Framework Agreement

On November 9, 2023, Shenzhen Suteng entered into a LiDAR products and solutions sales framework agreement (the "**LiDAR Products and Solutions Sales Framework Agreement**") with Zhejiang Cainiao Chuancheng Network Technology Co., Ltd. (浙江菜鳥傳橙網絡技術有限公司) ("**Cainiao Chuancheng**"). Cainiao Chuancheng is a subsidiary of Alibaba Group Holding Limited, the holding company of the substantial Shareholder, Cainiao Smart Logistics Investment Limited ("**Cainiao**") and is therefore an associate of Cainiao and the Company's connected person. Pursuant to which, the Group shall provide, and Cainiao Chuancheng and/or its associates shall purchase, our LiDAR products and perception solutions. The initial term of the LiDAR Products and Solutions Sales Framework Agreement commenced on the Listing Date and will end on December 31, 2025, subject to renewal upon mutual agreement of the parties and in compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.

The proposed annual cap and the actual transaction amount of the transactions contemplated under the LiDAR Products and Solutions Sales Framework Agreement for the year ended December 31, 2023 is RMB4.0 million and RMB2.1 million, respectively.

DIRECTORS' REPORT

The transactions contemplated under the LiDAR Products and Solutions Sales Framework Agreement are subject to the reporting, annual review and announcement requirements, but are exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Save for the continuing connected transactions as disclosed above, no related party transactions disclosed in the consolidated financial statements constitutes a non-exempt connected transaction as defined under Chapter 14A of the Listing Rules

All independent non-executive Directors of the Company have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

- (a) in the ordinary and usual course of business of the Group;
- (b) either on normal commercial terms or on terms no less favorable to the Group than terms available to or from independent third parties; and
- (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the listed issuer as a whole.

In accordance with Rule 14A.56 of the Listing Rules, the Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in pages 28 to 29 of this annual report in accordance with Rule 14A.56 of the Listing Rules.

For related party transactions disclosed in Note 35 to the consolidated financial statements which constituted connected transactions or continuing connected transactions under the Listing Rules, the Company has complied with all the relevant requirements under Chapter 14A of the Listing Rules.

POST-IPO SHARE INCENTIVE SCHEME

The following is a summary of the principal terms of the share incentive scheme conditionally adopted and approved by our Shareholders with effect from June 29, 2023 (the "**Post-IPO Share Incentive Scheme**").

The Post-IPO Share Incentive Scheme is effective from the date of approval by the Shareholders (the "**Effective Date**"). The Post-IPO Share Incentive Scheme remains in force for a period of 10 years after the Effective Date.

DIRECTORS' REPORT

(a) Purposes

The purposes of the Post-IPO Share Incentive Scheme are (i) to promote the success and enhance the value the Company by aligning the personal interests of the directors of members of the Group and the employees to those of the Shareholders and motivating their outstanding performance to promote the Group's development and generate returns to the Shareholders; and (ii) to provide flexibility to the Company in its ability to motivate, attract, and retain the services of directors of members of the Group and the employees upon whose judgment, interest, and special effort the successful conduct of the Company's operation is largely dependent.

(b) Types of awards

The Post-IPO Share Incentive Scheme provides for an award of (i) a right to purchase a specified number of Shares at a specified price during specified time periods (the "**Option**"), (ii) a Share that is subject to certain restrictions and may be subject to risk of forfeiture (the "**Restricted Share**") or (iii) a right to receive a Share at a future date (the "**Restricted Share Unit**") (collectively, the "**Awards**").

(c) Participants

Persons eligible to participate in the Post-IPO Share Incentive Scheme (the "**Participants**") include: (i) any person, including an officer or member of the Board of any member of the Group, who is in the employ of any member of the Group, subject to the control and direction of any member of the Group as to both the work to be performed and the manner and method of performance (the "**Employees**"); and (ii) all directors of any member of the Group, as determined by the Board or a committee delegated by the Board pursuant to the Post-IPO Share Incentive Scheme.

(d) Maximum number of Shares

The maximum aggregate number of Shares which may be issued pursuant to all Awards (including Options) is 21,000,000 Shares, representing approximately 4.66% of the Shares in issue as at the date of this annual report.

(e) Maximum entitlement of each Participant

Where any grant of awards or options to a Participant would result in the total number of Shares issued and to be issued in respect of all awards or options granted (excluding any options and awards lapsed in accordance with the terms of the Post-IPO Share Incentive Scheme or any other share schemes of the Company) under the Post-IPO Share Incentive Scheme and any other share schemes of the Company in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the total number of Shares in issue, such grant must be separately approved by the Shareholders in general meeting in accordance with the requirements of the Listing Rules with such Participant and his/her close associate (or associates), if the Participant is a connected person (as defined under the Listing Rules), or such persons as may be required under the Listing Rules from time to time, abstaining from voting. The number and terms of Options to be granted to such Participant must be fixed before the approval of the Shareholders. In such event, the Company must send a circular to the Shareholders containing all information required under the Listing Rules.

DIRECTORS' REPORT**(f) Performance target**

The Board has the right to implement specific provisions (such as provisions on performance assessment) to determine whether or not unvested Awards can vest in favor of the Participants according to schedule or whether or not vested but unexercised Awards can be exercised by the Participants.

(g) Exercise price of an Option

The exercise price of an Option shall be determined by the Board and set forth in the written agreement, contract, or other instrument or document evidencing an Award, including through electronic medium, entered into between the Company and a Participant and any amendment thereto (the "**Award Agreement**").

The exercise price of an Option may be a fixed or variable price related to the fair market value of the Share provided that such exercise price shall be at least the higher of (1) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and (2) a price being the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five (5) trading days immediately preceding the date of grant.

Notwithstanding the above, the exercise price per Share may be adjusted or amended in the absolute discretion of the Board to the extent permitted by the applicable laws (including the Listing Rules), the determination of which shall be final, binding and conclusive.

(h) Vesting schedule***Vesting period for Options***

The Board may specify the exercise period and/or vesting schedule for Options granted in the Award Agreement, which may be based on performance criteria, passage of time or other factors of any combination thereof, provided that an Option must be held by the Participant for at least 12 months before the Option can be exercised, save for a shorter exercise period may be granted to the Participant in any of the following circumstances below at the sole discretion of the Board:

- (i) grants of "make-whole" Options to new Employees to replace the share options or share awards they forfeited when leaving his or her previous employer;
- (ii) grants to a Participant whose employment is terminated due to death or disability or occurrence of any out of control event;
- (iii) grants that are made in batches during a year for administrative and compliance reasons;
- (iv) grants with a mixed or accelerated vesting schedule such as where the Option may vest evenly over a period of 12 months;
- (v) grants with performance-based vesting conditions in lieu of time-based vesting criteria; or
- (vi) grants of Options with a total vesting and holding period of more than 12 months.

DIRECTORS' REPORT

Vesting period for Restricted Shares and/or Restricted Share Units

The Board may specify the vesting schedule for Restricted Shares and/or Restricted Share Units granted in the Award Agreement, which may be based on performance criteria, passage of time or other factors of any combination thereof, provided that the vesting period for Restricted Shares and/or Restricted Share Units shall not be less than 12 months, save for a shorter vesting period may be granted to the Participant in any of the following circumstances at the sole discretion of the Board:

- (i) grants of “make-whole” Restricted Shares and/or Restricted Share Units to new Employees to replace the share options or share awards they forfeited when leaving his or her previous employer;
- (ii) grants to a Participant whose employment is terminated due to death or disability or occurrence of any out of control event;
- (iii) grants that are made in batches during a year for administrative and compliance reasons;
- (iv) grants with a mixed or accelerated vesting schedule such as where the Restricted Shares and/or Restricted Share Units may vest evenly over a period of 12 months;
- (v) grants with performance-based vesting conditions in lieu of time-based vesting criteria; or
- (vi) grants of Restricted Shares and/or Restricted Share Units with a total vesting and holding period of more than 12 months.

(i) Non-transferability of the Awards

Any Awards granted shall be personal to the Participant, and no right or interest of a Participant in any Award may be pledged, encumbered, or hypothecated to or in favor of any party other than the Company or a subsidiary, or shall be subject to any lien, obligation, or liability of such Participant to any other party other than the Company or a subsidiary. Except as otherwise provided by the Board, no Award shall be assigned, transferred, or otherwise disposed of by a Participant.

(j) Grant to Connected Persons

Any grant of Awards to a connected person (as defined in the Listing Rules) of the Company or any of his or her associates (as defined in the Listing Rules) shall comply with and shall be approved in accordance with the applicable requirements under the Listing Rules.

(k) Expiration of Options, Restricted Shares, and/or Restricted Share Units

- (i) An Option may not be exercised and (ii) a Restricted Share or a Restricted Share Unit may not be vested and will automatically lapse upon the occurrence of any one of the following events:
 - (1) the earlier of ten years from the date it is granted and listing of the Shares on a recognized stock exchange, unless an earlier time is set in the Award Agreement;

DIRECTORS' REPORT

- (2) upon the Participant's termination of employment or retirement as an Employee or cessation, retirement or vacation of directorship as a director of any member of the Group (as the case may be);
- (3) upon the Participant's disability or death, subject to other requirements as provided under the Post-IPO Post-IPO Share Incentive Scheme; and
- (4) upon the Participant being convicted of any criminal offense involving his or her integrity or honesty, or charged, convicted or held liable for any offense under the relevant securities laws, regulations or rules in force from time to time in Hong Kong or elsewhere.

(l) Amendment, Modification and Termination

At any time and from time to time, the Board may terminate, amend or modify the Post-IPO Share Incentive Scheme; provided, however, that (a) to the extent necessary and desirable to comply with applicable laws, or stock exchange rules, the Company shall obtain shareholder approval of any amendment of the Post-IPO Share Incentive Scheme in such a manner and to such a degree as required, and (b) shareholder approval is required for any amendment to the Post-IPO Share Incentive Scheme that (i) increases the number of Shares available under the Post-IPO Share Incentive Scheme (other than any adjustment as provided under the Post-IPO Share Incentive Scheme) to the extent permitted under the applicable laws, (ii) permits the Board to extend the term of the Post-IPO Share Incentive Scheme or the exercise period for an Option beyond ten years from the date of grant to the extent permitted under the applicable laws, (iii) results in a material increase in benefits or a change in eligibility requirements, (iv) is of material nature to the advantage of the Participants, or (v) changes the authority of the Board to alter the terms of the Post-IPO Share Incentive Scheme.

No Award has been granted, exercised, cancelled, lapsed or remained outstanding under the Post-IPO Share Incentive Scheme during the year ended December 31, 2023.

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As of the date of this annual report, the interests or short positions of the Directors or the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, once the Shares are listed, were as follows:

Interests in the Shares or Underlying Shares of the Company

Name of Director	Nature of Interest	Number of interested shares ²	Approximate percentage of shareholding interest ¹
Dr. Qiu Chunxin ("Dr. Qiu")	Interests held jointly with another person ³	97,082,430 (L)	21.53%
Dr. Zhu Xiaorui ("Dr. Zhu")	Interests held jointly with another person ³	97,082,430 (L)	21.53%
Mr. Liu Letian ("Mr. Liu")	Interests held jointly with another person ³	97,082,430 (L)	21.53%
Mr. Qiu Chunchao	Beneficiary of a trust (other than a discretionary interest)	9,107,746 (L)	2.02%

1. The number of issued Shares as of the date of this annual report was 450,939,423.

2. The letter "L" stands for long position.

3. Each of Dr. Qiu, Dr. Zhu and Mr. Liu (collectively as the "Founders") entered into the concert party confirmation dated April 21, 2023 to formalize and confirm that they have been parties acting in concert in exercising directors and shareholders' rights of our Group since the Founders become shareholders or directors of the relevant member of the Group (whichever is earlier). As such, each of Dr. Qiu, Dr. Zhu and Mr. Liu is deemed to be interested in the Shares held by other members of the Founders for the purpose of Part XV of the SFO.

DIRECTORS' REPORT

Substantial Shareholders' Interests and/or Short Position in Shares and Underlying Shares of the Company

As of the date of this annual report, so far as was known to the Directors, the following persons/entities (other than the Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of Substantial Shareholder	Nature of Interest	Number of interested shares ²	Approximate percentage of shareholding interest ¹
BlackPearl Global Limited (" BlackPearl ") ³	Beneficial owner	49,367,683 (L)	10.95%
BlackPearl Investment Limited ³	Interest of corporation controlled	49,367,683 (L)	10.95%
Sunton Global Limited (" Sunton Global ") ³	Beneficiary of a trust (other than a discretionary interest)	49,367,683 (L)	10.95%
Dr. Qiu ^{3,7}	Interests held jointly with another person	97,082,430 (L)	21.53%
Emerald Forest International Limited (" Emerald Forest ") ⁴	Beneficial owner	29,604,176 (L)	6.57%
Emerald Forest Investment Limited ⁴	Interest of corporation controlled	29,604,176 (L)	6.57%
Emerald Forest Holding Limited (" Emerald Forest Holding ") ⁴	Beneficiary of a trust (other than a discretionary interest)	29,604,176 (L)	6.57%
Dr. Zhu ^{4,6}	Interests held jointly with another person	97,082,430 (L)	21.53%
Mr. Liu ⁶	Interests held jointly with another person	97,082,430 (L)	21.53%
TMF (Cayman) Ltd. ^{3,4,5}	Trustee	101,931,831 (L)	22.60%
Futu Trustee Limited ⁷	Trustee	30,660,751 (L)	6.80%
Cainiao ⁸	Beneficial owner	47,005,063 (L)	10.42%
Cainiao Smart Logistics Network Limited ⁸	Interest of corporation controlled	47,005,063 (L)	10.42%

DIRECTORS' REPORT

Name of Substantial Shareholder	Nature of Interest	Number of interested shares ²	Approximate percentage of shareholding interest ¹
Ali CN Investment Holding Limited ⁸	Interest of corporation controlled	47,005,063 (L)	10.42%
Alibaba Group Holding Limited ⁸	Interest of corporation controlled	47,005,063 (L)	10.42%
China Renaissance Holdings Limited ["China Renaissance"] ⁹	Interest of corporation controlled	22,695,199 (L)	5.03%
CR Investments Corporation ⁹	Interest of corporation controlled	22,695,199 (L)	5.03%

- The number of issued Shares as of the date of this annual report was 450,939,423.
- The letter "L" stands for long position.
- BlackPearl is owned as to 99.9% by BlackPearl Investment Limited and 0.1% by Sunton Global. Sunton Global is wholly owned by Dr. Qiu. BlackPearl Investment Limited is held by TMF (Cayman) Ltd. acting as trustee of a trust, with Sunton Global and Dr. Qiu as beneficiaries. As such, each of Dr. Qiu, BlackPearl Investment Limited, Sunton Global and TMF (Cayman) Ltd. is deemed to be interested in the Shares held by BlackPearl for the purpose of Part XV of the SFO.
- Emerald Forest is owned as to 99.9% by Emerald Forest Investment Limited and 0.1% by Emerald Forest Holding. Emerald Forest Holding is wholly owned by Dr. Zhu. Emerald Forest Investment Limited is held by TMF (Cayman) Ltd. acting as trustee of a trust, with Emerald Forest Holding and Dr. Zhu as beneficiaries. As such, each of Dr. Zhu, Emerald Forest Investment Limited, Emerald Forest Holding and TMF (Cayman) Ltd. is deemed to be interested in the Shares held by Emerald Forest for the purpose of Part XV of the SFO.
- One of the ESOP Holding Entities, Ruby International Limited ("**Ruby**"), holding 4,849,401 Shares underlying the awards in the form of restricted shares granted to Mr. Qiu pursuant to pre-IPO share incentive scheme adopted by the Company on December 30, 2021 (the "**Pre-IPO Share Incentive Scheme A**"), is owned as to 99.9% by Ruby Group Holdings Limited and 0.1% by Sunton Limited, which is in turn wholly owned by Mr. Qiu. Ruby Group Holdings Limited is held by TMF (Cayman) Ltd. as the trustee of a trust, with Sunton Limited and Mr. Qiu as the beneficiaries. As such, TMF (Cayman) Ltd. is deemed to be interested in the Shares held by Ruby for the purpose of Part XV of the SFO.
- Each of Dr. Qiu, Dr. Zhu and Mr. Liu entered into the concert party confirmation to formalize and confirm that they have been parties acting in concert in exercising directors and shareholders' rights of our Group since the Founders become shareholders or directors of the relevant member of the Group (whichever is earlier). As such, each of Dr. Qiu, Dr. Zhu and Mr. Liu is deemed to be interested in the Shares held by other members of the Founders for the purpose of Part XV of the SFO.
- Robust Limited ("**Robust**") and Hoping Dream International Limited ("**Hoping Dream**") are two of the ESOP Holding Entities, holding 13,450,225 Shares (being part of the Shares underlying the Pre-IPO Share Incentive Scheme A) and 17,216,526 Shares (being the Shares underlying the pre-IPO share incentive scheme adopted by the Company on December 30, 2021 ("**Pre-IPO Share Incentive Scheme B**")), respectively. Each of Robust and Hoping Dream is indirectly controlled by Futu Trustee Limited acting as the trustee of a trust to hold the Shares on trust for the participants of the Pre-IPO Share Incentive Scheme A and the Pre-IPO Share Incentive Scheme B, respectively. As such, Futu Trustee Limited is deemed to be interested in the Shares held by Robust and Hoping Dream for the purpose of Part XV of the SFO.

DIRECTORS' REPORT

8. Cainiao is wholly owned by Cainiao Smart Logistics Network Limited, which is a subsidiary of Ali CN Investment Holding Limited, which is in turn wholly owned by Alibaba Group Holding Limited. As such, each of Cainiao Smart Logistics Network Limited, Ali CN Investment Holding Limited and Alibaba Group Holding Limited is deemed to be interested in the Shares held by Cainiao for the purpose of Part XV of the SFO.
9. Golden Development Asia Limited is held as to over 70% by Huaxing Growth Capital IV, L.P., whose general partner is Huaxing Associates IV, Ltd., a wholly-owned subsidiary of CR Investments Corporation, which is in turn wholly owned by China Renaissance. The general partner of Huaxing Growth Capital III, L.P. is Huaxing Associates III L.P., whose general partner is Huaxing Associates GP III, Ltd., a wholly-owned subsidiary of CR Investments Corporation, which is in turn wholly owned by China Renaissance. As such, each of CR Investments Corporation and China Renaissance is deemed to be interested in the Shares held by each of Golden Development Asia Limited and Huaxing Growth Capital III, L.P., respectively for the purpose of Part XV of the SFO.

Save as disclosed above, as at the date of this annual report, the Directors were not aware of any other persons/entities (other than the Directors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Rights to Acquire Shares or Debentures

Other than as disclosed under the sections headed "Share Incentive Scheme" and "Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations" in this annual report, at no time during the year ended December 31, 2023 was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective close associates (as defined in the Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Competition and Conflict of Interests

During the year ended December 31, 2023, save as disclosed in the Prospectus, none of the Directors or any of their respective associates has any interests in any business that competes or may compete, directly or indirectly, with the business of the Group or has any other conflict of interests with the Group.

Continuing Disclosure Obligations pursuant to the Listing Rules

Save as disclosed in this annual report, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

Purchase, Sale or Redemption of the Company's Listed Securities

From the Listing Date up to the date of this annual report, there was no purchase, sale or redemption of any listed securities of the Company by the Company or any of its subsidiaries.

DIRECTORS' REPORT

Pre-Emptive Rights

There is no provision for the pre-emptive rights under the Articles of Association, which would oblige the Company to offer new shares on a pro-rata basis to its existing Shareholders, although there are no restrictions against such rights under the laws in the Cayman Islands being the jurisdiction in which the Company is incorporated.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Main Board Listing Rules since the Listing Date and up to the date of this annual report.

Corporate Governance Report

The Company recognises the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole. The Corporate Governance Code set out in Part 2 of Appendix C1 to the Listing Rules has become applicable to the Company with effect from the Listing Date, and was not applicable to us during the year ended December 31, 2023. The Company has adopted the code provisions set out in the CG Code as its own code to govern its corporate governance practices since Listing. Please refer to the paragraph headed "Corporate Governance Practices" in the Corporate Governance Report in this annual report for details of compliance with the CG Code.

Details of the Group's corporate governance practices can be found in the Corporate Governance Report of this annual report.

Environmental, Social and Corporate Responsibility

As a responsible corporation, the Group is committed to maintaining the highest environmental and social standards to ensure sustainable development of its business. The Group has not noted any material non-compliance with all relevant laws and regulations in relation to its business including health and safety, workplace conditions, employment and the environment. The Group understands that a better future depends on everyone's participation and contribution. The Company has encouraged employees, customers, suppliers and other stakeholders to participate in environmental and social activities which benefit the community as a whole. Further, the Group has adopted policies, charters and code of conducts to govern the ESG aspects of our day-to-day operations, ranging from reducing energy and water consumption caused by our operations, health and work safety, and social contribution to environmental protection and corporate governance. The Group endeavours to maintain the relationships with its employees, suppliers and customers to ensure sustainable development. For further details of the Company's environmental performance and relationship with its employees, suppliers and customers, please refer to the Environmental, Social and Governance Report of this annual report.

Equity-linked Agreements

Save as disclosed in this annual report, the Company has not entered into any equity-linked agreement during the year ended December 31, 2023.

DIRECTORS' REPORT

Material Legal Proceedings

The Group was not involved in any material legal proceeding during the year ended December 31, 2023.

Loan and Guarantee

Save as disclosed in this annual report, during the year ended December 31, 2023, the Group had not made any loan or provided any guarantee for loan, directly or indirectly, to the Directors, senior management of the Company and its connected persons.

Auditor

A resolution to re-appoint the retiring auditor, PricewaterhouseCoopers, is to be proposed at the forthcoming annual general meeting of the Company.

There is no change of auditor since the Listing Date.

Donation

No charitable or other donations were made by the Group during the year ended December 31, 2023.

Tax Relief

The Company is not aware of any tax relief available to the Shareholders by reason of their holding of the Company's securities. If the Shareholders are unsure about the taxation implications of purchasing, holdings, disposing of, dealing in, or the exercise of any rights (including entitlements to any relief of taxation) in relation to, the Shares, they are advised to consult an expert.

Events After the Reporting Period

On January 5, 2024, the Shares of our Company were listed on the Main Board of the Stock Exchange. On February 1, 2024, the over-allotment option granted by the Company to the underwriters of the Global Offering was partially exercised and an aggregate of 1,727,700 Shares were issued by the Company.

Save as disclosed in this annual report and Note 39 to the consolidated financial statements in this annual report, we are not aware of any material subsequent events since the end of the Reporting Period to the date of this annual report.

By order of the Board

Dr. Qiu Chunxin

Chairman of the Board, Executive Director and Chief Scientist

Hong Kong

March 27, 2024

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE CULTURE

The Board and the Company's management are highly committed to maintaining good corporate governance practices, internal control, risk management and transparency in fulfilling their corporate responsibility and accountability to the Shareholders. The Board and the management recognise that the maintenance of good corporate governance practices is an essential factor in achieving financial success and enhancing Shareholders' value.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving high corporate governance standards with a view to safeguarding the interests of our Shareholders.

The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions of the CG Code contained in Appendix C1 to the Listing Rules as the basis of the Company's corporate governance practices.

Since the Shares were listed on the Main Board of the Stock Exchange on January 5, 2024, the CG Code was not applicable to the Company during the year ended December 31, 2023. To the best knowledge of the Directors, the Company had complied with all code provisions set out in the CG Code since the Listing Date and up to the date of this annual report except for Code Provision C.2.1 of the CG Code, which provides that the roles of chairman of the board and chief executive officer should be separate and should not be performed by the same individual. During the year ended December 31, 2023, the roles of chairman of the Board and the Chief Executive Officer were performed by Dr. Qiu Chunxin in view of his substantial contribution to, and consistent leadership of, our Group since our establishment. With effect from March 27, 2024, Dr. Qiu Chunxin has resigned as the Chief Executive Officer and Mr. Qiu Chunchao has been appointed as the Chief Executive Officer. Following such change of Chief Executive Officer on March 27, 2024, the Company has complied with Code Provision C.2.1 of the CG Code.

Please refer to the paragraphs headed "CHAIRMAN AND CHIEF EXECUTIVE OFFICER" below for details.

CORPORATE GOVERNANCE REPORT



We manufacture and sell LiDAR products that contain components and materials that are subject to government regulations in both the locations where we manufacture and assemble our products and the locations where we sell our products. Since we operate on a global basis, this is a complex process that requires our continuous monitoring of regulations and an ongoing compliance process to ensure that we and our suppliers are in compliance with existing and new regulations in each market where we operate and in line with the corporate culture in order to develop a safety working environment for our employees and provide high-quality products and services for our customers. The Board will continue to look for suitable opportunities for the sustainable development of the Group to enhance the value of the Group and create higher profitability for our Shareholders.

MODEL CODE FOR SECURITIES TRANSACTIONS AND HANDLING OF INSIDE INFORMATION

The Company has adopted Model Code as set out in Appendix C3 to the Listing Rules. In response to specific enquiries made by the Board, all Directors confirmed that they have complied with the provisions of the Model Code during the period from the Listing Date to the date of this annual report.

The Company has also established an insider trading policy no less exacting than the Model Code for securities transactions by employees who, because of such office or employment, are likely to possess inside information in relation to the Company or its securities. Access to inside information is at all times confined to relevant personnel on a need-to-know basis, and Directors, senior management and relevant employees in possession of inside information are required to preserve confidentiality.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

The Company is headed by an effective Board which assumes responsibility for its leadership and control and be collectively responsible for promoting the Company's success by directing and supervising the Company's affairs. Directors take decisions objectively in the best interests of the Company.

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and regularly reviews the contribution required from a Director to perform his responsibilities to the Company and whether the Director is spending sufficient time performing them that are commensurate with their role and the Board responsibilities. The Board includes a balanced composition of executive Directors and non-executive Directors (including Independent Non-executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

Board Composition

Our Board consist of seven Directors, including three executive Directors, one non-executive Director and three independent non-executive Directors.

During the year ended December 31, 2023 and up to the Latest Practicable Date, the composition of the Board is as follows:

Executive Directors

Dr. Qiu Chunxin (Chairman of the Board and Chief Scientist) *(appointed on June 23, 2021, re-designated as an executive Director on June 28, 2023)*

Mr. Liu Letian (Chief Technology Officer) *(appointed on December 31, 2021, re-designated as an executive Director on June 28, 2023)*

Mr. Qiu Chunchao (Chief Executive Officer) *(appointed on December 31, 2021, re-designated as an executive Director on June 28, 2023)*

Non-executive Director

Dr. Zhu Xiaorui (Scientific Advisor) *(appointed on December 31, 2021, re-designated as a non-executive Director on June 28, 2023)*

Independent non-executive Directors

Mr. Feng Jianfeng *(appointed with effect from January 5, 2024)*

Dr. Lu Cewu *(appointed with effect from January 5, 2024 and resigned with effect from February 9, 2024)*

Mr. Liu Ming *(appointed with effect from February 9, 2024)*

Mr. Ng Yuk Keung *(appointed with effect from January 5, 2024)*

CORPORATE GOVERNANCE REPORT

The biographical information of the Directors is set out in the section headed "Directors and Senior Management" of this annual report.

Mr. Qiu Chunchao is the brother of Dr. Qiu Chunxin. Save as aforesaid and disclosed in this annual report, there is no any relationship (including, financial, business, family or other material/relevant relationship(s)) between the Board members.

Since the Listing Date and up to the date of this annual report, the Board at all times met the requirements of Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise and the appointment of independent non-executive Directors representing at least one-third of the Board. Among the three independent non-executive Directors, Mr. Ng Yuk Keung has appropriate professional qualifications or accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

DIRECTORS' ATTENDANCE RECORDS

As an integral part of good corporate governance, the Board has established four committees for overseeing the performance of specific functions which are set out in written terms of reference for each committee.

Due to the fact that the Company was listed on January 5, 2024, two Board meetings were held, while no Audit Committee meeting, Remuneration Committee, Nomination Committee, ESG Committee or general meeting were held, during the year ended December 31, 2023. In addition, there had not been any meeting held by the Chairman with the independent non-executive Directors without the presence of other Directors during the Reporting Period.

The chairman intends to hold at least one meeting per year with the independent non-executive Directors without the presence of other Directors.

The independent non-executive directors and non-executive director should attend general meeting of the Company to gain and develop a balanced understanding of the view of the Shareholders.

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board should assume responsibility for leadership and control of the Company, and is collectively responsible for directing and supervising the Company's affairs.

CORPORATE GOVERNANCE REPORT

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Director and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the chairman of the Board and the Chief Executive Officer of the Company were held by Dr. Qiu Chunxin, who is the co-founder of the Group and has extensive experience in the industry.

On March 27, 2024, Dr. Qiu Chunxin has tendered his resignation as the Chief Executive Officer. Such changes allow Dr. Qiu to focus more on the role of chairman of the Board, to oversee the scientific development of the Group, and to continue to provide his valuable insights on the overall strategy and business and product development of the Company to the Board. Following the resignation of Dr. Qiu Chunxin as the Chief Executive Officer, the Board has appointed Mr. Qiu Chunchao as the Chief Executive Officer with effect from March 27, 2024. The Chief Executive Officer focuses on the Company's business development and daily management and operations generally.

CORPORATE GOVERNANCE REPORT

BOARD INDEPENDENCE

The Company recognises the importance of board independence to ensure a strong independent element on the Board, which allows the Board effectively exercises independent judgment to better safeguard Shareholders' interests.

Pursuant to the terms of reference of the Nomination Committee and the Board Diversity Policy, the Nomination Committee will conduct an annual assessment on the independence of the Board, in particular the independent non-executive Directors according to the Listing Rules.

The Remuneration Committee will ensure that the Company shall not generally grant equity-based remuneration (e.g. share options or grants) with performance-related elements to independent non-executive Directors.

The Company has received the annual written confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines as set out in Rule 3.13 of the Listing Rules, and consider each of the independent non-executive Directors to be independent.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

All the Directors are subject to retirement by rotation and re-election at the annual general meetings. Under the Articles of Association of the Company, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three of a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The Company's Articles of Association also provides that all Directors appointed to fill a casual vacancy or as addition to the Board shall hold office until the first annual general meeting after appointment. The retiring Directors shall be eligible for re-election.

Our non-executive Director has entered into an appointment letter with our Company pursuant to which she agreed to act as a non-executive Director with effect from the date of her appointment as a Director until the third annual general meeting of the Company since the Listing Date (subject always to re-election as and when required under the Articles of Association). Either party has the right to give not less than one month's written notice to terminate the agreement.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

CORPORATE GOVERNANCE REPORT

Mr. Liu Ming, being an independent non-executive Director appointed by the Company after the Listing Date, has obtained legal advice pursuant to Rule 3.09D of the Listing Rules on the date of his appointment and that he has confirmed that he understood his obligations as a director of the Company.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

Before the Listing, the Company organized training sessions conducted by the qualified professionals for all Directors. The training sessions covered a wide range of relevant topics including Directors' duties and responsibilities, corporate governance and regulatory updates. In addition, relevant reading materials including legal and regulatory updates have been provided to the Directors for their reference and studying.

BOARD COMMITTEES

The Board has established four committees, namely, the Audit Committee, Remuneration Committee, Nomination Committee, and ESG Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, Remuneration Committee, Nomination Committee, and ESG Committee are posted on the Company's website and the Stock Exchange's website.

AUDIT COMMITTEE

The Audit Committee was established with effect from the Listing Date and currently consists of three members, including two independent non-executive Directors, namely Mr. Ng Yuk Keung and Mr. Liu Ming, and one non-executive Director, namely Dr. Zhu Xiaorui. Mr. Ng Yuk Keung is the chairman of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The primary duties of the Audit Committee are to review the financial controls and the internal control and risk management systems of our Group, monitor the integrity of the Company's financial statements, review and monitor the external auditor's independence and objectivity and effectiveness of the audit process and perform other duties and responsibilities as assigned by our Board.

As the Company has been listed on the Stock Exchange since the Listing Date, no meeting of the Audit Committee of the Company has been held for the year ended December 31, 2023.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

The Remuneration Committee was established with effect from the Listing Date and currently consists of three members, including two independent non-executive Directors, namely Mr. Feng Jianfeng and Mr. Liu Ming, and one non-executive Director, namely Dr. Zhu Xiaorui. Mr. Feng Jianfeng is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary duties of the Remuneration Committee are to establish and review the policy and structure of the remuneration for our Directors and senior management and make recommendations on remuneration packages of individual executive Directors and senior management.

The Company's remuneration policy is to ensure that the remuneration offered to employees, including Directors and senior management, is based on skill, knowledge, responsibilities and involvement in the Company's affairs. The Company offers the executive Directors and senior management, as its employees, with remuneration in the form of fees, wages, salaries, discretionary bonus, pension contributions, housing funds, medical insurances, other social insurances, share-based compensation expenses and other employee benefits. Non-executive Director and independent non-executive Directors will receive compensation according to their duties (including serving as members or chairmen of the Board Committees).

The remuneration of the senior management, whose biographical details are included in section headed "Biographies of Directors and Senior Management" of this Annual Report, during the year falls within the following bands:

Remuneration	Number of Individuals
HK\$1,500,001 to HK\$2,000,000	2
HK\$20,000,001 to HK\$20,500,000	1
HK\$136,000,001 to HK\$136,500,000	1

As the Company has been listed on the Stock Exchange since the Listing Date, no meeting of the Remuneration Committee of the Company has been held for the year ended December 31, 2023.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

The Nomination Committee was established with effect from the Listing Date and currently consists of three members, including one executive Director, namely Dr. Qiu Chunxin and two independent non-executive Directors, namely Mr. Feng Jianfeng and Mr. Ng Yuk Keung. Dr. Qiu Chunxin is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code.

The primary duties of the Nomination Committee are to review the Board structure, size and composition, make recommendations to our Board on the appointment or re-appointment of Directors and review the Company's board diversity policy.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's board diversity policy.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Director Nomination Policy and the Board Diversity Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

As the Company has been listed on the Stock Exchange since the Listing Date, no meeting of the Nomination Committee of the Company has been held for the year ended December 31, 2023. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

ESG COMMITTEE

The ESG Committee was established with effect from March 27, 2024 and currently consists of three members, including three executive Directors namely Dr. Qiu Chunxin, Mr. Liu Letian and Mr. Qiu Chunchao. Dr. Qiu Chunxin is the chairman of the ESG Committee.

The primary duties of the ESG Committee include, among others, (i) developing and reviewing the Company's ESG responsibilities, vision, objectives, strategies, principles and policies, (ii) reviewing and monitoring the Company's ESG policies and practices, and (iii) reviewing the Company's ESG report and making recommendations to the Board for approval.

As the ESG Committee has been newly established in March 2024, no meeting of the ESG Committee of the Company has been held for the year ended December 31, 2023.

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy which sets out the objectives and approaches to achieve and maintain diversity of the Board. The Group recognizes the benefits of having a diversified Board and considers increasing diversity at the Board level as an essential element to achieve sustainable and balanced development of the Group and support the Group in achieving its strategic goals.

The Group seeks to achieve diversity of our Board through the consideration of a number of factors, including but not limited to professional experience, talents, skills, knowledge, cultural and education background, gender, age, ethnicity and length of service. Our board diversity policy is well implemented as evidenced by the fact that there are both female and male Directors ranging from 34 years old to 59 years old, and that our Directors have a balanced mix of experiences from different industries and sectors.

As of the date of this annual report, the Board comprises of one female Director. The Company targets to maintain at least one female representation in the Board. The Company also intends to promote gender diversity when recruiting staff at the middle to senior level in order to develop a pipeline of female senior management and potential successors to the Board.

In addition, the Company will engage more resources in training female staff who have long and relevant experience in the Company's business, with the aim of promoting them to the senior management or directorship of the Group. The Company is committed to adopting a consistent approach to promote diversity at all other levels of the Company from the Board downwards, in order to enhance the effectiveness of the Company's corporate governance as a whole.

An analysis of the Board's current composition based on the measurable objectives is set out below:

Gender

Male: 6 Directors

Female: 1 Directors

Age Group

31-40: 3 Directors

41-50: 2 Directors

51-60: 2 Directors

Designation

Executive Directors: 3 Directors

Non-executive Directors: 1 Directors

Independent Non-executive Directors: 3 Directors

Educational Background

Business administration: 2 Directors

Accounting and finance: 2 Directors

Other: 3 Directors

Nationality

Chinese: 7 Directors

Business Experience

Accounting and finance: 2 Directors

Experience related to the Company's

business: 5 Directors

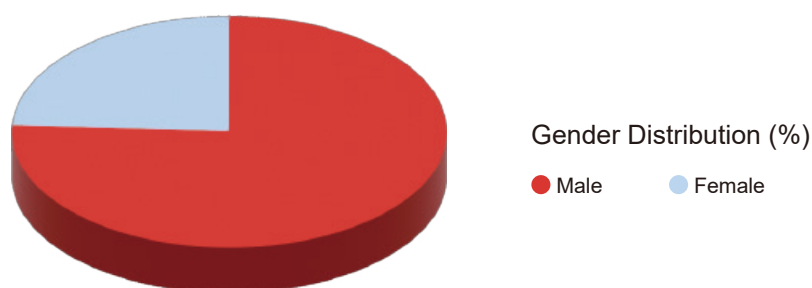
CORPORATE GOVERNANCE REPORT

The Nomination Committee and the Board are of the view that the current composition of the Board has achieved the objectives set in the Board Diversity Policy.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

GENDER DIVERSITY

The Company values gender diversity across all levels of the Group. The following diagram sets out the gender ratio in the workforce of the Group that the Board had target to achieve and achieved, including the Board and senior management as at the date of this annual report (Male: 76% (1000); Female: 24% (324)):



DIRECTOR NOMINATION PROCEDURES

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a Director Nomination Procedures which set out the selection criteria and nomination process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The nomination process set out in the Director Nomination Procedures is as follows:

Appointment of New Director

- (i) The Board shall, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out in section 1 to determine whether such candidate is qualified for directorship.

CORPORATE GOVERNANCE REPORT

- (ii) If the process yields one or more desirable candidates, the Board shall rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).
- (iii) The Board shall then appoint the appropriate candidate for directorship.
- (iv) For any person that is nominated by a shareholder for election as a director at the general meeting of the Company, the Board shall evaluate such candidate based on the criteria as set out in section 1 to determine whether such candidate is qualified for directorship and where appropriate, the Nomination Committee and/or the Board shall make recommendation to shareholders in respect of the proposed election of director at the general meeting.

Re-election of Director at General Meeting

- (i) The Board shall review the overall contribution and service to the Company of the retiring director including his attendance of Board meetings and, where applicable, general meetings, and the level of participation and performance on the Board.
- (ii) The Board shall also review and determine whether the retiring director continues to meet the criteria as set out in the Director Nomination Procedures.
- (iii) The Nomination Committee and/or the Board shall then make recommendation to shareholders in respect of the proposed re-election of director at the general meeting.

Where the Board proposes a resolution to elect or re-elect a candidate as Director at the general meeting, the relevant information of the candidate will be disclosed in the circular to Shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations.

The Director Nomination Procedures set out the criteria for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Willingness to devote adequate time to discharge duties as a Board member and other directorships and significant commitments;
- Requirements for the Board to have independent directors in accordance with Listing Rules and whether the candidates would be considered independent with reference to the independence guidelines set out in the Listing Rules.;
- Board Diversity Policy and any measurable objectives adopted by the Board for achieving diversity on the Board; and
- Such other perspectives appropriate to the Company's business.

CORPORATE GOVERNANCE REPORT

The Nomination Committee will review the Director Nomination Procedures, as appropriate, to ensure its effectiveness. The Director Nomination Procedures are available on the Company's website.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code. The Board should disclose the policy for the nomination of directors in the Corporate Governance Report every financial year. This includes the nomination procedures and the process and criteria adopted by the nomination committee to select and recommend candidates for directorship. Please see the paragraph headed "Director Nomination Procedures" above for details.

The Board shall review the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the Company's insider dealing policy, and the Company's compliance with the CG Code in 2024.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee, assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including project management, sales and leasing, financial reporting, human resources and information technology.

All divisions conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each division.

The management, in coordination with division/department heads, assessed the likelihood of risk occurrence, provide treatment plans, and monitor the risk management progress, and reported to the Audit Committee and the Board on all findings and the effectiveness of the systems.

CORPORATE GOVERNANCE REPORT

The internal control department is responsible for providing the internal audit function and performing independent review of the adequacy and effectiveness of the risk management and internal control systems. In addition to the internal control department, the Company has also established an internal audit department which is responsible for reviewing the effectiveness of internal controls and reporting issues identified and improving our internal control systems and procedures by identifying internal control failures and weaknesses on an ongoing basis. The internal audit department reports any major issues identified to the Audit Committee and the Board on a timely basis.

The Company has established the anti-corruption risk management policies prohibiting any corruption activities by the employees, either for the pursuit of improper personal benefits or improper interests of the Company. We have maintained a whistleblower policy and mechanism for employees to anonymously report any incidents of bribery and corruption. The Ethics and Compliance Committee is responsible for investigating reported incidents and taking appropriate measures to address them. The Company has zero-tolerance of corruption and does not accept employment or promotion of persons responsible for corruption incidents. The Company conducts routine internal trainings and require all suppliers to execute anti-corruption commitments before engagement.

The Company continues to carry out anti-corruption and anti-bribery activities to cultivate a culture of integrity, and actively organizes anti-corruption training and inspections to ensure the effectiveness of anti-corruption and anti-bribery, with a view to proactively identifying any concerns or issues relating to any potential non-compliance.

To monitor the ongoing implementation of our risk management policies, we have established an Audit Committee to review and supervise our financial reporting process and internal control system annually in respect of each financial year on an ongoing basis, so as to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations. The Board considered the risk management and internal control systems of the Company during the Reporting Period were effective and adequate.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements with the support of the accounting and finance team.

The Directors have prepared the financial statements in accordance with the IFRS Accounting Standards issued by the International Accounting Standards Board. Appropriate accounting policies have also been used and applied consistently except the adoption of revised standards, amendments to standards and interpretation.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the external auditor of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" of this annual report.

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

The remuneration paid and payable to the external auditor of the Company, PricewaterhouseCoopers, in respect of audit services and non-audit services for the year ended December 31, 2023 is set out below⁽¹⁾:

Service Category	Fees Paid/Payable
	RMB
Audit Services	2,240,000
Non-audit Services	160,943
Total	2,400,943

Note:

- (1) The fees set out in the table has not been accounted for in the consolidated financial statements of the Company in this annual report since the date of the recognition of such expenses fall after the Reporting Period pursuant to the accounting standards.

JOINT COMPANY SECRETARIES

Mr. Lau Wing Kee and Ms. Lau Yee Wa have been appointed as the Company's joint company secretaries. Ms. Lau Yee Wa is currently a director of corporate services of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services.

All Directors have access to the advice and services of the joint company secretaries on corporate governance and board practices and matters. Mr. Lau Wing Kee, a joint company secretary of the Company, has been designated as the primary contact person at the Company who would work and communicate with Ms. Lau, also a joint company secretary of the Company, on the Company's corporate governance and secretarial and administrative matters.

SHAREHOLDERS' RIGHTS

Convening Extraordinary General Meeting

Pursuant to the Article 17 of the Articles of Association of the Company, the Board may, whenever it thinks fit, convene general meetings, and they shall on a members' requisition forthwith proceed to convene a general meeting of the Company. A members' requisition is a requisition of one or more members of the Company holding at the date of deposit of the requisition not less than 10% of the voting rights, on a one vote per share basis, of the issued Shares which as at that date carry the right to vote at general meetings of the Company. The members' requisition must state the objects and the resolutions to be added to the agenda of the meeting and must be signed by the

CORPORATE GOVERNANCE REPORT

requisitionist(s) and deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, and may consist of several documents in like form each signed by one or more requisitionist(s). If there are no Directors as at the date of the deposit of the members' requisition or if the Directors do not within 21 days from the date of the deposit of the members' requisition duly proceed to convene a general meeting to be held within a further 21 days, the requisitionist(s), or any of them representing more than one-half of the total voting rights of all of the requisitionist(s), may themselves convene a general meeting, but any meeting so convened shall be held no later than the day which falls three months after the expiration of the said 21 day period.

PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS

There is no provision in the Articles of Association or the Companies Act of the Cayman Islands for the procedure for a resolution to be proposed by a member at a general meeting. Shareholders wishing to propose a resolution may request the Company to convene a general meeting to consider the matters specified in the request in accordance with the procedures set out in the paragraph above.

PUTTING FORWARD ENQUIRIES TO THE BOARD

Shareholders may make a request for the Company's information to the extent such information is publicly available. For putting forward any enquiries (other than about their shareholding) to the Board, Shareholders may send written enquiries to the Company to the following:

Address: Building 9, Zhongguan Honghualing Industry Southern District, 1213 Liuxian Avenue, Taoyuan Street, Nanshan District, Shenzhen, PRC

For the attention of the Board of Directors

Email: ir@robosense.ai

For the avoidance of doubt, Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meetings, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

To safeguard Shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

SHAREHOLDERS' COMMUNICATION POLICY

The Company has in place a Shareholders' Communication Policy. The policy aims to set out the provisions with the objective of ensuring that the Company's Shareholders, both individual and institutional, and, in appropriate circumstances, the investment community at large, are provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments, governance and risk profile), in order to enable Shareholders to exercise their rights in an informed manner, and to enhance the communication among Shareholders, the investment community and the Company.

The Company has established a number of channels for maintaining an on-going dialogue with its Shareholders as follows:

(a) Corporate Communication

"Corporate Communication" as defined under the Listing Rules refers to any document issued or to be issued by the Company for the information or action of holders of any of its securities, including but not limited to the following documents of the Company: (a) the Directors' report, annual accounts together with a copy of the auditor's report and, where applicable, its summary financial report; (b) the interim report and, where applicable, its summary interim report; (c) a notice of meeting; (d) a listing document; (e) a circular; and (f) a proxy form. The Corporate Communication of the Company in plain language will be published on the Stock Exchange's website in a timely manner as required by the Listing Rules. Corporate Communication will be provided to Shareholders and non-registered holders of the Company's securities in both English and Chinese versions or where permitted, in a single language, in a timely manner as required by the Listing Rules. Shareholders and non-registered holders of the Company's securities shall have the right to choose the language (either English or Chinese) or means of receipt of the Corporate Communication (in printed form or through electronic means). Shareholders are encouraged to provide, amongst other things, in particular, their email addresses to the Company in order to facilitate timely and effective communications.

CORPORATE GOVERNANCE REPORT

(b) Announcements and Other Documents pursuant to the Listing Rules

The Company shall publish announcements on inside information, corporate actions and transactions etc. and other documents (e.g. Memorandum and Articles of Association) on the Stock Exchange's website in a timely manner in accordance with the Listing Rules.

(c) Corporate Website

Information on the Company's website is updated on a regular basis. Any information or documents of the Company posted on the Stock Exchange's website will also be published on the Company's website (www.robosense.ai/en) immediately thereafter. Such information includes financial statements, results announcements, circulars and notices of general meetings and associated explanatory documents etc.

(d) Shareholders' Meetings

Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meetings. Appropriate arrangements for the annual general meetings shall be in place to encourage Shareholders' participation. The process of the Company's general meeting will be monitored and reviewed on a regular basis, and, if necessary, changes will be made to ensure that Shareholders' needs are best served. Board members, in particular, the chairmen of Board committees or their delegates, appropriate management executives and external auditor will attend annual general meetings to answer Shareholders' questions. Shareholders are encouraged to attend shareholders' activities organized by the Company, where they can know about the state of affairs of the Company.

(e) Shareholders' Enquiries

Enquiries about Shareholdings

Shareholders should direct their enquiries about their shareholdings to the Company's Hong Kong Share Registrar, Tricor Investor Services Limited, via its online holding enquiry service at www.tricoris.com, or send email to is-enquiries@hk.tricorglobal.com, call its hotline 2980 1333, or come in person at the public counter on 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

Enquiries about Corporate Governance or Other Matters to be put to the Board and the Company

The Company will not normally deal with verbal or anonymous enquiries. Shareholders may send any enquiries to the Board by email: ir@robosense.ai or by post to Building 9, Zhongguan Honghualing Industry Southern District, 1213 Liuxian Avenue, Taoyuan Street, Nanshan District, Shenzhen, PRC for the attention of the Board.

(f) Investment Market Communication

Investor/analysts briefings, and one-on-one meetings, roadshows (both domestic and international), media interviews, marketing activities for investors and specialist industry forums etc. will be available on a regular basis in order to facilitate communication between the Company, Shareholders and the investment community.

CORPORATE GOVERNANCE REPORT

AMENDMENTS TO CONSTITUTIONAL DOCUMENTS

The Articles of Association has been amended and restated with effect from the Listing Date, and are available on the respective websites of the Stock Exchange and the Company.

There is no change in constitutional documents of the Company after the Listing.

DIVIDEND POLICY

The Company is a holding company incorporated in the Cayman Islands. For the cash requirements, including any payment of dividends to the Shareholders, the Company relies upon payments from its operating entities. PRC regulations may restrict the ability of the Group's PRC subsidiaries to pay dividends to us. Any declaration and payment, as well as the amount of dividends, will be subject to our Articles of Association and the relevant PRC laws. The Company currently does not have any fixed dividend pay-out ratio. No dividend shall be declared or payable except out of the Group's profits and reserves lawfully available for distribution. According to relevant PRC laws, any future net profit that any of the PRC subsidiaries of the Group makes will have to be first applied to make up for its historically accumulated losses, after which it will be obliged to allocate 10% of its net profit to the statutory common reserve fund until such fund has reached more than 50% of the registered capital of the Company. The Company will, therefore, only be able to declare dividends after: (i) the PRC subsidiaries' historically accumulated losses have been made up for; and (ii) the PRC subsidiaries have allocated sufficient net profit to their statutory common reserve fund as described above.

DIRECTORS AND SENIOR MANAGEMENT

BIOGRAPHICAL DETAILS OF OUR DIRECTORS

Executive Directors

Dr. Qiu Chunxin (邱純鑫), aged 40, is our co-founder, chairman of the Board, executive Director and chief scientist. He is the brother of Dr. Qiu Chunchao. He was appointed as a Director on June 23, 2021 and was re-designated as an executive Director on June 28, 2023. He is primarily responsible for overseeing the overall strategy, business development and management of our Group and serving as chairman and/or member of the Board Committee.

Dr. Qiu has approximately nine years of experience in the LiDAR solutions market. He has been holding directorship in several subsidiaries of our Group, including Shenzhen Suteng since August 2014, Optixpan Semiconductors since October 2016, Suzhou Xijing MEMS since November 2017, RoboSense Inc. since December 2017, Hong Kong Suteng since February 2018, Shanghai Lubo since December 2018, Beijing Surui since June 2021, RoboSense BVI since June 2021, and RoboSense HK since July 2021. Dr. Qiu obtained a bachelor's degree in engineering majoring in automation from Yanshan University (燕山大學) in China in July 2007 and a master's degree and a doctorate degree in control science and engineering from Harbin Institute of Technology (哈爾濱工業大學) in China in January 2010 and July 2014, respectively.

Dr. Qiu was recognized by Human Resource Bureau Nanshan District (深圳市南山區人力資源局) as "High-level Talent" in Nanshan District of Shenzhen (深圳市南山區"領航人才") in August 2017, by Human Resources and Social Security Administration of Shenzhen Municipality (深圳市人力資源和社會保障局) as High-level Professional in Shenzhen (深圳市高層次專業人才) in November 2017, by MIT Technology Review (a media company founded at the Massachusetts Institute of Technology) as Innovators Under 35 in 2017, and by Hemi Ventures (an institution investing in early stage startups in autonomous vehicles, artificial intelligence applications, robotics, biotech, and other emerging technology sectors) as Top 50 Individuals in Automotive Industry in China (中國出行50人) in 2018. He was also recognized by Sensors Expo & Conference, one of the world's largest gatherings of engineers and scientists involved in the development and deployment of sensor systems, as "Best of Sensors Awards 2019 — Rising Star of the Year". He was also granted with 2019 China Automotive Electronics Science and Technology Award — Innovative Individual Award (2019年度中國汽車電子科學技術獎創新人物獎). He received Outstanding Contribution to Automotive Tech Award from TU-Automotive in 2020, and the second prize in Guangdong Provincial Technology Invention Award (廣東省技術發明獎) in March 2022.

Mr. Liu Letian (劉樂天), aged 35, is our co-founder, executive Director and chief technology officer. He was appointed as a Director on December 31, 2021 and was re-designated as an executive Director on June 28, 2023. He is primarily responsible for formulating product research and development plan and overseeing the technology advancement of our Group.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Liu has approximately nine years of experience in the LiDAR solutions market. He has been holding senior membership and directorship in several subsidiaries of our Group, including chief technology officer in Shenzhen Suteng since August 2014, executive director in Tianjin Lubo since November 2022, a general manager of Suteng Zhigan Technology since August 2023, a general manager of Optixpan Semiconductors since September 2023.

Mr. Liu obtained a bachelor's degree in automation in July 2010, and a master's degree in control science and engineering in January 2013, each from Harbin Institute of Technology (哈爾濱工業大學) in China.

Mr. Liu won a silver medal in the Creative Robot Competition, the First IEEE International Robot Competition in Robot, Vision and Signal Processing (RVSP), in November 2011, the second prize in Shenzhen Technology Invention Award (深圳市技術發明獎) in December 2020 and the second prize in Guangdong Provincial Technology Invention Award (廣東省技術發明獎) in March 2022. He was also recognized as "High-level Talent" in Nanshan District of Shenzhen (深圳市南山區"領航人才") in 2021.

Mr. Qiu Chunchao (邱純潮), aged 34, is our executive Director and Chief Executive Officer. He is the brother of Dr. Qiu Chunxin. He was appointed as a Director on December 31, 2021 and re-designated as an executive Director on June 28, 2023. He is primarily responsible for overseeing the execution of the overall strategy, business development and management of our Group.

Mr. Qiu has over eight years of experience in the LiDAR solutions market. He has been holding senior management position and directorship in several subsidiaries of our Group, including the supervisor of Optixpan Semiconductors since October 2016, supervisor of Suzhou Xijing MEMS since November 2017, supervisor of Shanghai Lubo since December 2018 and director of Hong Kong Suteng since June 2021.

Mr. Qiu obtained a diploma (專科證書) in computer application technology from Guangdong Vocational College of Science and Technology (廣東科學技術職業學院) in China in June 2012, and a master's degree in business administration from The Chinese University of Hong Kong (香港中文大學) in Hong Kong in October 2022.

Mr. Qiu was recognized by Forbes in the 30 Under 30 Asia List 2018 and the 30 Under 30 China List 2018, and by Hurun Report (胡潤百富) in Hurun China Under 30s To Watch 2019 (2019 胡潤Under 30s創業領袖). He was also honored by Human Resource Bureau Nanshan District (深圳市南山區人力資源局) as "High-level Talent" in Nanshan District of Shenzhen (深圳市南山區"領航人才") in January 2022.

Non-executive Director

Dr. Zhu Xiaorui (朱曉蕊), aged 46, is our co-founder, non-executive Director and scientific advisor. She was appointed as a Director on December 31, 2021 and was re-designated as a non-executive Director on June 28, 2023. She is primarily responsible for supervising and providing advice to our Group's scientific development and serving as members of the Board Committees.

DIRECTORS AND SENIOR MANAGEMENT

Dr. Zhu has extensive experience in technology sector. Dr. Zhu has been and is currently serving as a director of Shenzhen Yingpeng Information Technology Co., Ltd. (深圳英鵬信息技術股份有限公司) since November 2017, a director and the chief scientist of Guangdong Avenue Zhichuang Technology Co., Ltd. (廣東省大道智創科技有限公 司) since January 2018, an independent non-executive director of XGimi Technology Co Ltd (極米科技股份有限公 司), a company listed on the Shanghai Stock Exchange (stock code: 688696), since July 2019, and a director of Galaxy Artificial Intelligence and Robotics Research Institute Pte. Ltd. since June 2023. Previously, she was a director of Shenzhen Boyun Information Technology Development Co., Ltd. (深圳市博雲信息技術發展有限公司) from December 2015 to July 2017, and a supervisor of Shenzhen Yiqing Innovation Technology Co., Ltd. (深圳一清創新科技有限公 司) from August 2018 to September 2022.

Dr. Zhu obtained a bachelor's degree in electric mechanical control and automation and a master's degree in electric and mechanical integration from Harbin Institute of Technology (哈爾濱工業大學) in China in July 1998 and July 2000, respectively, and a doctorate degree in mechanical engineering from The University of Utah in the United States in December 2006. She also holds the qualification certificate for independent directors issued by the Shanghai Stock Exchange in August 2019.

Dr. Zhu was awarded the second prize of National Technological Advancement Award (國家科學技術進步獎) in China in 2012. She served as a member of the Women in Engineering Group and Member Activities Board of IEEE Robotics and Automation Society for two consecutive terms from 2012 to 2013 and the chairman of the International Affairs Committee of the IEEE Robotics and Automation Society in 2014. She was an organizing committee member in the 2011 IEEE International Conference on Robotics and Automation ("ICRA"), the 2014 IEEE/RSJ International Conference on Intelligent Robots and Systems and the 2015 IEEE ICRA. She was recognized in the 2015 IEEE ICRA as one of the Notable Women in Robotics. She was the chairman of the organizing committee of Global Artificial Intelligence and Robotics ("GAIR") Summit (全球人工智能與機器人峰會) in 2016 and 2017 and the chairman of GAIR Silicon Valley Intelligent Driving Summit (GAIR矽谷智能駕駛峰會) in 2018. She was elected as the honorary president of Shenzhen Artificial Intelligence Industry Association in May 2020 and recognized by Forbes in the List of 50 Women in Technology in China in 2022.

Independent Non-executive Directors

Mr. Feng Jianfeng (馮劍峰), aged 49, was appointed as an independent non-executive Director on June 28, 2023, with effect from the Listing Date. He is responsible for supervising and providing independent judgment to the Board and serving as chairman and/or members of the Board Committees.

Mr. Feng has been serving as a partner and the chief investment officer at AJ Asset Management Limited (安捷資產管理有限公司) since March 2023. Previously, he was a vice president in Burgundy Asset Management Ltd. from August 2005 to October 2009. He then served as the head of global emerging markets and a senior portfolio manager in Invesco from October 2009 to February 2023.

Mr. Feng obtained a bachelor's degree in finance from Xiamen University (廈門大學) in China in July 1997 and a master's degree in business administration from The University of Western Ontario in Canada in April 2005. He holds the Chartered Financial Analyst designation since 2006.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Liu Ming (劉民), aged 53, served as an assistant professor at the Department of Systems Engineering and Engineering Management of the Chinese University of Hong Kong from August 1996 to August 1999, and a tenured professor at the Department of Finance of the Chinese University of Hong Kong since August 1999 till now. He served as an associate professor at the University of Missouri Columbia from August 2001 to August 2003, and served as an associate director of Shenzhen Finance Institute, CUHK(SZ) (深圳高等金融研究院(香港中文大學(深圳)高等金融研究院)) from January 2017 to June 2020. He has also served as the director of the EMBA program of the Chinese University of Hong Kong since August 2021.

He served as an independent director of Sichuan Jinding (Group) Co., Ltd. (四川金頂(集團)股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600678) from June 2017 to April 2023, an independent director of Shenzhen Ecobeauty Co., Ltd. (深圳美麗生態股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000010) from January 2019 to May 2022. He has also served as an independent director of CR Yuanta Fund Management Co., Ltd. (華潤元大基金管理有限公司) since March 2019 and China Development Bank Financial Leasing Co., Ltd. (國銀金融租賃股份有限公司), a company listed on the Stock Exchange (stock code: 1606) since August 2023.

Mr. Liu obtained a bachelor's degree in engineering management from the University of Science and Technology of China (中國科技大學) in July 1989, a master's degree in statistics from Duke University, the U.S., in June 1995 and a doctoral degree in economics from Duke University, the U.S., in June 1996. Mr. Liu obtained the qualification certificate as independent director from the Shanghai Stock Exchange in April 2017.

Mr. Ng Yuk Keung (吳育強), aged 59, was appointed as an independent non-executive Director on June 28, 2023, with effect from the Listing Date. He is responsible for supervising and providing independent judgment to the Board and serving as chairman and/or members of the Board Committees.

Mr. Ng has ample experience acting as an independent non-executive director of listed companies. He is currently and has been an independent non-executive director of two companies listed on the Stock Exchange, namely, Sany Heavy Equipment International Holdings Company Limited (stock code: 631) since November 2009 and E-Commodities Holdings Limited (stock code:1733, formerly known as Winsway Enterprises Holdings Limited and Winsway Coking Coal Holdings Limited) since June 2010. Previously, he was an independent non-executive director of Xinjiang Xinxin Mining Industry Co., Ltd. (stock code: 3833) from February 2007 to October 2011, and Zhongsheng Group Holdings Limited (stock code: 881) from October 2009 to September 2016, each of which is a company listed on the Stock Exchange. He was also an independent non-executive director of Beijing Capital Land Ltd. (previously listed on the Stock Exchange with the stock code of 2868, and is currently delisted) from December 2008 to April 2016.

Mr. Ng also has solid experience in accounting and financial management matters in listed companies. From November 2004 to August 2006, he worked in IRICO Group New Energy Company Limited (彩虹集團新能源股份有限公司) (formerly known as IRICO Group Electronics Company Limited (彩虹集團電子股份有限公司), a company listed on the Stock Exchange (stock code: 438)) where he served as the deputy chief financial officer, the joint company secretary and the qualified accountant. From September 2006 to March 2010, he was the chief financial officer, the company secretary and the qualified accountant of China Huiyuan Juice Group Limited (previously listed on the Stock Exchange with the stock code of 1886, and is currently delisted). From March 2010 to July 2012, he was the executive

DIRECTORS AND SENIOR MANAGEMENT

director, chief financial officer and the company secretary of China NT Pharma Group Company Limited, a company listed on the Stock Exchange (stock code: 1011). Mr. Ng worked in Kingsoft Corporation Limited, a company listed on the Stock Exchange (stock code: 3888) for ten years, where he served as the chief financial officer from July 2012 to July 2022 and an executive director from March 2013 to May 2022.

Mr. Ng obtained a bachelor's degree in social sciences in 1988 and a master's degree of science in global business management and e-commerce in 2022 from The University of Hong Kong. He is a fellow member of The Association of Chartered Certified Accountants, The Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales.

Save as disclosed above in this section, each of our Directors has confirmed that (i) he/she did not hold any other directorship in any other listed companies during the three years immediately prior to the Latest Practicable Date; (ii) there is no other matter in respect of each of our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules; and (iii) there is no other material matter relating to our Directors that needs to be brought to the attention of our Shareholders.

BIOGRAPHICAL DETAILS OF OUR SENIOR MANAGEMENT

Dr. Qiu Chunxin (邱純鑫), aged 40, is our co-founder, chairman of the Board, executive Director and chief scientist. For details of his biography, see "*Biographical Details of our Directors – Executive Directors*" in this section.

Mr. Liu Letian (劉樂天), aged 35, is our co-founder, executive Director and chief technology officer. For details of his biography, see "*Biographical Details of our Directors – Executive Directors*" in this section.

Mr. Qiu Chunchao (邱純潮), aged 34, is our executive Director and Chief Executive Officer. For details of his biography, see "*Biographical Details of our Directors – Executive Directors*" in this section.

Mr. Lau Wing Kee (劉永基), aged 59, is our chief financial officer. He was appointed as the chief financial officer on August 1, 2022. He is primarily responsible for overseeing the accounting, financial management and taxation affairs of our Group.

Prior to joining our Group, Mr. Lau worked in PricewaterhouseCoopers from January 1994 to July 2000. He served as a financial director in Ogilvy & Mather Advertising Ltd. Beijing Branch from July 2000 to October 2004, as the chief financial officer and company secretary in Beijing Media Corporation Ltd., a company listed on the Stock Exchange (stock code: 1000) from November 2004 to February 2007, as the chief financial officer in Perfect World Co., Ltd., a company listed on the NASDAQ (with ticker symbol of PWRD prior to its de-listing in July 2015) from March 2007 to June 2018, as the chief financial officer in Square Panda Inc. from July 2018 to August 2019, as the chief financial officer in Tarena International Inc., a company listed on the NASDAQ (ticker symbol: TEDU) from March 2020 to July 2022, as an independent director of Genetron Holdings Limited, a company listed on the NASDAQ (ticker symbol: GTH) from June 2020 to March 2024. Mr. Lau has been serving as an independent director of EHang Holdings Limited, a company listed on the NASDAQ (ticker symbol: EH) since August 2023.

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Mr. Lau obtained a bachelor's degree in business administration (finance) from the Hong Kong Baptist University (香港浸會大學) in Hong Kong in November 1990, and an executive master of business administration from Cheung Kong Graduate School of Business (長江商學院) in China in September 2011. Mr. Lau is an associate of both of The Association of Chartered Certified Accountants and The Hong Kong Institute of Certified Public Accountants.

BIOGRAPHICAL DETAILS OF OUR JOINT COMPANY SECRETARIES

Mr. Lau Wing Kee (劉永基), our chief financial officer, was appointed as a joint company secretary of our Company on June 28, 2023. For details of his biography, see "*Biographical Details of our Senior Management*" in this section.

Ms. Lau Yee Wa (劉綺華), was appointed as a joint company secretary of our Company on December 7, 2023. Ms. Lau is a director of corporate services of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services.

Ms. Lau has over 20 years of experience in the corporate secretarial field. She has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Lau is currently the company secretary or joint company secretary of a few listed companies on the Stock Exchange.

Ms. Lau is a Chartered Secretary, a Chartered Governance Professional and an Associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. Ms. Lau obtained her Bachelor of Business Administrative Management from the University of South Australia.

DISCLOSURE OF CHANGES IN INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Save as disclosed herein, our Directors and senior management confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

About this ESG Report

INTRODUCTION TO THE ESG REPORT

This report is the first Environmental, Social and Governance Report (the “**ESG Report**”) issued by the Company regarding the Group’s strategic direction, management practices and performance in relation to the ESG for 2023.

REPORTING SCOPE

This report covers the Reporting Period from January 1, 2023 to December 31, 2023. To enhance the comparability and completeness of the ESG Report, certain content or elaboration of the ESG Report may be out of the time frame.

In order to fully demonstrate the results of our management initiatives, the general disclosure and the scope of reporting on social key performance indicators (KPIs) are consistent with the Company’s financial statements and does not include the Company’s associates and joint ventures; which cover the Group’s (i) sales of LiDAR hardware products for application in the ADAS, robotics and other non-automotive industries such as cleaning, logistics, industrial, public services and inspection, among others, (ii) sales of LiDAR perception solutions integrating our LiDAR hardware and AI perception software, and (iii) the provision of technology development and other services. Environmental KPIs are incorporated in the office and production areas of the Group’s headquarters and production bases. For a detailed reporting scope of environmental KPIs, please see the “Description of Environmental Key Performance”.

Unless otherwise stated, this report is denominated in Renminbi.

REPORTING CRITERIA

This report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (“**ESG Guide**”) in Appendix C2 to the Listing Rules, and strictly fulfils the disclosure obligations of the mandatory disclosure requirements and the “disclose or explain” provisions.

Appendix I: Content Index of the Environmental, Social and Governance Reporting Guide details the major scope, level and general disclosure of the ESG Guide and the KPIs Index for readers’ quick reference.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

REPORTING PRINCIPLES

This report has been prepared in accordance with the disclosure principles as set out in the ESG Guide in Appendix C2 to the Listing Rules:

Reporting Principles	Responses of RoboSense
Materiality	Through a materiality assessment, this report focuses on disclosing matters that may have a significant impact on investors and other stakeholders.
Quantitative	This report quantitatively provides information on the KPIs, standards, methodologies, assumptions and calculation tools used, together with the explanations to allow readers to assess and validate the performance of the Group's ESG policy and management system.
Balance	This report comprehensively discloses the Group's performance in environmental, social and governance aspect, based on objective facts, and avoids any expression or presentation format that may improperly affect the decision or judgment of the readers.
Consistency	This report uses consistent and discloses statistical methodologies throughout the current and subsequent years to allow the readers to compare the Group's performance on an annual basis.

SOURCE OF INFORMATION

All data and materials contained in this ESG Report are derived from the Group's internal official documents, statistical reports, external public information, and others. The ESG Report is reviewed and published by the Board who is responsible for the truthfulness, accuracy and completeness of its contents. The Group warrants that there are no false representations or misleading statements contained in, or material omissions from the ESG Report.

CONFIRMATION AND APPROVAL

This report discloses in detail the ESG related matters of RoboSense for the year ended December 31, 2023, which were reviewed and approved by the Board on March 27, 2024.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Board Statement

RoboSense adheres to the principle of sustainable development, actively assumes social responsibilities, and establish an effective ESG governance structure in accordance with the requirements of the ESG Guide. We are committed to enhancing the Board's oversight and participation in ESG matters and actively integrating the ESG philosophy into our daily business activities.

The Board has attached great importance to the sustainable development of the Group in the field of ESG. A 4-level ESG governance structure, comprising the Board, ESG Committee, ESG Leading Group and ESG Task Force, has been established to form a sustainable management system with full process from decision making, communication to implementation. We have officially published the ESG Committee's written terms of reference, "Terms of Reference of the Environmental, Social and Governance Committee", which compresses responsibilities at all levels through a clear division of functions.

Board of Directors

- The Board has overall responsibility for the Group's ESG reporting and work

ESG Committee (chaired by Executive Director and members are appointed from time to time by Board members)

- Develop and review the Group's ESG responsibility, vision, objectives, strategies, framework, principles and policies
- Supervise and evaluate the Group's overall ESG management and implementation and report to the Board
- Monitor the communication channels and methods between the Group and its stakeholders
- Review key ESG trends and associated risks and opportunities
- Review the Company's ESG Report with recommendation to the Board for approval
- Assess and review the Company's ESG status based on the objectives and report to the Board

ESG Leading Group (headed by Chief Financial Officer, comprising senior management from each department concerned with ESG issues)

- Assist in the development and review of the Company's ESG objectives and implement the annual work content according to the ESG management objectives
- Identification, assessment and management of ESG issues
- Lead each Task Force to carry out ESG work and monitor the ESG working progress
- Regularly summarize ESG work matters and report to the ESG Committee

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG Task Force (comprised of staff from various business and functional departments related to ESG issues)

- Carry out ESG work content to drive implementation and execution of ESG objectives
- Collect and organize the information and data related to ESG, and prepare ESG report
- Report to the ESG Leading Group on the working progress

During the year, the Board reviewed 18 ESG issues and their materiality, discussed and assessed the risks of each issue and its impact on internal and external stakeholders, please refer to the “Materiality Assessment” in this report. In major environmental and social issues, we have set relevant goals and made disclosure in the relevant sections below. The Board will continue to monitor and review ESG risks and the progress made in achieving the relevant goals, and promote the integration of ESG risks into the Group’s risk management system.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Snapshot of 2023

PERCEPTION OF ESG

Technology and Innovation

- As of December 31, 2023, 43% of the employees were R&D personnel
- R&D investment for the year amounted to RMB635 million, representing 56.7% of the revenue
- 177 new patents added, with a cumulative total of 467 patents authorized
- Led the establishment of First National Task Force on automotive MEMS Standardization
- World's First automotive-grade LiDAR TÜV Rheinland ISO 26262 Functional Safety Certification

Environmental

- Obtained ISO 14001 Certification for Environmental Management Systems
- Achieved 100% compliance in terms of "three wastes" discharge
- No penalties or fines have been imposed due to environmental pollution

Social

- Delivered nearly 260,000 units of LiDAR products throughout the year, passing the threshold of 250,000 units for the first time, representing a year-on-year growth of 550%
- Created 570 job positions and promoted regional employment development
- Conducted 331 in-house professional training sessions, with an average training time of 17 hours per person
- Obtained ISO 45001 occupational health and safety management system certification
- Zero work-related fatalities, zero mass poisoning incidents, zero severe injury accidents
- The rate of work-related injury was less than 1%
- 100% coverage of physical examination package for employee
- 100% coverage of safety education program and rate of employment with certificate
- 100% correction rate of safety hazard
- 100% coverage of signing a safety target responsibility letter
- 100% coverage of emergency drills

Governance

- The Board is comprised of 7 Directors currently, and one of the Directors is female.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SPOTLIGHT WALL OF HONOR

Award Name	Awarding Authority
Xpeng 2023 Global Partner Conference “Technical Contribution Award”	Xpeng
2022–2023 Top 100 Suppliers of the Intelligent Vehicle Industry Chain (China’s Top 100 Local Suppliers of Hardware and Software of Intelligent Connected Vehicle)	Gao Gong Intelligent
2023 Gao Gong Intelligent Golden Globe Award — TOP 10 Local Suppliers of Pre-installed LiDAR of the Year	Gao Gong Intelligent
2023 Authentic Ranking • TOP 30 Unicorns in Technology Innovation	Pencilnews
2023 Gasgoo Award Top 100 Players of China’s New Automotive Supply Chain	Gasgoo
Top 100 Unicorns (2023) TOP 5 Technology Innovation	CCID Technology
2023 Commercial Landing Award for Autonomous Driving	ICVS
50 Best Companies to Watch 2023	The Silicon Review
2023 Top List of Innovative Companies in Global Technological Travel Industry — 2023 China Automotive Technology Partners (New Supplier List) TOP 10	EqualOcean International & EqualOcean Intelligence
2023 Sci-Tech Good Company — New Energy Vehicles and Autonomous Driving	Cailianshe & STAR Market Daily
2023 NFuture Most Favored Technology Talent Campus Recruitment Employer	Nowcoder
2023 The Most Attractive Employer Award	Shixiseng
Intelligent Connected Excellent Core Parts Enterprise (Perception and Positioning)	SAE International
Innovation Technology Award —E1	SAE International
2023 China-SAE Science and Technology — second prize for the Advancement of Science and Technology Award	China Society of Automotive Engineers
2023 Top 100 Core Components of China’s Smart Electric Vehicles	Organizing Committee of Diancheren Congress
Chinese Patent Awards	National Intellectual Property Administration

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Responsible Governance and Compliance Operation

RoboSense firmly believes that good corporate governance is the cornerstone of sustainable development and social responsibility. We have established a set of rigorous governance principles and framework in compliance with the relevant laws and regulations and industry standards in the places where we operate. Our Board of Directors consists of independent members with extensive experience and expertise who oversee and guide the development and implementation of corporate strategies. We have established robust internal controls and compliance mechanisms to ensure that our operations comply with legal, ethical and industry requirements. We value stakeholder engagement and encourage a two-way channel of communication so that they can provide feedback and advice on our decisions and practices and help us create long-term value for our stakeholders.

For details of our Board and risk management and internal controls, please refer to “Corporate Governance Report” in this annual report.

STAKEHOLDER COMMUNICATION

The Group attaches great importance to communication with its stakeholders and discloses the Group’s development strategies, corporate governance, production and operation information to its stakeholders in a timely manner through various means of communication so as to fully protect the stakeholders’ rights of information and participation. At the same time, topics of concern to various stakeholders, as well as their expectations and requirements, are important directions for us to continue to improve ESG performance.

Stakeholders	Topics of Concern	Communication Approach
Employees	Legitimate rights and interests Occupational health and safety Employee benefits and care Training and development	Employee satisfaction surveys Training, team building activities Internal communications meetings
Customers	Product quality and safety Customer service and satisfaction Information security and trade secret protection	Customer complaints and handling Product survey feedback Account manager docking service

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

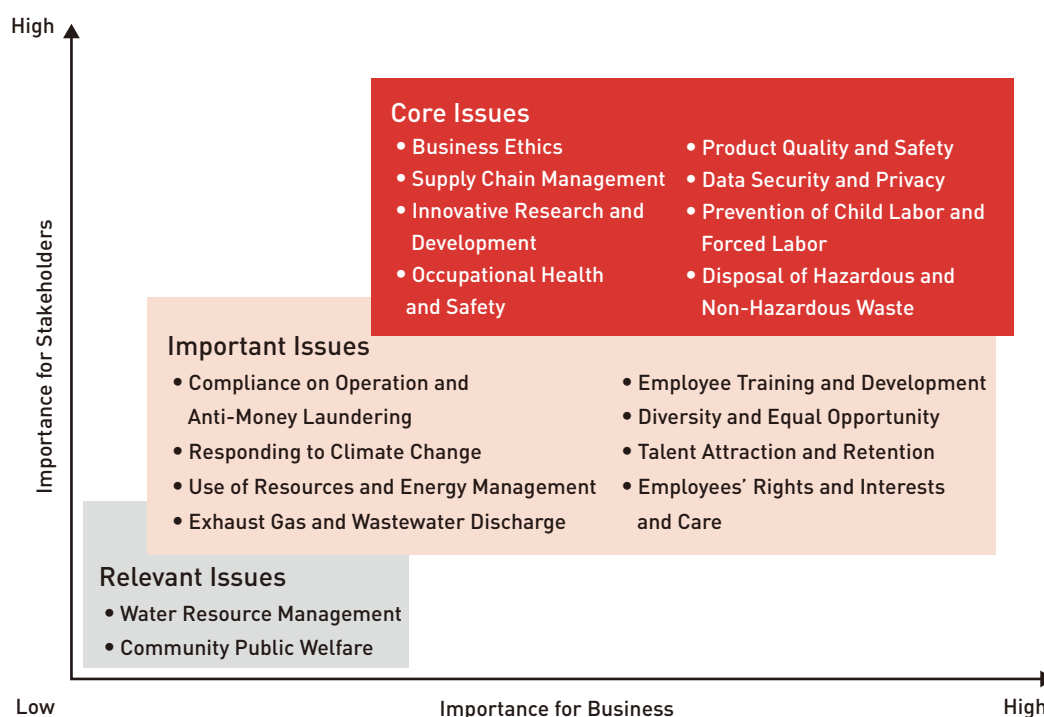
Stakeholders	Topics of Concern	Communication Approach
Suppliers	Compliance and anti-money laundering Business ethics and anti-corruption Supply chain management Product quality and safety Information security and trade secret protection	Procurement agreement, integrity agreement, confidentiality agreement Supplier review and evaluation On-site investigation Supplier training
Government/Regulatory Authorities	Compliance on operation and anti-money laundering Information security and privacy protection Providing employment Green development	Information disclosure Daily communication and reporting Supervision and inspection Investigation and research
Industry associations/Media/Public	Technological innovation Charity Supporting development of local community Sustainable development	Industry exchange conference Press conference Charity activities for the community
Shareholders/Investors	Return on investment	Shareholder/Investor meeting

MATERIALITY ASSESSMENT

Through diverse, continuous, and regular communication, the Group collects opinions and suggestions on our sustainable development from stakeholders, including management, employees, customers, suppliers, government and regulatory authorities, industry associations/media/public, shareholders, and investors as a selection basis for our ESG issues. In 2023, we summarized and analyzed ESG issues based on the concerns of the relevant stakeholders and the industry research. The issues were sorted according to their materiality from the two dimensions of "importance for business development" and "importance for stakeholders" and the selected issues

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

as well as their sequence were reviewed by the Board of Directors. The Board has finally confirmed the results of materiality assessment on ESG issues, as shown in the following chart:



Based on the results of materiality assessment in 2023, we have identified governance issues, including business ethics and social issues, including product quality and safety, data security and privacy, supply chain management, innovation in research and development, occupational health and safety, prevention of child labor and forced labor, and environmental issues, including the disposal of hazardous and non-hazardous waste, as our top priorities for sustainable development. To address important issues of concern to stakeholders, we will highlight our management practices and annual performance in subsequent sections of this report in order to respond to the concerns and expectations of stakeholders. At the same time, the Group regularly evaluates the management practices on various issues through internal and external audit, performance assessment, stakeholder communication, formulation of complaint mechanism and others, and will make reasonable adjustments to them when necessary to ensure the effectiveness of various management practices.

ETHICS AND COMPLIANCE

The Group is committed to creating and maintaining a fair and clean business environment, it attaches great importance to anti-corruption and advocates clean government, and strictly complies with the laws and regulations at the locality of its operation including the Anti-Unfair Competition Law of the People's Republic of China and the Interim Provisions on Prohibiting Commercial Bribery. The Ethics and Compliance Committee is the highest leading body on ethics and compliance work of the Group. It is responsible for promoting the development of the ethics

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and compliance system and processes of the Group, including the establishment of management mechanisms for anti-corruption, anti-bribery and conflict of interest reporting, so as to ensure that the Group's business and operations comply with all external and internal rules and regulations.

We have "zero tolerance" towards any violation of business ethics and do not accept the hiring or promotion of persons responsible for corruption. Our Employee Discipline and Conduct Management Measures explicitly require that employees should not take advantage of their work to seek personal gain, and should not accept kickbacks or any other form of commercial bribery. At the same time, we endeavor to create a fair and honest working environment with our suppliers, and by entering into integrity agreements and relevant terms, we bind our partners to proactively comply with relevant business ethics and integrity rules to ensure healthy operation of our supply chain.

We have established diversified whistleblower channels and standardized reporting procedures. We have established the Anti-fraud and Whistleblowing Incentive System, which clearly defines the responsibility for whistleblowing work and the process for handling whistleblowing incidents, and encourages employees to report any bribery and corruption incidents. Our internal control department investigates the reported incidents and takes appropriate measures to resolve them to ensure that the reported incidents are handled in a timely and appropriate manner. We disclose our whistleblower channels on the official website, accept internal and external joint supervision, and encourage our employees, customers, suppliers and other interested parties and the general public to report any violation of laws, regulations, and ethical norms and any conduct that damages the legitimate interests of the Company or seeks for illegitimate interests of the Company or any individual. We encourage reporting on named basis, and establish a whistleblower protection mechanism to protect the basic rights and interests of whistleblowers, protect the personal information and content of whistleblowers according to the law, and eliminate any form of retaliation.

RoboSense Whistleblower Channel

Email: voice@robosense.cn

In order to create a highly ethical and compliance-oriented work environment, we have developed a multi-dimensional compliance training system. Specific compliance training is provided to Board members and senior management to enhance their awareness of the integrity of their duties and to ensure that they maintain integrity in corporate decision-making and management. At the same time, new employees are required to complete the study of the Code of Conduct on Integrity and the Measures for Employee Discipline and Conduct Management when entering into the job. Through these trainings, new employees can learn about the company's requirements for integrity and integrity, as well as our disciplines and code of conduct. In addition, we provide trade secrets training and advocacy to all employees to enhance their confidentiality awareness and ensure that employees are fully aware of the importance and confidentiality of trade secrets when handling them.

During the Reporting Period, no cases of corruption brought and closed by us or our employees have occurred to the Group.

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Smart Sensor, Safer World

With the mission of “make the world safer and our living smarter”, RoboSense relies on technological innovation and quality and safety guarantee to provide customers with safe, smart, quality and reliable products. We focus on customers’ needs, emphasize supply chain management, shape customers’ trust through responsible marketing, and promote sustainable development with our supplier partners in an honest and cooperative manner.

INNOVATIVE RESEARCH AND DEVELOPMENT

As a global leader in the LiDAR and perception solutions market, Innovation is the core of the Group’s corporate culture. We are committed to fulfilling the commitment and determination to promote intelligent driving and progress of the robotics industry by means of technology. While we continue to invest in technology and product development, we also focus on information security and customer privacy protection and protect our legitimate rights and interests with full respect for the intellectual property rights of others, thereby enhancing our competitiveness and inspiring innovation in the industry.

Research and Development Capability

We are deep-rooted in the LiDAR field and, adhering to the customer demand-oriented innovation concept, invested a lot of resources in research and development. Through continuous technological breakthroughs and innovations, we have successfully launched a number of intelligent LiDAR products with high performance and high reliability, which are widely used in areas such as autonomous driving, robots and intelligent transportation, and provide excellent technical solutions for global customers.

We established three R&D centers in China, located in Shenzhen, Shanghai and Suzhou, and strategically located our R&D teams where human resources and business partners gathered to attract team members with cutting-edge technologies and extensive experience. As of December 31, 2023, our R&D team included chip engineers, LiDAR engineers and software engineers, comprised of 563 members, representing 43% of the total number of employees, of whom 313 had master’s degrees or above.

We established an automotive-grade laboratory as the industry’s first CNAS-certified laboratory. Its scale, facilities and testing technologies are industry benchmarks, covering more than 220 test standard systems including environmental testing, point cloud evaluation and system integration verification, providing strong support for our research and development innovation. We focus on core technologies such as chips, AI, and robotics application, and strive to empower our customers with technology. In 2023, our R&D investment amounted to approximately RMB635 million, accounting for 56.7% of total revenue during the Reporting Period.

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M Platform chip	E Platform chip	AI technology	Robotics application
<ul style="list-style-type: none"> The MEMS mirror chip is continuously iterated. The ranging performance is improved by increasing the optical aperture, the scanning angle is increased, the number of transceiver modules is reduced, and the cost is reduced; The development of Su2220 is progressing smoothly. AEC-Q100 and ASIL-B certification are obtained to meet specifications reliability, high performance, low power consumption, compared to purchased SoC or FPGA+Arm solutions can effectively reduce costs. 	<ul style="list-style-type: none"> Su2510, SPAD+SOC, 3D stack chips are developing smoothly, mainly used in robotic scenarios. The crosstalk phenomena such as high anti-expansion are effectively reduced by using 2D electron scanning; the SPAD and SoC are highly integrated through the 3D stacking process, without FPGA, realizing cost reduction. 	<ul style="list-style-type: none"> The algorithm team of nearly 150 people focused on the field of intelligent driving multi-sensor fusion perception algorithm, end-to-end solutions in the field of robotics, perception-decision-control full stack of robot algorithm development. 	<ul style="list-style-type: none"> Accelerate the development of LiDAR products in the field of robotics and the commercial implementation of solutions; We aim to create a solution that integrates multiple sensors, such as lidar and vision, to provide a safer driving experience; With humanoid robot as the technology traction, continue to explore other robot application scenarios, in order to achieve a long-term vision.

R&D of Core Technologies

In addition, we have not only made unremitting efforts in technological innovation and R&D investment, but also possessed profound accumulation and innovation capabilities in core technological fields. Through the implementation of the Measures for the Administration of Patent Innovation Awards, we commended and rewarded employees who have performed outstanding in patent innovation, so as to continuously stimulate their innovation vitality. In 2023, we obtained 177 patents licensed, and the cumulative number of patents licensed reached 467. Our patent layout covers a wide range of technical areas including LiDAR, autonomous driving, perception solutions and covers the globe, demonstrates our diversity and foresight in technological innovations and helps to enhance the Group's international competitiveness. We are also widely recognized in the industry, having received the Chinese Patent Excellence Award and the National Intellectual Property Advantage Enterprise in 2023, which has brought revolutionary changes to the development of the relevant industries and propelled the whole industry to a higher level.

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Data Security and Privacy

In recent years, data privacy and network security have become the key governance focus of global enterprises. We formulated the Procedures for the Administration of Trade Secrets of Enterprises in strict compliance with the Cybersecurity Law of the People's Republic of China, the Data Security Law of the People's Republic of China, the Personal Information Protection Law of the People's Republic of China and other laws and regulations at places of operation, and regulated the work on information security and privacy protection to prevent the disclosure, damage or loss of corporate and customer information.



Information Security Special Training

To build a safe and stable information environment, prevent and control information and network security risks, we conduct the work on the ISO 27001 and Tisax AL3 information security management system certification. We regularly invite external expert teams to collaborate with our internal information security management teams to detect and assess the Group's information security risks, and promote the implementation of relevant management measures and technical protection measures. Internal and external information security audits are also conducted on a regular basis to implement zero tolerance policy for violations of information security and privacy regulations. The Group carries out regular publicity and implementation training on information security norms, strengthen employees' information security awareness, encourage all staff to report information security risks, loopholes and events, and will be rewarded upon confirmation.

Our data consists primarily of desensitization point clouds from authorized suppliers for research purposes, profiles of email and communications subscribers, and customer contact data for business collaborations. We set strict access restrictions on data, protect critical data with measures such as encryption of critical information. We commission service providers with applicable mapping licenses to collect point clouds and desensitize data to exclude geographic information; use SSL protocols to ensure integrity, confidentiality and availability of data transfer processes; and use multi-tiered network isolation and layered firewall technologies. We also posted our privacy policy on the website, obtaining the legal consent of the visitors to store the customer's personal information in the Customer Relationship Management System and utilize such information reasonably in accordance with our privacy policy. Customers may restrict or oppose our personal information processing activities by exercising their rights to personal information, including but not limited to the right to know how we handle our personal information, the right to request us to delete or correct our personal information, and so forth. At the same time, we rigorously document the staff, time, and operational behavior involved in accessing the data. We enforce strict management of our data storage devices, with surveillance cameras monitoring them in real time and prohibiting unauthorized use by any employee, and at the same time set up corresponding data backup and recovery procedures to ensure the security of data.

During the Reporting Period, the Group did not have any information security and privacy breaches.

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Intellectual Property Protection

We regard intellectual property rights as the cornerstone of innovation and the driving force of development, and respect and protect intellectual property rights to ensure the uniqueness and leadership of innovation. We have established sound intellectual property management rules, formulated rules and specifications such as the Intellectual Property Management Rules and Standards, the Measures for the Administration of Patents, the Measures for the Administration of Trademark Registration, and specified the processes and requirements for intellectual property application, examination, maintenance, management, transfer, and other aspects, so as to ensure the legality and effectiveness of our intellectual property. We monitor, evaluate and improve the intellectual property protection and administration system to ensure its effectiveness.

To ensure that we do not infringe on third party intellectual property rights and to prevent third parties from infringing our intellectual property rights, we have implemented the following measures:

- patent risk assessment at all stages of the product development process, including product conception and product sample development, and FTO analysis using the advanced patent analysis reporting tool IncoPat, to ensure that our products do not infringe third-party intellectual property rights and thus minimize our risk of infringement;
- use intellectual property management software to conduct full life cycle management of proprietary intellectual property, including patent application, maintenance and valuation, to help us identify any potential infringement issues at an early stage and take appropriate measures to avoid infringement;
- actively protect their own intellectual property rights, and promptly protect rights to infringement;
- in order to enhance employees' awareness of intellectual property rights protection, we train employees on relevant intellectual property rights in new employee induction and research and development projects, so that employees fully understand the importance of intellectual property rights and consciously abide by the laws and regulations on intellectual property rights;
- in technology exchanges, cooperative research and development, and other activities with our partners, we strictly abide by confidentiality agreements and shall not divulge trade secrets of our enterprises.

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PRODUCT QUALITY AND SAFETY

Product quality and safety is always the highest priority for the Group. As the key sensor of smart vehicles, the quality and safety of our product LiDAR directly relates to the safety of vehicle. In strict compliance with the Law on Product Quality of the People's Republic of China and other laws and regulations and industry standards in the places of operation, and adhering to the quality policy of "quality first, continuous improvement and providing customers with first-class products and services", we continue to push the LiDAR industry into a standardized and standardized track, create a high quality LiDAR standard system, establish a product quality and safety management system and system with full product life cycle, full process and full participation, ensure that all processes of research, development, production and sales follow strict quality control procedures, help vehicle enterprises improve their intelligent driving ability and competitiveness in the second half of the intelligent field, and escort the safety situation of smart vehicles, so that people's traveling life becomes more convenient and better.

In the production, we use fully automatic production equipment, realize the whole process of digital tracing for each product from raw material procurement, production management to after-sales service. For the production process, we use visual error prevention, visual recognition, sensor detection and other advanced quality control means, to ensure that each step can meet the requirements of customers. In addition, we have invested in advanced product testing and certification laboratories, whose capabilities cover all the testing and certification projects of LiDAR products, achieving test assurance from research and development to production process. In order to ensure the safety of the LiDAR system, based on the innovative platform and modular product design, we establish the safety technology and system which integrates the "four safety guarantees" including functional safety, expected functional safety, network safety and perceived safety. This system can support the life cycle safety design requirements of the RS-LiDAR-M series (the "M Series") LiDAR from development, testing and validation to production operation and mass production application, and minimize the safety risk brought by product iteration.

Guided by the concept of "zero defects" quality management, we formulated the "Process for Handling Quality Problems after Sales" and the "Process for Management of On-site Service of After-Sales Customers" to clarify the duties of relevant departments, regulate the work process of after-sales service and warranty, requiring rapid response, timely follow-up, complete close-loop, and provide customers with the best quality and most efficient service.

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We have set up a sound quality problem management mechanism, set up a professional after-sales service and technical support team to be responsible for handling the quality-related problems in the after-sales market, and record the customer feedback of product complaints and problems in the "Customer Complaints Information Collection Form" as soon as possible, to ensure that the production, R&D management from the grass-roots level to the middle and senior management, and then to the senior management can timely respond to and follow up on quality issues. We will never let go of any quality problem. Based on the "8D problem solving method", we will manage it according to the root cause analysis program, identify the scope of adverse effects, dig root causes, implement corrective measures, and track the implementation of the countermeasures and effectiveness until the problem is resolved. In addition, we set up a quality problem reevaluation mechanism in our internal, and summarized the experience of quality problems. According to the categories and attributes of the causes of product problems, we start from the aspects of product design and development, process design and development, production process quality, and input customer complaints quality experience database, in order to continuously improve product and service quality, prevent the recurrence of problems. Regarding the customer feedback of product failure issues, after confirming that the faulty parts is truly defective, customers can then choose to return the product, and we will provide paid or free repairs according to the circumstances. As of the end of the Reporting Period, we did not encounter any material product returns, product recalls, product liability claims, warranty expenses or customer complaints.

In 2023, in order to ensure the quality of the Group's products upon mass delivery, we launched a series of special quality learning programs, such as "QRQC (Quick Responsive Quality Control)", "Quality Awareness Enhancement Activities — Manufacturing Site", "Seven Key Techniques of QC (Quality Control)", "PDCA (Planning, Implementation, Inspection, Action)", and conducted quality awareness enhancement activities quarterly. The quality awareness training and assessment were taken as an evaluation item for employees' rectification so as to improve their quality awareness and ensure the quality of the products.

Quality Awareness Enhancement Activities — Manufacturing Site

On June 19, 2023 to July 14, 2023, RoboSense conducted quality awareness enhancement activities for factory production staff, quality staff, warehouse operators, technicians and assistant engineers. Through offline training, live performance, answer contest, online ranking contest and prize money, we have developed an innovative way to arouse staff's enthusiasm for participation and effectively enhance their awareness of quality and safety as well as their ability to control quality and safety, thereby further enhancing the core competitiveness and brand value of the Company's products.

Quality performance is the Group's core assessment indicator. We set up a "Target Management Procedure" and set product quality and safety targets. We inspect the achievement of the targets every month, and analyze the reasons for failure to reach the targets and submit improvement plans. We also continuously track the follow-up implementation of the plans to ensure the smooth achievement of the targets. In 2023, we set relevant targets with customer satisfaction above 96% and safety incidents as 0, and all of the targets had been completed by the end of the Reporting Period. At the same time, our product yield has reached the industry leading level.

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According to the standard requirements of IATF16949:2016 and ISO 9001:2015, we review the established management system every year, to determine whether it can be correctly implemented and maintained, and whether it has the conditions of quality system, so as to carry out the planning argumentation and constructive improvement for the future development of the system. In 2023, Shenzhen Suteng, a wholly-owned subsidiary of the Company has obtained the automotive-grade quality and safety management systems certifications, including IATF 16949, ISO 9001, ISO 26262 and ISO/SAE 21434, and we are also the first company in China to obtain the ASPICE CL2 certification in the LiDAR industry. In addition, our products are certified for Human Eye Safety, CE-EMC, CE-GPSD, FCC, ICES, RCM, REACH, RoHS and reliability testing requirements set by various automotive manufacturers, as well as other automotive-grade certifications and standards.

MEMS Mirror Module Certified for AEC-Q100 Reliability

On March 10, 2023, RoboSense obtained the AEC-Q100 reliability test report and certificate issued by the SGS, an internationally recognized testing, testing and certification authority. The MEMS mirror module of RoboSense LiDAR is the only LiDAR scanning device that has passed the certification in the world at present. It not only marks that our MEMS mirror module meets the requirements of vehicle application, and can provide practical security for the M Series LiDAR products, but also marks that RoboSense fills in the blank of the reliability test of MEMS mirror of Global LiDAR under the deep cooperation with SGS, and provides a template for the subsequent reliability test of MEMS mirror.

The reliability and safety certification of vehicle regulations is the basic condition to measure the success of LiDAR. Passing the AEC-Q100 certification, it will help us to provide high quality LiDAR products for cooperative vehicle enterprises, and enable the rapid development of intelligent global automotive industry.

RoboSense strides steadily in the field of standards. In addition to improving its own product quality standards, we also assume the responsibility and responsibility of a leader in the industry. Based on the performance requirements, test methods and inspection rules of LiDAR, and the market application basis in the fields of vehicle and vehicle-road coordination, we continue to translate innovative results into industry standards, actively promote the construction of a multi-level standard system in the industry from the whole LiDAR product standards to the core component standards, and contribute corporate efforts, so as to inject solid quality and safety guarantee into the large-scale production and application of LiDAR.



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RESPONSIBLE MARKETING

The Group strictly complied with the Advertising Law of the People's Republic of China and other industry standards in its places of operation, launched sales and promotion services that are legal, honest, scientific, accurate, open and consistent, paid attention to the legal, regulatory and cultural differences in the international market, and ensured the sales activities are conducted compliantly on a global basis.

Adhering to the marketing orientation of "Creating Value for Customers", we actively apply the core value of "Max", formulate a series of compliance marketing management norms such as "Market Research Management Procedures" and "Customer Project Quotation Procedures", clarify marketing requirements, ensure fair marketing, ensure the marketing teams deliver correct and accurate product information to customers and products matching their needs during the whole process of product introduction, sample delivery, order delivery and after-sale, strengthen marketing compliance, price compliance, channel compliance and operation compliance, and strive to provide customers with reliable and high quality product information. To ensure that customers can clearly and accurately obtain required information before making purchase decisions, we provide smooth and diversified channels for customers to obtain information, produce specialized product leaflets, posters and other product promotional materials, and publish them simultaneously on the official website or publicity and promotion media to ensure convenient marketing promotional forms and true and transparent content. We also establish a regular review system to track and update dissemination of materials on a quarterly basis to ensure the timeliness and accuracy of the information.



Product Information Access Channel

We conducted effective screening of non-compliant communications, strictly controlled all types of advertising and communications, strengthened the review process of advertising and communications materials, and targeted training of advertising and communications auditors by legal personnel to prohibit the dissemination of exaggerated, deceptive and false content. We are strengthening social media management, developing guidelines for social media use, regulating employee behavior on social media, and avoiding inappropriate speech or false propaganda. We have also incorporated sustainability concepts into our marketing strategies to promote products and services in areas such as environmental protection and social responsibility.

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We regard compliance marketing as an important evaluation dimension in marketing performance ratings, and if employees are found to have irregularities in marketing activities, their semi-annual performance ratings will be affected accordingly. For the directly liable persons who cause major client complaints and violations, we shall impose different degrees of disciplinary punishment on them in accordance with the Measures for the Administration of Employee Discipline and Conduct and other relevant rules and regulations, and, according to the degree of impact caused by violations, investigate the management responsibilities of the relevant managers, and affect the annual performance rating of managers.

We have adhered to the principle of responsible marketing, established a sound training system for the marketing team, launched training programs on laws and regulations, product knowledge and marketing methods regularly for our marketing staff to supplement our staff's compliance marketing ability and weakness, fulfilled responsible marketing in every aspect and maintained our brand reputation. In 2023, we conducted a total of 31 training courses for marketing teams, focusing on 11 online general knowledge courses including online product knowledge, industry knowledge and business process, and organized open learning for all marketing teams.

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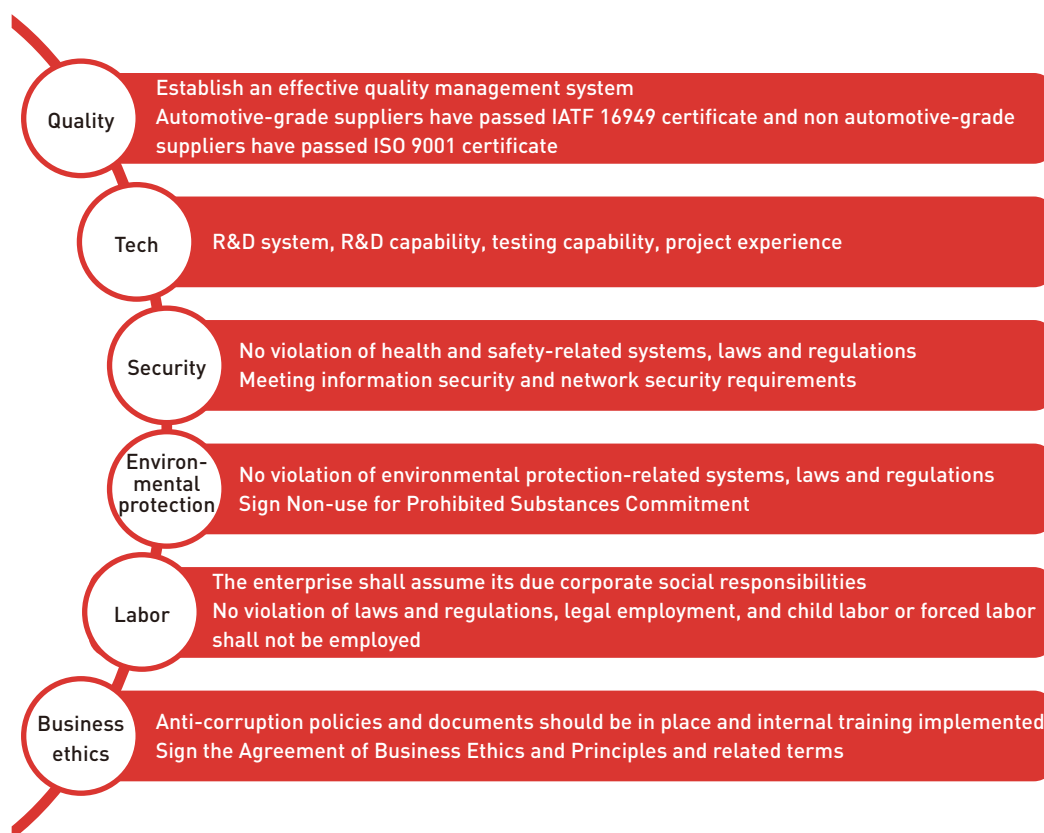
SUPPLIER MANAGEMENT

We fully understand that a developed supply chain management system is a powerful support for the sustainable development of enterprise. To ensure the establishment and maintenance of long-term and stable cooperation relationship with supplier partners, we have established a series of internal management systems, including the "Supplier Access Process" (《供應商准入流程》), the "Supplier Quality Handbook" (《供應商質量手冊》), the "Productive Supplier Management Procedures" (《生產性供應商管理程序》), the "Fixed Point Process for Productive Material" (《生產性物料定點流程》), the "Non-Production Procurement Management Regulations" (《非生產性採購管理規定》) and the "Tendering Procurement Management Measures" (《招投標採購管理辦法》), to clarify the division of responsibilities and work steps for supplier access and elimination, selection and fixation, performance evaluation and review, so as to ensure that suppliers achieve closed-loop management throughout the process. By introducing the Supplier Relationship Management (SRM) system, we implement full lifecycle management for our cooperative suppliers, systematize our process systems, and fundamentally ensure transparent, compliant procurement practices and honest, healthy partnerships.

In terms of supplier selection, we conduct a preliminary qualification evaluation of prospective suppliers, which requires that all automotive-grade suppliers should obtain IATF 16949 certificate and non-automotive grade suppliers should obtain ISO 9001 certificate, while giving priority to suppliers that have obtained ISO 14001. We require all suppliers to comply with environmental regulations, encourage them to adopt energy conservation and emission reduction production methods, using green and environmental materials and require our suppliers to sign a Non-use for Prohibited Substances Commitment.

In addition to vetting new suppliers, we also conduct monthly and yearly evaluations of risk identification and assessment of our existing suppliers regarding product quality, technical capability, safety, environmental protection, labor, business ethics, etc., and require suppliers to promptly address any issues discovered during such evaluations. We provide guidance to suppliers when necessary and may terminate suppliers who continuously fail to meet our standards.

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We lead by example in the management of supplier ESG, and require all cooperative suppliers to comply with applicable laws, regulations and national standards, and have set relevant red lines requirements on labor rights, safety and health, environmental protection and business ethics, including but not limited to: respect and protect human rights, eliminate all forms of forced and compulsory labor, child labor and occupational discrimination, and focus on labor health and safety management.

We place stringent requirements on the business ethics performance of our suppliers and sign the Commitment of Honest Cooperation and the Confidentiality Agreement with our suppliers to clarify the responsibilities and obligations of both parties in terms of integrity cooperation, intellectual property rights and business secrets. Suppliers are required to establish anti-corruption policies and documents, strictly manage employees' behavior, and prohibit all corruption, bribery, unfair competition or other corrupt practices. In the process of cooperating with suppliers, we have zero tolerance for violations of business ethics. Once such behaviors have been discovered, we will directly place those suppliers on SRM's permanent blacklist and never establish business relationship with them.

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EMBRACE TALENTS AND RACE AHEAD

RoboSense treats the talents as the core of our new quality productive forces. We actively recruit the talents, strictly protect the rights and interests of employees while build a competitive remuneration and benefits system, and provide them with rich training and career development resources, so as to support the self-growth of employees. We also care about the physical and mental health of our employees, keep communication channels open for employees and are committed to creating an inclusive, equitable, warm and enterprising workplace for all our employees.

RECRUITMENT AND EMPLOYMENT

The Group continues to attract global talents from various backgrounds to build up a diversified talent team. We have strictly complied with the Labor Law of the People's Republic of China and other laws and regulations at places of operation, established internal systems such as the "Administrative Measures for Recruitment", the "Administrative Measures for the Probation Period of New Employees" and the "Administrative Measures for Interns", and constantly refined the norms on recruitment and dismissal procedures, working hours, vacation arrangements, etc. We specify the employees' working hours, and arrange work and rest periods in strict accordance with relevant national laws and regulations. We have established clear notification requirements and work handover procedures in respect of employees' voluntary resignation. For the circumstance that we need to terminate labor contracts with employees, we handle it in compliance with the requirements of national laws and regulations.

We follow the principle of fair recruitment, recruit staff in line with the qualified and appropriate standards, sign labor contracts with employees according to laws and regulations, and ensure equal opportunities and treatment for all employees, respect their background, education, skills and experience, and no discrimination on the basis of gender, race, religious belief, nationality or disability are allowed. We attach great importance to human rights, adhere strictly to internationally recognized human rights norms, such as the "International Bill of Human Rights" and the "Universal Declaration of Human Rights", explicitly prohibit child and forced labor, and regularly review and assess the labor situation. During the recruitment process, we strictly check the candidates' identity information in order to minimize the employment risk. During the Reporting Period, the Group have not experienced any incidents of child labor or forced labor or any material labor dispute.

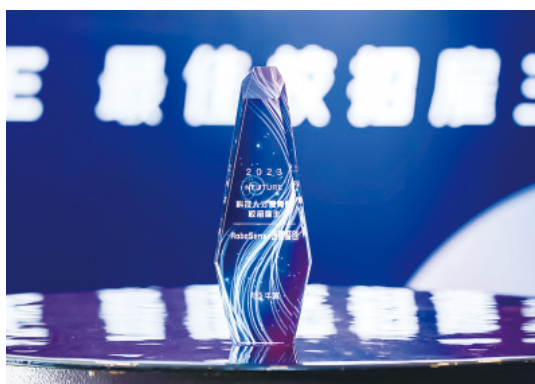
Each year, we employ different recruitment channels for different positions and platforms, including campus recruitment, online recruitment, other external recruitment channels as well as internal referrals and transfers, to meet the recruitment needs. In addition, we build up a talent pool and carry out regular human resources review analysis every year to provide talents for each business line of the Group. For employees who are not suitable for their respective positions, we provide internal job transfer opportunities, strengthen internal talent flow and ensure the continuity of employees' career paths.

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We also focus on developing a digital human resources management platform to effectively enhance recruitment efficiency through systematic empowerment. In 2021, we launched a digital talent recruitment management system. By 2023, we had completed the layout of a digital human resources management platform, opened the entire employment process, solved the breakpoint of the system process from recruitment to onboarding, and further optimized the standardization and refined management of employment.

In 2023, we actively carried out campus recruitment, covered both online and offline publicity channels, held online career talk and 4 job live broadcasts, and held campus recruitment talk and special recruitment fairs in 15 colleges and universities offline. We recruited nearly 100 students from campus in 2023, which provided more job opportunities for college graduates from different regions and also created a reserve of outstanding talents for the Group.

In 2023, the Group won the 2 best employers awards, which were “Most Favored School Recruitment Employer for Tech Talents” from Nowcoder and “Favorite Employer 2023” from Shixiseng.



Most Favored School Recruitment Employer for Tech Talents



Favorite Employer 2023

REMUNERATION AND BENEFITS

The Group provides employees with competitive salaries, flexible working arrangements and favorable benefits, including six social insurance and one housing fund (endowment insurance, unemployment insurance, work-related injury insurance, childbirth insurance, medical insurance, additional health insurance plans, housing accumulation funds), paid annual leave, patent award, high-temperature subsidies, holiday gifts, birthday gifts, overtime meal allowances, flexible clock in and out, team building funding, community activities, etc., so as to guide employees to focus on work-life balance and constantly enhance their happiness and satisfaction.

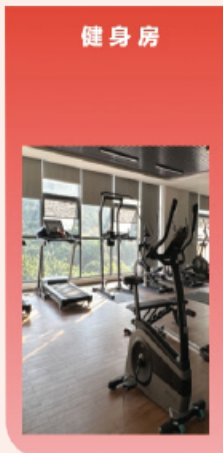
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Holiday Gifts



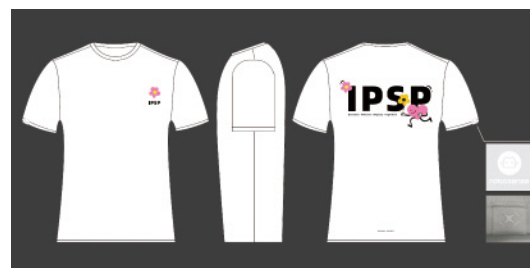
Community Activities



Office Benefits

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In addition, with our care for female employees, we actively lead female employees to work together to enhance their sense of belonging. We provide breastfeeding leave, prenatal checkup leave and maternity leave in accordance with the law, and prepare exclusive gifts and activities for female employees on Women's Day every year, such as Internal Purchase and Smile Goddess Selection. We also prepare dedicated gifts for employees' children on Children's Day.



Women's Day gifts

TRAINING AND DEVELOPMENT

The Group places emphasis on cultivation and long-term career development of talents, and provides various internal and external trainings to its employees, covering general trainings on corporate culture, employee' rights and responsibilities, workplace safety, data security, and other logistics aspects, as well as specific trainings that improve employee knowledge and expertise in key areas related to our businesses. The Group is committed to providing employees with opportunities and support for further personal development and enhancement of their capabilities.

We have established a systematic mechanism for employee training and development. For different categories and levels of employees, we designed diverse talent training programs, including management training, high-potential talent training, on-the-job professional training, new employee training and general training for all employees. For newly promoted management, we launched the "Departure Class" (啟航班) project to help newly promoted management complete their management roles and improve their management capabilities. For new employees, we provide one-to-one mentors, "Acceleration Creation Camp" (加速度創造營) special training, regular celebrity courses and a large amount of online knowledge base to help new employees understand the Company and their positions quickly and integrate into the Company smoothly.

In 2023, we conducted 331 internal professional trainings. The training hours per capita were nearly 17 hours, which successfully achieved the goal of providing employees with an average training hour of at least 15 hours per year.

In 2024, we will continue to strengthen the construction of online learning platforms, as well as provide employees with richer and higher quality online learning courses. Meanwhile, we plan to enhance the training and development of internal trainers and mentors. Through improving the guiding and teaching capabilities of internal trainers and mentors, we will optimize the construction of training system in each professional position, and refine the job learning map and internal training resources.

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“Acceleration Creation Camp” Training for New Employees

In 2023, for the fresh graduates recruited from campus, RoboSense launched a “Acceleration Creation Camp” training program. The training program is divided into three phases, including group training, on-the-job training and accelerated development, which aims at accelerating the role changes of campus-recruited students and help them better understand and integrate into the Company faster.

- Group training phase: conduct two phases of “Acceleration Creation Camp” group training, including special training contents such as role change, product business, system process, team building, etc. The training time is nearly 40 hours per person.
- On-the-job training phase: help new employees to master the necessary knowledge and skills for the job, and initially be able to work independently through mentors and “Job Learning Plan”.
- Accelerated development phase: identify high-potential talents through talent review, develop IDP (Individual Development Plan) plans, focus on accelerating their professional capabilities and career development.



“Acceleration Creation Camp” Training for New Employees

We place importance on our employees’ career development needs, and we have established a comprehensive grade system and standardized promotion path, and routinely conducted employee promotion assessment every year to provide a broad development platform for the employees. We have formulated internal systems such as the “Provisions on the Administration of Employees’ Grades” and the “Measures for the Administration of Attendance”, implemented fair and reasonable performance management system and comprehensive and objective appraisal and evaluation mechanisms, routinely conducted employee performance evaluation every year, and provided basis for employees’ performance evaluation and promotion.

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HEALTH & SAFETY

The Group emphasizes the health and safety of each employee, partner and related parties as a fundamental requirement for operational management. In 2023, we properly ensured the safe and orderly operation of production and operation sites at all premises under continuous expansion of the scale of production management, and achieved occupational health and safety work objectives of Three Zero, Five 100%, and One Minor Injury:

“Three Zero, Five 100%, One Minor Injury” Occupational Health and Safety Work Objectives

- Zero fatal incident, zero multi-person poisoning incident and zero severe injury incident.
 - 100% coverage rate of employees' medical check-up, 100% rate of employees' safety education and employment with certificates, 100% rectification of hidden dangers, 100% signing of target responsibility documents, 100% emergency drills.
 - The incident rate of minor injury is less than 1%.
-

We strictly comply with the Work Safety Law of the People's Republic of China, and the Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases and other laws and regulations, and have formulated series of rules and regulations related to work safety and health protection covering all employees and related parties, including the “Work Safety Management Regulations”, the “Provisions on the Administration of Occupational Health”, the “Provisions on the Administration of Fire Safety”, the “Provisions on the Administration of Special Operations and Personnel”, the “Provisions on the Administration of Hazardous Operations”, the “Provisions on the Administration of Labor Protection Supplies”, the “HSE (Health、Safety、Environment) Administrative Procedures for Related Parties”, and the “Management Rules for the Safety of External Construction”, so as to establish an improved health management system.

We have organized heads of each department to sign the HSE Responsibility Statement, abided by the national safety production policy of “Safety First, Prevention-oriented, and Comprehensive Management” and the principles of “production and operation overseers must oversee safety”, “whoever is in charge is responsible” and “territorial administration” to implement the safety responsibility system at all levels. At the same time, in accordance with systems such as the “Measures for the Administration of the HSE Responsibility System”, the “Measures for the Administration of HSE Target Indicators and Performance”, and the “Administrative Rules for HSE Inspection and Hidden Danger Rectification”, we have formulated health and safety objectives, specified safety responsibilities at all levels, and conducted regular supervision, inspection and evaluation to ensure the implementation of safety systems. During the Reporting Period, Shenzhen Suteng, a wholly-owned subsidiary of the Company, has obtained the ISO 45001 Occupational Health and Safety Management System Certification.

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By fully automating our chip packaging and product assembly production process, we are actively promoting the inherent safety of our manufacturing process, reducing or eliminating the potential for personnel exposure to hazardous or harmful environments during production. Through smart manufacturing, we are replacing human labor with machines to eliminate the health and safety risks associated with the product manufacturing process.

We have developed the “Restricted Substances Management Policies” to ensure compliance with the relevant regulations of RoHS (Restriction of Hazardous Substances) and REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) and to strictly control the use of hazardous and harmful substances during product development and manufacturing. By intervening in the product development and manufacturing process preemptively, we can identify and control any potential risks to employee health. We also monitor the health of our employees involved in product development and manufacturing process through the following measures:

- Engaging third-party professional testing organizations to conduct regular safety inspections of our product development and manufacturing sites every year;
- Implementing safety measures, such as ventilator hoods, for positions or processes that may involve hazardous or harmful substances;
- Employees involved in positions or processes that may involve hazardous or harmful substances would undergo annual health check-ups conducted by professional medical institutions.

We continuously improve our safety emergency response capabilities, respond promptly to safety incidents, and formulate “Incident Report, Investigation and Handling Procedures” to standardize incident handling and follow-up management optimization and enhancement requirements, so as to prevent significant impact on employees’ life, health and property safety. We also continuously optimize based on our actual implementation conditions to enhance organizational capabilities in safety and health security and create a safe and healthy working environment for our employees.

Safety Emergency Management Measures

- Regularly organize each department to carry out the company-wide fire protection, electricity and equipment safety inspection.
 - Regularly conduct fire drills and chemical leak site emergency response drills, and prepare drill plans and drill summaries to ensure the safety of personal and company property.
 - Conduct safety acceptance inspection of the new equipment and establish maintenance standards to ensure the safe operation of the equipment.
 - Identify and quickly improve the company’s hazardous sources, chemicals and risk sites.
 - Investigate and connect the company and its surrounding areas’ emergency resources for work safety incidents to enhance the company’s ability to deal with emergencies.
 - Regularly monitor climate change and send climate change notices to remind employees to step up their preventive measures.
 - Reserve emergency facilities such as flood and wind control facilities to enhance the office’s ability to cope with extreme weather and equip each floor with commonly used medicine boxes to meet employees’ emergency need.
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Fire Evacuation Drill

- **On June 21, 2023, RoboSense successfully conducted employee fire evacuation drills in the southern district of Honghualing Industry, in order to enhance the fire emergency evacuation and escape ability of all employees, inspect and evaluate the on-site emergency response ability of the company's fire emergency organization, and protect employees' personal safety after a fire accident. Drills were largely successful in achieving the pre-set objectives, and we also formulated post-improvement measures to address the deficiencies in order to enhance the effectiveness of follow-up drills and increase our fire response capability.**

In order to continuously enhance safety awareness of employees, we have developed the "HSE Responsibility Management Measures". Through online learning platform, we regularly provide health education and safety-themed training, and simultaneously implement health care benefits including the organization of annual physical examination for all employees, distribution high-temperature subsidies and heatstroke prevention medicines, extreme weather holidays or remote working, so as to protect the health of employees in an all-round way.

EMPLOYEE COMMUNICATIONS

The Group respects the employees' rights to know, expression, participation and supervision, listens carefully to employees' voices and keeps communication channels open, ensures employees' demands are responded to and continuously optimizes the employee experience. We formulate the "Provisions on Organizational Atmosphere Survey and Management" and carry out annual organizational atmosphere survey covering all employees. We collect employees' opinions and suggestions on the Group's management, remuneration and benefits, training development, office environment etc. through anonymous questionnaires, and make continuous improvement to enhance employees' satisfaction. In addition, we set up the role of HRBP (Human Resource Business Partner) to deeply engage with our business units, directly connect with our employees together with the launch of HR Human Resources Service Platform at the same time to facilitate real-time communication among employees.

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LOW-CARBON, ENVIRONMENTALLY FRIENDLY, AND GREEN DEVELOPMENT

RoboSense adheres to an innovative, recycling, ecological, low-carbon and sustainable development model and is committed to reducing pollution emissions, improving energy and water use efficiency and properly disposing of waste during operation to build a clean, environment-friendly, green and low-carbon enterprise, and takes the initiative to assume social responsibility for protecting the ecological environment. We have established and improved our environmental management system, continuously enhanced our capabilities in environmental management and resource utilization, constantly raised the awareness of environmental responsibility of all employees, and focused on strengthening the implementation and supervision of environmental protection measures, contributing to the realization of the sustainable development goals.

ENVIRONMENTAL MANAGEMENT SYSTEM

As a leading green practitioner, the Group strictly complies with the laws and regulations where it operates, such as the Environmental Protection Law of the People's Republic of China, the Atmospheric Pollution Prevention and Control Law of the People's Republic of China and the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, and reviews the compliance with relevant laws and regulations on an annual basis. We have formulated a series of rules and regulations such as the Provisions of Administration on Environmental Protection in light of local conditions, and established a closed-loop management system covering system, planning, implementation, monitoring and evaluation to ensure the effective implementation of environmental management from multiple perspectives such as culture, system, daily operation and performance appraisal, which have laid a solid system foundation for improving the environmental performance of the Group's entire business chain. During the Reporting Period, Shenzhen Suteng, a wholly-owned subsidiary of the Company, has obtained the ISO 14001 Environmental Management System Certification and we have not been subject to any penalty or fine due to environmental pollution.

RESOURCE MANAGEMENT

Procurement and use of raw materials

We proactively implement our sourcing and usage strategies for raw materials in accordance with our own circumstances, so as to protect the environment during our procurement, transportation, use and disposal of raw materials. We promote the use of environmental-friendly raw materials, prioritize local high-performance, recyclable, easy-to-recycle, low-embodied-carbon green materials in the procurement, strengthen the management and control of materials, and progressively promote the reduction and substitution of hazardous substances. We also set certain selection criteria for raw material suppliers, and work together with suppliers to explore the application and practice of environmental-friendly materials. For example, we promote the recycling and reuse of mass-produced packaging, and prefer biodegradable plastic boxes combined with pearl cotton in the selection of raw materials. It is expected that each piece of packaging can be recycled for three years. When it is necessary to use disposable packaging, we will apply

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easy-to-recycle cardboard boxes combining with pearl cotton to ensure the safety of product delivery while reducing its environmental impact. In the use of raw materials, we focus on improving the efficiency of resource utilization, reducing unnecessary resource depletion in the entire production process, and strengthening the recycling of raw materials.

Please refer to "Supplier Management" of this report for our green procurement requirements for raw material suppliers.

Water resources management

We attach importance to the conservation and recycling of water resources, actively practice water-saving measures and make every effort to improve water efficiency, avoid aggravating the environmental problem of shortage of water resources. Aiming at improving the utilization efficiency of water resources, and promoting the effective implementation of water-saving requirements, we advocate water-saving, strengthen the maintenance and upgrade of water-using equipment, recycle condensate water of central air-handling units and cooling water of ovens, and regularly evaluate water-using data. Our water mainly comes from municipal water supply, there is no difficulty in obtaining water source.

THREE-WASTE MANAGEMENT

Wastewater management

The Group is committed to the control of wastewater discharge and the stringent wastewater treatment procedures for harmless treatment and reuse of wastewater. Our laboratory's unpacking and dissolution processes generate wastewater, which we strictly prohibit from being discharged directly into the wastewater system. It is stipulated that wastewater is to be collected by the operation department and stored in a wastewater storage container according to the requirements of the HSE department. Thereafter the wastewater is disposed by a third party with the necessary qualification, which can discharge the wastewater after ensuring that it meets the corresponding discharge standards to avoid water resource pollution. In addition, we actively introduce advanced manufacturing processes and strive to achieve zero wastewater discharge.

Exhaust gas management

Our products using adhesives produce a small amount of exhaust gas during the drying and solidifying processes. Addressing the exhaust gas emission from production, we install exhaust gas purification devices in each drying chamber to purify the exhaust gas before emission. Meanwhile, in accordance with "The determination of particulates and sampling methods of gaseous pollutants from exhaust gas of stationary source" (GB/T 16157-1996) and "Technical specifications for emission monitoring of stationary source" (HJ/T 16157-1996) standards, we have commissioned a third-party agency to detect benzene, toluene, xylene, VOCs (Volatile Organic Compounds) and other substances in our gas emissions, and have made reasonable adjustment and control according to the results to further strengthen the protection of the atmospheric environment and reduce the generation and emission of pollutants. During operation, we prioritize the use of trams for cargo operation within the park to reduce exhaust gas emissions.

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Waste management

We implement waste management initiatives through source management, process management and disposal management to control, at a maximum extent, the impact of our production and operations on the environment. We regularly monitor the operating conditions of our equipment, continuously optimize the packaging specifications of auxiliary materials, and assess the generation of wastes in the segments of procurement, operation, disposal, and others. At the same time, we regularly engage third-party agencies to conduct annual inspections and issue relevant inspection reports on hazardous and industrial solid wastes, noise generation, occupational health and radiation leakage according to regulatory requirements. In addition, we collect and store hazardous wastes and solid wastes separately, regularly report and entrust third-party(ies) with necessary qualifications for recycling.

Our manufacturing processes may involve the use of harmful chemicals such as sulfuric acid and nitric acid. To prevent the health problems and potential harmful effects arising from the use and disposal of such harmful chemicals, we restrict the use and the quantity used of such chemicals, establish guidelines for the use and disposal of chemicals, as well as dispose chemicals and contaminated containers as hazardous wastes as required by law. The waste management departments shall be responsible for the disposal of such chemicals, collect and properly store the wastes every three months, and then transfer them to qualified third-party waste disposal service providers for compliant disposal. We have developed the "Hazardous Waste Management Plan 2024" and intended to further implement environmental protection measures to improve our production processes, including installation of cotton filter, cartridge dust collector and activated carbon absorption devices to treat waste materials.

For office and household wastes, we formulated and implemented the "HSE Labeling Management Provisions" to strengthen staff awareness of waste classification, identification and recycling, and promoted the recycling of resources. We also reduced our waste generation by reducing the use of resources through improving our paperless office, promoting paperless verification of bills, advocating double-sided printing and black-and-white printing, recycling plastic boxes and cartons, and other initiatives.

In 2023, RoboSense has reached the target rate of 100% compliance of the three-waste emission standard.

TACKLING CLIMATE CHANGE

As a socially responsible enterprise, the Group pays close attention to the issues and progress related to climate change, studies the proposals of the working group on climate-related financial information disclosure, actively responds to the challenges brought by climate change, and hopes to take practical actions to help achieve the climate goals. We regularly monitor weather conditions and timely remind and reserve emergency facilities for flood prevention and wind control to improve our workplaces' ability to cope with extreme climates. Going forward, we will continuously track changing climate conditions and trends, and plan to incorporate climate change risk analysis into our risk assessment process, thereby implementing necessary improvement measures to reduce the likelihood of potential risks as well as working with all parties to jointly implement climate actions.

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According to the national policies on carbon peak and carbon neutrality, we have effectively promoted the development of energy conservation and emission reduction. We actively promoted the systematization of energy management, specified the relevant norms for the management of energy production and operation in the Administrative Provisions on Environmental Protection, continued to promote the enhancement of energy use efficiency, controlled energy consumption within our expectation, and accelerated in promoting the transformation of low-carbon value chain. With the goal of rational use of energy, the Group has adopted various measures to promote the reduction of the Group's carbon emissions through a series of actions to improve the quality and efficiency of energy conservation. In addition, we plan to promote the use of renewable energy such as photovoltaic in an all-round manner to better optimize the energy mix, further reduce the level of carbon emission and explore new paths for sustainable development.



Control temperature of central air-conditioning cooling water to improve system efficiency and reduce energy consumption



Set up and implement timing switches for air compressors and park road lamps



Require unused electrical equipment to be turned off and require all power, lighting, and air conditioning systems to be turned off after work



Prefer environmental-friendly products with low-power and low-energy consumption when replacing and using them



Strengthen the promotion of energy saving awareness among employees, post energy-saving and consumption-reduction publicity slogans and banners, and encourage employees to turn off lights and green travel etc.



Set the air-conditioning temperature in the office area at 26 degrees to save electricity

Energy conservation and emission reduction measures

INTEGRATE AND SHARE THE TEMPERATURE OF PERCEPTION

RoboSense is proactive in taking social responsibility and using it as an important opportunity to nurture opportunities and promote innovation. We are committed to sharing the results of our development with the public and creating a harmonious society together. We not only focus on business development, but also actively convey social positive energy and participate in industry promotion to give back to society and convey the warmth of RoboSense Technology, thereby join hands with all parties towards a sustainable future.

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As part of our community, we are committed to community development. We have forged close partnership with the local community, actively participated in community welfare activities, organized various activities for the community, provided a platform for social and cultural exchanges, and promoted interaction and mutual assistance among the community residents. During the Year, we participated in a community-organized activity—" 'Outstanding Business Trip' for Nanshan Pingshan Community", which received a total of 30 students and entrepreneurs who came to visit and learn about the corporate culture and cutting-edge industry knowledge.



CAERI IVISTA Intelligent Networked Vehicle Challenge

Meanwhile, we have sponsored the CAERI (中汽研) IVISTA Intelligent Networked Vehicle Challenge for two consecutive years. We provided technical guidance and radar support to more than 50 participating teams, covering areas such as intelligent networking, autonomous driving, and cooperative vehicle. Through this cooperation, we have demonstrated the cutting-edge achievements of LiDAR technology, promoted the progress and commercial development of autonomous driving and intelligent networked vehicle technology, and promoted the coordinated progress of intelligent networked vehicle and related industries.

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Appendix I: Content Index of the Environmental, Social and Governance Reporting Guide

ESG index		Disclosure	Corresponding Section
A1 General disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gases emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Disclosed	Low-carbon, Environmentally Friendly, and Green Development
A1.1	The types of emissions and respective emissions data.	Disclosed	Appendix 2
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	Appendix 2
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	Appendix 2
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	Appendix 2
A1.5	Description of emission target(s) set and steps taken to achieve them.	Disclosed	Low-carbon, Environmentally Friendly, and Green Development
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Disclosed	Low-carbon, Environmentally Friendly, and Green Development
A2 General disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Disclosed	Low-carbon, Environmentally Friendly, and Green Development

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ESG index		Disclosure	Corresponding Section
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Disclosed	Appendix 2
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Disclosed	Appendix 2
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Disclosed	Low-carbon, Environmentally Friendly, and Green Development
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Disclosed	Low-carbon, Environmentally Friendly, and Green Development
A2.5	Total packaging material used for finished product (in tonnes) and, if applicable, with reference to per unit produced.	Disclosed	Appendix 2
A3 General disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	Disclosed	Low-carbon, Environmentally Friendly, and Green Development
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Disclosed	Low-carbon, Environmentally Friendly, and Green Development
A4 General disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Disclosed	Low-carbon, Environmentally Friendly, and Green Development
A4.1	Description of significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Disclosed	Low-carbon, Environmentally Friendly, and Green Development

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ESG index		Disclosure	Corresponding Section
B1 General disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunities, diversity, anti-discrimination and other benefits and welfare .	Disclosed	Embrace Talents and Race Ahead
B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Disclosed	Appendix 2
B1.2	Employee turnover rate by gender, age group and geographical region.	Disclosed	Appendix 2
B2 General disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Disclosed	Embrace Talents and Race Ahead
B2.1	Number and rate of work-related fatalities occurred in the past three years including the Reporting year.	Disclosed	Appendix 2
B2.2	Lost days due to work injury.	Disclosed	Appendix 2
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Disclosed	Embrace Talents and Race Ahead
B3 General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Disclosed	Embrace Talents and Race Ahead
B3.1	The percentage of employees trainees by gender and employee category (e.g. senior management, middle management).	Disclosed	Appendix 2
B3.2	The average training hours completed per employee by gender and employee category.	Disclosed	Appendix 2
B4 General disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour .	Disclosed	Embrace Talents and Race Ahead

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ESG index		Disclosure	Corresponding Section
B4.1	Description of measures to review employment practices to avoid child and forced labour.	Disclosed	Embrace Talents and Race Ahead
B4.2	Description of steps taken to eliminate such practices when discovered.	Disclosed	Embrace Talents and Race Ahead
B5 General disclosure	Policies on managing environmental and social risks of the supply chain.	Disclosed	Smart Sensor, Safer World
B5.1	Number of suppliers by geographical region.	Disclosed	Appendix 2
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Disclosed	Smart Sensor, Safer World
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Disclosed	Smart Sensor, Safer World
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Disclosed	Smart Sensor, Safer World
B6 General disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress .	Disclosed	Smart Sensor, Safer World
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Disclosed	Appendix 2
B6.2	Number of products and service related complaints received and how they are dealt with.	Disclosed	Appendix 2
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Disclosed	Smart Sensor, Safer World

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ESG index		Disclosure	Corresponding Section
B6.4	Description of quality assurance process and recall procedures.	Disclosed	Smart Sensor, Safer World
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Disclosed	Smart Sensor, Safer World
B7 General disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Disclosed	Responsible Governance and Compliance Operation
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting period and the outcomes of the cases .	Disclosed	Appendix 2
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Disclosed	Responsible Governance and Compliance Operation
B7.3	Description of anti-corruption training provided to directors and staff.	Disclosed	Appendix 2
B8 General disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Disclosed	Perceiving Temperature and Sharing Prosperity
B8.1	Focus areas of contribution (e.g., education, environmental concerns , labour needs, health, culture, sport).	Disclosed	Perceiving Temperature and Sharing Prosperity

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Appendix II: Key Performance Indicators Index

MAIN CATEGORIES A. ENVIRONMENT⁽¹⁾⁽²⁾

Serial No.	Key Performance Indicators	Unit	2023 ⁽¹⁾⁽²⁾
A1.1	Air pollutant ⁽³⁾	mg/m ³	1.11
	Volatile organic compounds	kg	39.06
	Sulphur oxide (Sox)	kg	284.17
A1.2	Total greenhouse gas emissions	ton CO ₂ equivalent	6,378.53
	Greenhouse gas emission intensity (total greenhouse gas emissions/operating income) ⁽⁸⁾	ton CO ₂ equivalent/ million yuan	5.69
	Direct Greenhouse Gas Emissions (Scope 1) ⁽⁴⁾	ton CO ₂ equivalent	51.43
	Energy Indirect Greenhouse Gas Emissions (Scope 2) ⁽³⁾	ton CO ₂ equivalent	6,327.10
A1.3	Total hazardous waste produced ⁽⁵⁾	ton	2.86
	Hazardous Waste Intensity (Total Hazardous Waste Produced/Operating Income) ⁽⁸⁾	ton/million yuan	0.003
A1.4	Non-hazardous waste produced ⁽⁴⁾	ton	10.00
	General industrial solid waste intensity (Total general industrial solid waste produced/operating income) ⁽⁸⁾	ton/million yuan	0.009
A2.1	Total energy consumption	kWh in '000s	11,265.66
	Energy Intensity (Total Energy Consumption/operating income) ⁽⁸⁾	kWh in '000s /million yuan	10.06
	(direct) Consumption of non-renewable fuel	kWh in '000s	171.32
	Total petrol consumption	kWh in '000s	171.32
	Purchased energy (indirect) consumption	kWh in '000s	11,094.34
	Electricity consumption	kWh in '000s	11,094.34
A2.2	Total Water Consumption ⁽⁷⁾	cubic meter	31, 285.77
	Water Consumption Intensity (Total Water Consumption/operating income) ⁽⁸⁾	cubic meter/million yuan	27.93
	Municipal water consumption	cubic meter	31, 285.77
A2.5	Packaging material	ton	69.81
	Packaging material intensity (Total packaging material/operating income) ⁽⁸⁾	ton/million yuan	0.06

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Description of environmental key performance indicators:

- (1) The time frame for the disclosure of environmental key performance indicators covers the period from January 1, 2023 to December 31, 2023.
- (2) Among the environmental KPIs: water and electricity consumption include Shenzhen Suteng, Suteng Zhizao, and Shanghai Lubo; waste and air pollutant emissions only include Shenzhen Suteng.
- (3) Sources of atmospheric pollutants: total non-methane hydrocarbons in plant monitoring emission detection ports.
- (4) Sources of emission factor: In the calculation of greenhouse gas emissions, the emission factor of electric power shall refer to the "Notice on Doing a Good Job in 2023-2025 Reporting and Management of Greenhouse Gas Emissions of Power Generation Enterprises" issued by the Ministry of Ecology and Environment of the People's Republic of China, and the emission factor of other energies shall refer to the "Reporting Guidelines on Key Environmental Performance Indicators" issued by the Stock Exchange. Greenhouse gas emissions in 2023 (Scope 1) come from the direct combustion of automobile petrol; Greenhouse gas emissions (Scope 2) come from indirect greenhouse gas emissions generated by purchased electricity. The conversion factor of various energy consumption units shall refer to "The accounting methods and reporting guidelines of greenhouse gas emission for electronic equipment manufacturing enterprises" issued by the National Development and Reform Commission.
- (5) Hazardous waste mainly includes chemical containers, glue tubes, alcohol bottles, wiping rags, etc. used in the production process.
- (6) General industrial solid waste mainly includes plastic boxes, paper sheets, etc. used in the production process.
- (7) The total water consumption comes from municipal water supply.
- (8) Greenhouse gas emission intensity, hazardous waste intensity, general industrial solid waste intensity, energy consumption intensity, water consumption intensity and package materials intensity shall be calculated based on the denominator of the Group's operating revenue in 2023 (unit: million yuan).

MAJOR CATEGORY B. SOCIETY⁽¹⁾⁽²⁾

B1 Employment		
B1.1 Total number of employees by gender, employment type, age group and region		Number of people (Unit: Person)
Total Employees	Total	1,324
By gender	Male	1,000
	Female	324
By employment type	Full-time	1,324
By employment type	Research and development	563
	Supply and Manufacturing	517
	Sales and marketing	124
	General and administrative	120
By age group	30 years old and under	632
	31 to 50 years old	686
	Over 50	6
By Region	Mainland China	1,313
	Overseas	11

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B1 Employment

B1.2 Ratio of staff turnover by gender, age group and region		Employee turnover ratio	Number of Employees Who Left (Unit: Person)
Total employee turnover ratio		29.65%	558
By gender	Male	28.83%	405
	Female	32.08%	153
By age group	Under 30	29.93%	270
	30 to 50 years old	29.50%	287
	50 years and older	14.29%	1
By Region	Mainland China	29.71%	555
	Overseas	21.43%	3

B2 Health and Safety

B.2.1 Proportion of work-related fatalities in the past three years		Number of deaths due to work-related injuries (Unit: Person)	Rate of deaths due to work injuries
2023		0	0%
2022		0	0%
2021		0	0%
B.2.2 Lost days due to work injury			
Lost days due to work injury in 2023	(Units: days)		195
Number of fire drills	(Units: Times)		2

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B3 Development and Training

B3.1 Percentage of trainees by gender and employment category		% of Trainees	Number of trainees (Unit: Person)
Number of trainees	Total	100%	1,324
By gender	Male	100%	1000
	Female	100%	324
By employee type	Research and development	100%	563
	Supply and Manufacturing	100%	517
	Sales and marketing	100%	124
	General and administrative	100%	120

B3.2 Average training hours completed per employee by gender and employment category		Average training hours (Unit: hours/person)	Training hours (Unit: hours)
Average employee training hours	Total	16.76	22,185.00
By gender	Male	17.19	17,193.82
	Female	15.40	4,991.18
By employee type	Research and development	12.57	6,026.50
	Supply and Manufacturing	7.20	2,758.50
	Sales and marketing	11.57	1,204.00
	General and administrative	21.30	2,333.00

B5 Supply Chain Management

B5.1 Number of suppliers by geographical region	Number of suppliers	Proportion to total quantity
Total	180	100%
Mainland China	166	92%
Hong Kong, Macau and Taiwan	14	8%

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT
B6 Product Responsibility

B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons	%	0
B6.2 Number of products and service related complaints received	units	398

B7 Anti-Corruption
B7.1 Number of concluded legal cases regarding corrupt practices brought against the Group or its employees during the Reporting period and the outcomes of the cases

Number of litigation cases (units: pieces)		0
Outcomes of the proceedings		Not applicable

B7.3 Anti-corruption Training provided to Directors and Staff	Training hours (Unit: hours)	1,009
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Description of the key social performance indicators:

- (1) Unless otherwise specified, the KPIs for the social sector cover all entities included in the Group's listing coverage for the year 2023.
- (2) Unless otherwise specified, the standards, calculation methods, assumptions and/or calculation tools used in the KPIs for the social sector are all in accordance with "Appendix III: Reporting Guide on Social Key Performance Indicators" of the "How to Prepare an Environmental, Social and Governance Report" issued by the Hong Kong Stock Exchange in March 2021.

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

To the Shareholders of RoboSense Technology Co., Ltd

(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of RoboSense Technology Co., Ltd (the “**Company**”) and its subsidiaries (the “**Group**”), which are set out on pages 115 to 236, comprise:

- the consolidated balance sheet as of December 31, 2023;
- the consolidated statement of comprehensive loss for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as of December 31, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (“**ISAs**”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (“**IESBA Code**”), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in our audit is related to assessment of expected credit losses ("ECL") of trade receivables.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Assessment of expected credit loss ("ECL") of trade receivables</p> <p>Refer to Note 3.1(b) "credit risk", Note 4 "Critical accounting estimates and judgments", and Note 20 "Trade and notes receivables" to the consolidated financial statements.</p> <p>As of December 31, 2023, the gross carrying amount of trade receivables amounted to RMB672,426,000, which represented approximately 20.6% of the total assets of the Group. Management has assessed the ECL of trade receivables and provided an allowance of RMB9,165,000.</p> <p>The Group applied a simplified approach prescribed by IFRS 9 to measuring ECL which uses a lifetime expected loss allowance for all trade receivables. Management's estimation of ECL has taken into consideration all reasonable and reliable information, including the credit ratings of customers, ageing of closing balance, existence of disputes and historic payments, as well as current conditions and the forward-looking information in line with macro-economic environment and other factors.</p>	<p>We have performed the following procedures in respect of the assessment of ECL of trade receivables:</p> <ul style="list-style-type: none"> • Obtained an understanding of management's internal control and assessment process of ECL of trade receivables, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias; • Evaluated and tested the key controls in place on management's assessment on the ECL of trade receivables; • Evaluated the outcome of prior year assessment of provision for ECL of trade receivables by comparing the ECL as estimated in the prior year against the actual collection performance of the debtors in the current year to assess the effectiveness of management's estimation process;

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>The assessment of ECL of trade receivables is considered a key audit matter given the significance of the trade receivables balance. In addition, the judgements and estimations in relation to assessment of ECL are subject to a relatively higher degree of uncertainty and subjectivity. This in turn led to a high degree of auditor judgment, subjectivity and audit effort in performing procedures and evaluating audit evidence obtained relating to management's judgments about credit risk characteristics and expected loss rates.</p>	<ul style="list-style-type: none"> • Evaluated the appropriateness of the model and methodology, tested the completeness and accuracy of underlying data used in the model, challenged and assessed the reasonableness of significant assumptions used by management related to the default rates and the lifetime recovery by corroborating management's assessment with publicly available information, existence of disputes and historic payments and other supporting evidence; • Evaluated management's assessment on the forward-looking factors with reference to our understanding of the Group's business, industry and external macroeconomic data; • Tested, on a sample basis, the accuracy of ageing analysis of trade receivables prepared by management to the related supporting documents; • Checked the mathematical accuracy of the ECL calculation for the loss allowance on trade receivables; and • Assessed the adequacy of the disclosures related to ECL of trade receivables. <p>Based on our work, we considered that the significant judgments and estimates made by management in relation to the ECL of trade receivables were supportable by the evidence obtained and procedures performed.</p>

INDEPENDENT AUDITOR'S REPORT

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITOR'S REPORT

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wong Kam Chin.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, March 27, 2024

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

	Notes	Year ended December 31,	
		2023	2022
		RMB'000	
Revenue	5	1,120,149	530,322
Cost of sales	8	(1,026,509)	(569,617)
Gross profit/(loss)		93,640	(39,295)
Research and development expenses	8	(635,112)	(305,941)
Sales and marketing expenses	8	(86,010)	(67,381)
General and administrative expenses	8	(345,943)	(188,352)
Net impairment losses on financial assets		(2,288)	(2,502)
Other income	6	45,427	31,483
Other losses — net	7	(10,296)	(44,118)
Operating loss		(940,582)	(616,106)
Finance income	10	80,951	20,491
Finance costs	10	(2,865)	(5,046)
Finance income — net		78,086	15,445
Share of net profit of an associate accounted for using the equity method	16	4,457	—
Fair value changes in financial instruments issued to investors	31	(3,471,058)	(1,484,649)
Loss before income tax		(4,329,097)	(2,085,310)
Income tax expenses	11	(1,869)	(803)
Net loss		(4,330,966)	(2,086,113)
(Loss)/profit attributable to:			
Owners of the Company		(4,336,629)	(2,088,652)
Non-controlling interests		5,663	2,539
		(4,330,966)	(2,086,113)

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

	Notes	Year ended December 31,	
		2023	2022
		RMB'000	
Other comprehensive loss			
<i>Items that may be reclassified to profit or loss</i>			
Currency translation differences		(1,412)	(1,910)
<i>Items that will not be reclassified to profit or loss</i>			
Currency translation differences		(73,320)	(296,737)
Fair value changes on convertible redeemable preferred shares and convertible notes due to own credit risk	31(a), (c)	(3,863)	(5,968)
Other comprehensive loss, net of tax		(78,595)	(304,615)
Total comprehensive loss		(4,409,561)	(2,390,728)
Total comprehensive (loss)/income attributable to:			
Owners of the Company		(4,415,224)	(2,393,267)
Non-controlling interests		5,663	2,539
		(4,409,561)	(2,390,728)
Loss per share for loss attributable to the ordinary equity holders of the Company:			
Basic and diluted (expressed in RMB per share)	12	(44.67)	(21.47)

The above consolidated statement of comprehensive loss should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

	Notes	As of December 31,	
		2023	2022
		RMB'000	
ASSETS			
Non-current assets			
Property, plant and equipment	13	268,084	208,066
Right-of-use assets	14	14,232	27,536
Intangible assets	15	51,545	52,243
Investment in an associate accounted for using the equity method	16	55,439	—
Financial assets at fair value through profit or loss	23	30,000	30,000
Other non-current assets	17	25,464	80,226
		444,764	398,071
Current assets			
Inventories	18	199,211	289,088
Trade and notes receivables	20	678,265	206,983
Prepayments, other receivables and other current assets	21	91,638	66,480
Financial assets at fair value through other comprehensive income	22	22,032	2,469
Financial assets at fair value through profit or loss	23	—	307,859
Time deposits	24	—	84,573
Restricted cash		9,130	530
Cash and cash equivalents	25	1,826,413	2,071,381
		2,826,689	3,029,363
Total assets		3,271,453	3,427,434
EQUITY			
Share capital	26(a)	86	81
Other reserves	26(b)	(56,719)	(355,509)
Accumulated losses	26(b)	(9,029,044)	(4,692,005)
Capital and reserves attributable to owners of the Company		(9,085,677)	(5,047,433)
Non-controlling interests		15,838	10,175
Total deficits		(9,069,839)	(5,037,258)

CONSOLIDATED BALANCE SHEET

	Notes	As of December 31,	
		2023	2022
		RMB'000	
LIABILITIES			
Non-current liabilities			
Lease liabilities	14	1,159	13,151
Government grants	29	35,833	45,270
Financial instruments issued to investors	31	1,398,963	783,999
Other non-current liabilities	30	57,820	28,177
		1,493,775	870,597
Current liabilities			
Trade payables	32	490,202	223,849
Contract liabilities	5	16,940	19,651
Borrowings		1,003	—
Lease liabilities	14	14,362	17,356
Financial instruments issued to investors	31	10,050,724	6,212,044
Other payables and accruals	33	274,286	1,121,195
		10,847,517	7,594,095
Total liabilities		12,341,292	8,464,692
Total deficits and liabilities		3,271,453	3,427,434

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 115 to 236 were approved by the Board of Directors on March 27, 2024 and were signed on its behalf.

Dr. Qiu Chunxin
Chairman of the Board and Executive Director

Mr. Qiu Chunchao
Executive Director and Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Notes	Attributable to owners of the Company				Non- controlling interests	Total deficits
	Share capital	Other reserves	Accumulated losses	Total		
	RMB'000					
As of January 1, 2022	<i>(Note 26(a))</i> 88	<i>(Note 26(b))</i> (41,384)	<i>(Note 26(b))</i> (2,602,898)	(2,644,194)	8,275	(2,635,919)
Net (loss)/profit	—	—	(2,088,652)	(2,088,652)	2,539	(2,086,113)
Other comprehensive income, net of tax:						
Fair value changes on convertible redeemable preferred shares and convertible notes due to own credit risk	31(a), (c)	(5,968)	—	(5,968)	—	(5,968)
Currency translation differences	—	(298,647)	—	(298,647)	—	(298,647)
Total comprehensive (loss)/income	—	(304,615)	(2,088,652)	(2,393,267)	2,539	(2,390,728)
Transactions with owners in their capacity as owners:						
Repurchase of ordinary shares	31(a)(iv)	2	—	—	—	—
Modification of convertible redeemable preferred shares	31(a)(vi)	27,236	40	27,276	—	27,276
Issuance of Series F Preferred Shares upon conversion of Series F convertible notes		495	(495)	—	—	—
Deregistration of a subsidiary		—	—	—	(639)	(639)
Repurchase of restricted shares and cancellation of treasury shares	26(a)(i), 28(a)	(36,803)	—	(36,808)	—	(36,808)
Employee share scheme — value of employee services	28(a)	(440)	—	(440)	—	(440)
Total transactions with owners in their capacity as owners	(7)	(9,510)	(455)	(9,972)	(639)	(10,611)
As of December 31, 2022	81	(355,509)	(4,692,005)	(5,047,433)	10,175	(5,037,258)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company				Non-controlling interests	Total deficits
	Share capital	Other reserves	Accumulated losses	Total		
	Notes	RMB'000				
As of January 1, 2023	<i>(Note 26(a))</i>	<i>(Note 26(b))</i>	<i>(Note 26(b))</i>			
	81	(355,509)	(4,692,005)	(5,047,433)	10,175	(5,037,258)
Net (loss)/profit	—	—	(4,336,629)	(4,336,629)	5,663	(4,330,966)
Other comprehensive income, net of tax:						
Fair value changes on convertible redeemable preferred shares and convertible notes due to own credit risk	31(a)	(3,863)	—	(3,863)	—	(3,863)
Currency translation differences	—	(74,732)	—	(74,732)	—	(74,732)
Total comprehensive (loss)/income	—	(78,595)	(4,336,629)	(4,415,224)	5,663	(4,409,561)
Transactions with owners in their capacity as owners:						
Modification of convertible redeemable preferred shares	—	(106)	106	—	—	—
Issuance of treasury shares to Employee Stock Ownership Plans ("ESOP")	26(a)(i)	(5)	—	—	—	—
Employee share scheme – value of employee services	28(a)	376,980	—	376,980	—	376,980
Total transactions with owners in their capacity as owners	5	376,869	106	376,980	—	376,980
Appropriation to safety reserves	—	516	(516)	—	—	—
As of December 31, 2023	86	(56,719)	(9,029,044)	(9,085,677)	15,838	(9,069,839)

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended December 31,	
		2023	2022
		RMB'000	
Cash flows from operating activities			
Cash used in operations	34(a)	(592,777)	(539,798)
Interest received		80,951	20,491
Interest paid		(2,114)	(3,040)
Income taxes paid		(2,537)	(725)
Net cash used in operating activities		(516,477)	(523,072)
Cash flows from investing activities			
Purchase of property, plant and equipment		(124,079)	(108,253)
Proceeds from disposal of property, plant and equipment		85	—
Receipt of government grants related to assets		13,308	19,722
Purchase of intangible assets		(21,971)	(12,107)
Purchase of financial assets at fair value through profit or loss	3.3(a)	(107,000)	(444,000)
Proceeds from disposal of financial assets at fair value through profit or loss	3.3(a)	415,655	107,261
Purchase of time deposits		(84,677)	(83,575)
Proceeds from maturity of time deposits		170,892	—
Prepayment for investment in an associate	17(d)	—	(49,000)
Interest received from time deposits		3,416	—
Net cash generated from/(used in) investing activities		265,629	(569,952)
Cash flows from financing activities			
Proceeds from issuance of financial instruments to investors		850,250	960,706
Proceeds from an employee for granting restricted share units	28(a)(ii)	3,588	3,750
Receipt from investors for offshore capital injection in the Company in relation to the Reorganization		—	652,200
Receipt/(repayment) of financing deposits in advance	33(c)	(850,250)	850,250
Proceeds from borrowings		2,005	—
Repurchase of restricted shares		(12,292)	(32,766)
Principal elements of lease payments	34(b)	(18,489)	(15,495)
Principal elements of license fees payable	30(a)	(6,075)	(1,787)
Payments for listing expenses		(3,365)	—

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended December 31,	
		2023	2022
		RMB'000	
Net cash (used in)/ generated from financing activities		(34,628)	2,416,858
Net (decrease)/increase in cash and cash equivalents		(285,476)	1,323,834
Cash and cash equivalents at the beginning of the year		2,071,381	627,539
Effects of exchange rate changes on cash and cash equivalents		40,508	120,008
Cash and cash equivalents at the end of year	25	1,826,413	2,071,381

The above consolidated statements of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General Information, Reorganization and Basis of Presentation

1.1 General information

RoboSense Technology Co., Ltd (“**RoboSense**” or the “**Company**”) was incorporated in the Cayman Islands on June 23, 2021 as an exempted company with limited liability. The address of the Company’s registered office is the offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

Suteng Innovation Technology Co., Ltd. (“**Shenzhen Suteng**”) was incorporated in the People’s Republic of China (the “**PRC**”) in August 2014. Upon the completion of the reorganization (the “**Reorganization**”) in January 2022 as described in Note 1.2(a), Shenzhen Suteng became an indirect wholly owned subsidiary of the Company. The Company and its subsidiaries are collectively referred to as the “**Group**”.

The Company is an investment holding company. The Company and its subsidiaries are engaged in (i) developing and producing LiDAR products for applications in advanced driver assistance systems (“**ADAS**”), as well as robotics and others, (ii) LiDAR perception solutions, combining LiDAR hardware and AI perception software, (iii) services, collectively referred to as the “**Listing Business**” in the PRC. On April 21, 2023, Dr. Qiu Chunxin, Dr. Zhu Xiaorui, and Mr. Liu Letian (collectively the “**Founders**”) entered into the Concert Party Confirmation, to formalize and confirm that they have been parties acting in concert in exercising directors and shareholders’ rights of the Group and aligning their votes in the board and shareholders’ meetings of the Group since the Founders become shareholders or directors of the relevant member of the Group (whichever is earlier).

The Company completed the listing on the Main Board of The Stock Exchange of Hong Kong Limited on January 5, 2024 (the “**IPO**”).

1.2 Reorganization

(a) Reorganization of the Group

Prior to the incorporation of the Company and the completion of the Reorganizations described below, the Listing Business was mainly carried out by Shenzhen Suteng and its subsidiaries (collectively, the “**Operating Companies**”). The Group commenced its operation through Shenzhen Suteng in the PRC since 2014. Shenzhen Suteng was established by the Founders, and subsequently issued a series of convertible redeemable preferred shares (“**Preferred Shares**”), warrants and convertible notes to various third-party investors (collectively the “**Third Party Investors**”), further details of which were set out in Note 31(a).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General Information, Reorganization and Basis of Presentation (continued)

1.2 Reorganization (continued)

(a) Reorganization of the Group (continued)

In preparing for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited, the Group underwent the Reorganization, pursuant to which the Listing Business was transferred to the Company:

- (i) In June 2021, the Company was established under the laws of the Cayman Islands as an exempted company with limited liability with authorized share capital of 500,000,000 shares of par value of United States Dollars ("**USD**") 0.0001 each, of which 100,682,430 ordinary shares by the Company were issued to the Founders.
- (ii) In June 2021, RoboSense Limited was incorporated in British Virgin Islands as a direct wholly owned subsidiary of the Company.
- (iii) In July 2021, RoboSense Hong Kong Limited ("**RoboSense HK**") was incorporated in Hong Kong as a direct wholly owned subsidiary of RoboSense Limited.
- (iv) In December 2021, Shenzhen Suteng completed capital reduction ("**Capital Reduction**") to shareholders except for Founders and one shareholder.
- (v) After Capital Reduction, in December 2021, 18,299,626 ordinary shares, 7,949,650 Series Angel Preferred Shares, 2,269,732 Series Seed Preferred Shares, 6,495,271 Series A Preferred Shares, 3,031,525 Series B Preferred Shares, 1,634,886 Series D Preferred Shares, 858,306 Series D-1 Preferred Shares, 11,444,146 Series D-2 Preferred Shares and warrants to purchase an aggregate of 147,334,428 Preferred Shares, respectively, were issued to the existing shareholders of Shenzhen Suteng or their affiliates ("**Existing Shareholders**"), in proportion to their respective equity interests holding in Shenzhen Suteng.
- (vi) In January 2022, RoboSense HK purchased 100% equity interests in Shenzhen Suteng, from Founders and one shareholder as mentioned in note (iv). Consequently, Shenzhen Suteng became an indirect wholly owned subsidiary of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General Information, Reorganization and Basis of Presentation (continued)

1.2 Reorganization (continued)

(a) Reorganization of the Group (continued)

(vii) In January 2022, the Company issued 8,045,851 Series Angel Preferred Shares, 17,701,999 Series Seed Preferred Shares, 9,026,100 Series A Preferred Shares, 10,511,598 Series A+ Preferred Shares, 28,828,219 Series B Preferred Shares, 57,104,870 Series C Preferred Shares, 8,419,607 Series D Preferred Shares, 5,243,874 Series D-1 Preferred Shares, and 2,452,310 Series D-2 Preferred Shares to respective Existing Shareholders of Shenzhen Suteng, including the offshore investor, upon the exercise of the warrants issued in December 2021 in proportion to their respective equity interests holding in Shenzhen Suteng.

Upon the completion of the Reorganization in January 2022, the Company became the holding company of the companies now comprising the Group. The shareholdings in the Company and Shenzhen Suteng were substantially the same immediately before and after the Reorganization. All shareholders of Shenzhen Suteng immediately before the Reorganization as a group, who remain as shareholders after the Reorganization, did not lose control of the Company after the Reorganization.

As part of the Reorganization, the Company assumed the obligation of Shenzhen Suteng and issued financial instruments to Third Party Investors in proportion to the equity interest they held in Shenzhen Suteng.

In January 2022, the Company conducted a share split of all its ordinary shares and Preferred Shares. The number of the issued shares and nominal amount per share presented in the consolidated financial statements have been retrospectively adjusted to reflect the share split.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General Information, Reorganization and Basis of Presentation (continued)

1.2 Reorganization (continued)

(b) Subsidiaries of the Company

Upon completion of the Reorganization, the Company has direct or indirect interests in the following subsidiaries for the years ended December 31, 2023 and 2022.

Name	Place of incorporation/ establishment	Date of incorporation/ establishment	Registered/ issued capital	Equity interest held		Principal activities and place of operation
				[%]		
				As of December 31,		
				2023	2022	
Direct Interests						
RoboSense Limited	The British Virgin Islands ("BVI"), limited liability company	June 25, 2021	USD50,000	100%	100%	Investment holding in the BVI
Indirect Interests						
RoboSense HongKong Limited	Hong Kong, limited liability company	July 16, 2021	Hong Kong Dollars ("HKD") 10,000	100%	100%	Investment holding in Hong Kong
Hong Kong Suteng Innovation Technology Co., Ltd.	Hong Kong, limited liability company	February 7, 2018	HKD100,000	100%	100%	Investment holding in Hong Kong
RoboSense Inc.	United States ("U.S."), limited liability company	December 21, 2017	USD100,000	100%	100%	Technology development and marketing services in U.S.
RoboSense EMEA GmbH	Germany, limited liability company	November 26, 2020	Euro ("EUR") 25,000	100%	100%	Technology development in Germany
Suteng Innovation Technology Co., Ltd. (深圳市速騰聚創科技有限公司)*	The PRC, limited liability company	August 28, 2014	RMB540,344,000	100%	100%	Manufacturing and sales of LiDAR products in the PRC
Shanghai Lubo Shengshi Information Technology Co., Ltd. (上海路泊盛世信息科技有限公司)*	The PRC, limited liability company	December 4, 2018	RMB1,000,000	100%	100%	Sales of LiDAR Products in the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General Information, Reorganization and Basis of Presentation (continued)

1.2 Reorganization (continued)

(b) Subsidiaries of the Company (continued)

Upon completion of the Reorganization, the Company has direct or indirect interests in the following subsidiaries for the years ended December 31, 2023 and 2022. (continued):

Name	Place of incorporation/ establishment	Date of incorporation/ establishment	Registered/ issued capital	Equity interest held (%)		Principal activities and place of operation
				As of December 31, 2023	2022	
Optixpan Semiconductors Inc. (深圳市涵光半導體有限公司)*	The PRC, limited liability company	October 19, 2016	RMB5,800,000	100%	100%	Technology development in the PRC
Shenzhen Suteng Zhizao Technology Co., Ltd. (深圳市速騰智造科技有限公司)*	The PRC, limited liability company	July 19, 2019	RMB1,000,000	100%	100%	Manufacturing LiDAR products in the PRC
RoboSense Beijing Technology Co., Ltd. (北京路泊盛世科技有限公司)*	The PRC, limited liability company	September 2, 2021	USD100,000	100%	100%	Investment holding in the PRC
RoboSense Shenzhen Zhigan Technology Co., Ltd. (深圳速騰智感科技有限公司)*	The PRC, limited liability company	September 6, 2021	USD50,000,000	100%	100%	Investment holding in the PRC
Tianjin Lubo Shengshi Technology Co., Ltd. (天津路泊盛世科技有限公司)*	The PRC, limited liability company	November 9, 2022	RMB1,000,000	100%	100%	Sales of LiDAR products in the PRC
Suzhou Xijing MEMS Technology Co., Ltd. (蘇州希景微機電科技有限公司)* ⁽ⁱ⁾	The PRC, limited liability company	November 29, 2017	RMB1,088,889	55%	55%	Manufacturing and sales of LiDAR related materials in the PRC
Beijing Surui Consulting Services Co., Ltd. (北京速銳諮詢服務有限公司)*	The PRC, limited liability company	June 4, 2021	RMB119,000	100%	—	Investment holding in the PRC

* The English name of certain subsidiaries represented the best effort by the management of the Group in translating their Chinese names as they do not have official English names.

(i) In accordance with the Article of Association of Suzhou Xijing MEMS Technology Co., Ltd. ("Suzhou Xijing MEMS"), the Company has the power to control the board of directors of Suzhou Xijing MEMS to unilaterally govern the operating, financing and investing policies of Suzhou Xijing MEMS. Therefore, the Group consolidates this entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General Information, Reorganization and Basis of Presentation (continued)

1.2 Reorganization (continued)

(c) Investments in subsidiaries — the Company

	As of December 31,	
	2023	2022
	RMB'000	
Investment in subsidiaries — Capital contribution to Shenzhen Suteng for assuming the obligation to investors	2,319,277	2,280,604
Investment in subsidiaries — Capital contribution from shareholder for obtaining 100% equity interest of Shenzhen Suteng	1,514,114	1,488,867
Investment in subsidiaries — Deemed investments arising from share-based compensation	373,031	—
	4,206,422	3,769,471

2. Summary of material accounting policies

This note provides a list of material accounting policies adopted in the preparation of the consolidated financial statements are set out as below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

- (i) Compliance with International Financial Reporting Accounting Standards issued by the International Accounting Standards Board (“**IFRS Accounting Standards**”)

The consolidated financial statements of the Group have been prepared in accordance with IFRS Accounting Standards. IFRS Accounting Standards comprise the following authoritative literature:

- IFRS Accounting Standards
- International Accounting Standards (“**IAS Standards**”)
- Interpretations developed by the IFRS Interpretations Committee (IFRIC Interpretations) or its predecessor body, the Standing Interpretations Committee (SIC Interpretations).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of Material Accounting Policies (continued)

2.1 Basis of preparation (continued)

(ii) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for the following:

- certain financial assets and liabilities (including derivative instruments), that are measure at fair value.

The preparation of the consolidated financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(a) Going Concern

The Group has been incurring losses from operations since inception. The Group incurred net losses of RMB4,330,966,000 for the year ended December 31, 2023 (2022: RMB2,086,113,000). Accumulated losses amounted to RMB9,029,044,000 as of December 31, 2023 (2022: RMB4,692,005,000). Net cash used in operating activities was approximately RMB516,477,000 for the year ended December 31, 2023 (2022: RMB523,072,000). As of December 31, 2023, the Group had total liabilities of RMB12,341,292,000, which included Preferred Shares issued to the investors with carrying amount of RMB1,398,963,000 and RMB10,050,724,000 under non-current liabilities and current liabilities, respectively.

The Group's liquidity is based on its ability to enhance its operating cash flow position, obtain capital financing from equity interest investors, and borrow funds to finance its general operations, research and development activities and capital expenditures. The Group's ability to continue as a going concern is dependent on management's ability to execute its business plan successfully, which includes increasing market acceptance of the Group's products to boost its sales volume to achieve economies of scale while applying more effective marketing strategies and cost control measures to better manage operating cash flow position and obtaining funds from outside sources of financing to generate positive financing cash flows. In January and February 2024, the Group raised approximately HK\$1,059 million (RMB963 million) gross proceeds from the issuance of new shares in the Hong Kong public offering and the international offering ("**Global Offering**") and partial exercise of the over-allotment option before deducting underwriting commissions and listing expenses payable. Upon listing, all Preferred Shares issued to investors have been automatically and irrevocably converted into ordinary shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of Material Accounting Policies (continued)

2.1 Basis of preparation (continued)

(a) Going Concern (continued)

Management has concluded, after giving consideration to its plans as noted above, the net proceeds received and the conversion of Preferred Shares into ordinary shares upon listing, and existing balance of cash and cash equivalents as of December 31, 2023, that the Group has sufficient funds for sustainable operations and it will be able to meet its payment obligations from operations and debt related commitments for the next twelve months from December 31, 2023. Accordingly the consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and liquidation of liabilities during the normal course of operations.

(b) New and amended standards and interpretations

New and amended standards adopted by the Group

The Group has applied the new and amended standards effective for the financial year beginning on January 1, 2023. The adoption of these new and revised standards does not have any significant impact on the consolidated financial statements of the Group.

New and amended standards, improvements, interpretations and accounting guideline which are not yet effective and have not been early adopted by the Group

The below new and amended standards, improvements, interpretations and accounting guideline have been published but are not yet effective in current year and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
Amendments to IAS 1	Non-current Liabilities with Covenants	January 1, 2024
Amendments to IAS 1 (Note(a))	Classification of Liabilities as Current or Non-current	January 1, 2024
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	January 1, 2024
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	January 1, 2024
Amendments to IAS 21	Lack of Exchangeability	January 1, 2025
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of Material Accounting Policies (continued)

2.1 Basis of preparation (continued)

(b) New and amended standards and interpretations (continued)

The Group has already commenced an assessment of the impact of these new and amended standards and has concluded on a preliminary basis that adoption of these new and amended standards is not expected to have significant impacts on the financial performance and positions of the Group when they become effective other than the following.

- (a) According to the Amendments to IAS 1 effective since January 1, 2024, the financial instruments issued to investors is expected to be classified as current liability as Preferred Shares of the Group are convertible by the holders at any time. On January 5, 2024, all Preferred Shares were automatically converted into ordinary shares upon listing.

2.2 Principles of consolidation and equity accounting

2.2.1 Subsidiaries

Subsidiaries are all entities (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated fully from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive loss, consolidated statement of changes in equity and consolidated balance sheets, respectively.

2.2.2 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates in the form of ordinary shares are accounted for using the equity method of accounting (Note 2.2.3), after initially being recognized at cost. The Group's investments in these associates include goodwill identified on acquisition, net of any accumulated impairment loss. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is treated as goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of Material Accounting Policies (continued)

2.2 Principles of consolidation and equity accounting (continued)

2.2.3 Equity method of accounting

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivables from associates are recognized as a reduction in the carrying amount of the investment.

Where the Group's share of profit in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.8.

2.3 Separate financial statements

The Company initially measures its investment in subsidiaries at cost.

Investments in subsidiaries are subsequently accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivables.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of material accounting policies (continued)

2.4 Segment reporting

Operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (“**CODM**”). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer of the Company that makes strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “**functional currency**”). The functional currency of the Company is USD. The Company’s primary subsidiaries are incorporated in the PRC and these subsidiaries consider RMB as their functional currency. The Group determined to present its consolidated financial statements in RMB.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss. Foreign exchange gains and losses that relate to borrowings or financing activities are presented in the consolidated statements of comprehensive loss, within “finance income — net”. Foreign exchange gains and losses that relate to financial instruments issued to investors are presented in the statements of profit or loss within “fair value changes in financial instruments issued to investors”. All other foreign exchange gains and losses impacting profit or loss are presented in the consolidated statements of comprehensive loss within “other losses — net”.

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of material accounting policies (continued)

2.5 Foreign currency translation (continued)

(c) Group companies (continued)

- income and expenses for each statement of comprehensive loss are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognized in other comprehensive income or loss.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognized in other comprehensive income or loss. When a foreign operation is sold, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment losses (if any). Historical cost includes expenditure that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their costs net of their residual values over their estimated useful lives or, in case of leasehold improvements, the shorter lease term, as follows:

Machinery and equipment	5–10 years
Mold and tooling	3 years
Computer, electronic equipment and others	3–5 years
Vehicles	4 years
Leasehold improvements	Lesser of the term of the lease or the estimated useful lives of the assets

The assets' residual values and useful lives of property, plant and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of material accounting policies (continued)

2.6 Property, plant and equipment (continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "Other losses — net" in the consolidated statements of comprehensive loss.

Construction in progress represents unfinished construction and equipment under construction or pending for installation, and is stated at cost less accumulated impairment losses, if any. Cost includes construction costs, installation costs and other costs necessary to bring the construction in progress ready for their intended use. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and are available for intended use. When the construction activities necessary to prepare the assets for their intended use are completed, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in the preceding paragraphs.

2.7 Intangible assets

(a) Software

Acquired software is recognized at historical cost and subsequently carried at cost less accumulated amortization and accumulated impairment losses. The Group's software is amortized on a straight-line basis over their estimated useful lives of 3–5 years.

(b) Patent

Patents are shown at cost when acquired. Patents have a finite useful life and are carried at cost less accumulated amortization and impairment, if any. Amortization is calculated using the straight-line method to allocate the cost of patents over their estimated useful lives of 10 years.

(c) License rights

License rights are stated at historical cost less accumulated amortization. They are initially measured at the present value of the consideration given to acquire the license at the time of the acquisition, which represents historical cost comprising the capitalized present values of the fixed minimum periodic payments to be made on date of acquisition and in the subsequent years in respect of the acquisition of the license rights. License rights are amortized as a fixed overhead expenditure using the straight-line method to allocate the cost of the licenses over the period of the respective contractual rights of 9 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of material accounting policies (continued)

2.7 Intangible assets (continued)

(d) Research and development (“R&D”)

Research expenditure is recognized as an expense as incurred. Costs incurred on research and development projects are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the research and development project so that it will be available for the Group;
- management intends to complete the research and development project and use or sell it;
- there is an ability to use or sell the research and development project;
- it can be demonstrated how the research and development project will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the research and development project are available; and
- the expenditure attributable to the research and development project during its development can be reliably measured.

Directly attributable costs which are eligible to be capitalized as part of the research and development project may include employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred.

Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

For the years ended December 31, 2023 and 2022, there were no internally generated development costs meeting these criteria and capitalized as intangible assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of material accounting policies (continued)

2.8 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.9 Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss); and
- Those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income or loss.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

If collection of the amounts is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

The Group's financial assets comprise trade and notes receivables, time deposits, other receivables, financial assets measured at fair value through profit or loss ("FVPL"), financial assets measured at fair value through other comprehensive income ("FVOCI"), cash and cash equivalents and restricted cash.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of material accounting policies (continued)

2.9 Financial assets (continued)

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial asset carried at FVPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group held debt instruments classified as financial assets at amortized costs, FVPL and FVOCI.

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in "other losses — net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statements of comprehensive loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "other losses — net" and impairment expenses are presented as separate line item in the consolidated statements of comprehensive loss.
- **FVPL:** Assets that do not meet the criteria for amortized cost or financial assets at FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within "other losses — net" in the period in which it arises.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of material accounting policies (continued)

2.9 Financial assets (continued)

(d) Impairment

The Group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3 details how the Group determines whether there has been a significant increase in credit risk.

Impairment on other financial assets measure at amortized cost is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheets where the Group has a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2.11 Trade and notes receivables

Trade and notes receivables are amounts due from customers for products sold or services performed in the ordinary course of business. If collection of trade and notes receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and notes receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade and notes receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method.

See Note 3.1(b)(i) for a description of the Group's impairment policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of material accounting policies (continued)

2.12 Cash and cash equivalents and restricted cash

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash that is restricted from withdrawal, from use or from being pledged as security is reported separately on the face of the consolidated balance sheets, and is not included in the total cash and cash equivalents in the consolidated statements of cash flows.

2.13 Time deposits

Bank deposits with initial terms of over three months are included in "time deposits" in the consolidated balance sheets.

2.14 Inventories

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

2.15 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Trade and other payables

Trade and other payables represent obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less of the reported period (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of material accounting policies (continued)

2.16 Trade and other payables (continued)

The Group designated deposits paid by investors as financial liabilities at fair value through profit or loss. All other trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.17 Financial instruments issued to investors

Financial instruments issued to investors consist of Preferred Shares, warrants for purchase of Preferred Shares ("**Warrants**") and convertible notes for conversion to Preferred Shares ("**Convertible Notes**").

(a) Preferred Shares

The Group entered into a series of share purchase agreements with financial investors and issued various series of Preferred Shares (Note 31). The Group designated the Preferred Shares as financial liabilities at fair value through profit or loss.

Financial liabilities at fair values through profit or loss is subsequently measured at fair value. The changes in the fair value of the financial liability related to changes in own credit risk shall be presented in other comprehensive income, and the remaining amount of changes in the fair value of the liabilities shall be presented in profit or loss. Amounts recorded in other comprehensive loss related to own credit risk are not subject to recycling in profit or loss, but are transferred to accumulated loss when realized.

The Preferred Shares were classified as current liabilities unless the Group has the unconditional right to defer the redemption of the Preferred Shares for at least 12 months after the end of the reporting period.

(b) Warrants

The Company issued various warrants to investors to subscribe for certain series of the Company's Preferred Shares at a predetermined price during a specific period (Notes 31). As the Preferred Shares which the Warrants are exercisable into are financial liabilities, the warrants are not contracts that will or may be settled in the entity's own equity instruments and are accounted for as derivatives.

The Warrants were classified as current liabilities when the Preferred Shares which the warrants were exercisable into are classified as current liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of material accounting policies (continued)

2.17 Financial instruments issued to investors (continued)

(c) Convertible Notes

The Company issued Convertible Notes to certain investors, which can be converted into Series E and F (as applicable) Preferred Shares of the Company at the respective predetermined conversion prices. Series E and F Preferred Shares are financial liabilities and conversion features on financial liabilities are considered as derivatives to be bifurcated and accounted for separately from the host contract. The Group has elected to designate the Convertible Notes as financial liabilities at fair value through profit or loss (Note 31).

The Convertible Notes were classified as current liabilities unless the Group has the unconditional right to defer repaying the principal and interest for at least 12 months after the reporting period.

2.18 Current and deferred income tax

The income tax expenses or credit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not recognized if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary difference. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of material accounting policies (continued)

2.18 Current and deferred income tax (continued)

(b) Deferred income tax (continued)

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

2.19 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating annual leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated balance sheets.

(b) Pension costs — defined contribution plans

The Group contributes on a monthly basis to a defined contribution plan organized by the relevant governmental authorities based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these plans is limited to the contributions payable in each period. Other than the monthly contributions, the Group has no further payment obligations once the contributions have been paid. The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of material accounting policies (continued)

2.19 Employee benefits (continued)

(c) Bonus plans

The expected cost of bonuses is recognized as a liability when the Group has a present legal or constructive obligation for payment of bonus as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans are expected to be settled within 1 year and are measured at the amounts expected to be paid when they are settled.

(d) Housing funds, medical insurances and other social insurances

The employees of the Group are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the monthly contributions payable in each period. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

(e) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of material accounting policies (continued)

2.20 Share-based compensation

The Group operates certain equity-settled share-based compensation plans (Note 28), under which the Group receives service from its eligible employees as consideration for the equity instruments of the Group. The fair value of the employee services in exchange for the grant of equity instruments is recognized as an expense over the vesting period with a corresponding increase in equity. The fair value of the equity instruments granted is determined:

- Including any market performance conditions.
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

The fair value of the employee services received is measured by reference to the fair value of the shares at grant date. The total expense is recognized over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied, using graded vesting method. At the end of each period, the entity revises its estimates of the number of equity instruments that are expected to vest based on the non-market vesting and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity. For awards with performance conditions, share-based compensation expenses are recognized if and when the Group concludes that it is probable that the performance condition will be achieved. The estimates shall be reassessed and revised in subsequent periods, if necessary.

The Group may modify the terms and conditions on which share-based compensation plans were granted. If a modification increases the fair value of the equity instruments granted, the incremental fair value granted is included in the measurement of the amount recognized for the services received over the remainder of the vesting period.

If the Group modifies the vesting conditions in a manner that is beneficial to the employee, for example, by reducing the vesting period or by modifying or eliminating a performance condition (other than a market condition), the modification is accounted for retrospectively, to reflect the best estimate available (as of that date) of awards that are expected to vest.

A grant of share-based compensation plans, that is cancelled or settled during the vesting period, is treated as an acceleration of vesting. The Group immediately recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense during the period between service commencement period and grant date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of material accounting policies (continued)

2.21 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

The portion of the warranty provisions expected to be incurred within the next 12 months is included within other payables and accruals, while the remaining balance is included within other non-current liabilities in the consolidated balance sheets. Warranty expense is recorded as a component of cost of sales in the consolidated statements of comprehensive loss.

Warranties

The Group provides standard warranty for all LiDARs sold or services provided. The Group considers that the standard warranty is not providing incremental service to customers rather an assurance to the quality of the LiDAR, and therefore is not a separate performance obligation and should be accounted for as an assurance-type standard warranty.

The Group records warranty liabilities at the time of sale for the estimated costs that will be incurred according to the warranty policy provided to customers and reassesses its estimates on a quarterly basis to assess the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary.

2.22 Revenue recognition

The Group generates revenue primarily from the sales of products, solutions, as well as the provision of services and others. The Group enters into contracts that may involve multiple performance obligations among which the Group allocates the transaction price on the basis of the standalone selling prices of each performance obligation. Standalone selling prices are generally determined based on the prices charged to customers. If it is not directly observable, the standalone selling price is estimated using expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information, the data utilized, and considering the Group's pricing policies and practices in making pricing decisions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of material accounting policies (continued)

2.22 Revenue recognition (continued)

Revenue is recognized when or as the control of the goods or services is transferred to customers. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods and services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods and services.

When either party to a contract has performed, the Group presents the contract in the consolidated balance sheets as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for goods and services that the Group has transferred to a customer. An accounts receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract liability when the payment is made or a receivable is recorded, whichever is earlier. A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration, or an amount of consideration is due, from the customer.

The Group may provide rebates, discounts and incentives, which is accounted for either as variable consideration or material right, depending on the specific terms and conditions of the arrangement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of material accounting policies (continued)

2.22 Revenue recognition (continued)

In general, the Group does not offer rights of return for its goods and services. If, however, in a contract with certain customers, the contract term specifically grants the customers a right to return the purchased product for a refund, the Group accounts for revenue at the transaction price, less the expected level of returns calculated using the guidance on variable consideration. Allowances for sales returns, which reduce revenue, are estimated using the expected value method and were immaterial as of December 31, 2023 and 2022.

The Group offers a trade-in right to certain customers. The customer is not entitled to significant economic benefit from exercising the put option. As such, the arrangement is accounted for as a right of return under IFRS 15.

(a) Product revenue

Product revenue is derived from sales of various types of hardware.

Sales of hardware are essentially sales of LiDAR sensor systems incorporating hardware together with in-house developed software applications that are licensed on a perpetual or term basis. The embedded software applications are not considered to be dominant and distinct performance obligations as the license forms part of the hardware and is integral of the functionality of the hardware so that the customers can obtain economic benefit from the LiDAR sensor systems as a whole. Thus, the sales of LiDAR sensor system are identified as one performance obligation.

Revenue from sales of hardware is recognized at a point in time when control of the goods is transferred to the customers, generally upon delivery or upon acceptance by the customers depending on the terms of the underlying contract.

(b) Solutions revenue

The Group also generates revenue from sales of solutions, which usually include multiple elements of hardware, software and associated services.

Certain solutions provide the customer with a combination of hardware, software, deployment and professional services as the Group provides significant integration services to integrate the hardware and the software to meet customers' unique specifications and are accounted for as one performance obligation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of material accounting policies (continued)

2.22 Revenue recognition (continued)

(b) Solutions revenue (continued)

While for other solutions, the service of a relatively straightforward or routine nature, such as technical support and/or training services, are separated from the sales of hardware and software and accounted for as separate performance obligations as these services do not require specialized knowledge and do not provide any significant integration, modification, or customization services.

Solutions revenue derived from hardware and software is recognized at a point in time upon delivery or upon acceptance from the customer depending on the underlying contract terms. Solutions revenue derived from technical support and training services is recognized over the service period as the customer simultaneously receives and consumes the benefits provided by the Group.

(c) Services and others revenue

Services and others revenue mainly generated from provision of technology development services. The revenue generated from the technology development services is recognized at a point in time upon acceptance of such services by the customer given that the customers usually cannot obtain benefit when the Group is performing the services. The cost of fulfilling the technology development services is recognized as an asset when the costs are expected to be recovered and amortized into cost of sales at a point in time when the corresponding revenue is recognized if they meet the capitalization criteria as described under IFRS 15. The fulfillment costs of the technology development services that are not recoverable are recognized as cost of sales.

2.23 Loss per share

(a) Basic loss per share

Basic loss per share is calculated by dividing:

- the loss attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares; and
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of material accounting policies (continued)

2.23 Loss per share (continued)

(b) Diluted loss per share

Diluted loss per share adjusts the figures used in the determination of basic loss per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.24 Leases

Lease as lessee

The Group leases various offices and factories. Leases are initially recognized as a right-of-use asset and corresponding liability at the date when the leased asset is available for use by the Group. Each lease payment is allocated between the principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's estimated useful life and the lease term.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments (if applicable):

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as of the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of material accounting policies (continued)

2.24 Leases (continued)

Lease as lessee (continued)

Lease payments to be made under reasonably certain extension options are also included in the measurement of lease liabilities.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date, less any lease incentive received;
- any initial direct costs; and
- restoration costs, if any.

Payments associated with short-term leases are recognized on a straight-line basis as an expense. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

2.25 Government grants

The Group's PRC based subsidiaries received government subsidies from certain governments. Subsidies from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

The Group's government subsidies consist of specific subsidies and other subsidies. Specific subsidies are subsidies that the government has provided for a specific purpose, such as completion of research and development projects. Other subsidies are the subsidies that the government has not specified its purpose for and are not tied to future trends or performance of the Group, receipt of such subsidy income is not contingent upon any further actions or performance of the Group and the amounts do not have to be refunded under any circumstances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of material accounting policies (continued)

2.25 Government grants (continued)

Specific subsidies relating to cost that are received in advance are deferred and recognized in profit or loss over the period necessary to match them with the costs that they are intended to compensate. Specific subsidies relating to property, plant and equipment that are received in advance are included in non-current liabilities as government grants and they are credited to profit or loss on a straight-line basis over the expected lives of the related assets. Other subsidies are recognized as other income upon receipt as no condition is attached to these subsidies and no further performance by the Group is required.

Some of the specific subsidies received were refundable as the Group has no reasonable assurance that the Group will comply with all attached conditions. Refundable government grants are recognized as other non-current liabilities upon receipt. Refundable government grants are reclassified from other non-current liabilities to other payables and accruals when the expected acceptance of completion is due in one year and then will be reclassified as government grants upon government's acceptance of completion of the related project development and amortized as other income.

2.26 Interest income

Interest income on financial assets at amortized cost and debt investments measured at FVOCI calculated using the effective interest method is recognized in profit or loss.

Interest income is presented as finance income where it is earned from cash and cash equivalents, see (Note 10) below. Any other interest income is included in other income.

2.27 Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of material accounting policies (continued)

2.27 Related parties (continued)

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in Note (a);
 - (vii) a person identified in Note (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group.

Management regularly manages and monitors the financial risks of the Group to ensure appropriate measures are implemented in a timely and effective manner. For the years ended December 31, 2023 and 2022, no hedging activity was undertaken by the Group.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk is the risk that the value of a financial instrument fluctuates because of the changes in foreign exchange rates.

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the respective functional currency of the Group's entities. The functional currency of the Company and majority of its overseas subsidiaries is USD whereas the functional currency of the subsidiaries which operate in the PRC is RMB. The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to RMB and USD.

The Group currently does not hedge transactions undertaken in foreign currencies but manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

As of December 31, 2023 and 2022, the carrying amounts of the Group's monetary assets and liabilities that are denominated in currency other than functional currencies of the respective group entities are as follows:

	December 31, 2023		December 31, 2022	
	RMB	USD	RMB	USD
	RMB'000			
Cash and cash equivalents	239	100,071	—	58,533
Trade and notes receivables	—	4,070	—	22,852
Trade payables	—	22,263	—	36,712
Other payables and accruals	21,517	13,301	12,401	6,519
Other non-current liabilities	—	17,827	—	22,546
Financial instruments issued to investors	11,449,687	—	6,996,043	—

For the PRC subsidiaries whose functional currencies are RMB, if USD had strengthened/weakened by 5% against RMB with all other variables held constant, Group's net loss for the year ended December 31, 2023 would have been approximately RMB2,157,000 (2022: RMB660,000) lower/higher, mainly as a result of net foreign exchange gains/losses on translation of net monetary assets denominated in USD.

For group companies outside of the PRC whose functional currencies are USD, if RMB had strengthened/weakened by 5% against USD with all other variables held constant, Group's net loss for the year ended December 31, 2023 would have been approximately RMB573,394,000 (2022: RMB350,422,000) higher/lower, mainly as a result of net foreign exchange losses/gains on translation of net monetary liabilities denominated in RMB.

(ii) Interest rate risk

The Group's interest rate risk primarily arises from time deposits and cash and cash equivalents. Those carried at floating rates expose the Group to cash flow interest rate risk whereas those carried at fixed rates expose the Group to fair value interest rate risk. The Group has no significant interest-bearing liabilities for the years ended December 31, 2023 and 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

The Group has no significant interest-bearing assets except for time deposits and cash and cash equivalents.

If the interest rate of time deposits and cash and cash equivalents had been 50 basis points higher/lower, the loss before income tax for the year ended December 31, 2023 has been RMB154,000 (2022: RMB886,000) lower/higher respectively.

The fair value interest rate risk that arises from financial assets and liabilities carried at fixed rates is not significant for the Group.

The Group regularly monitors its interest rate risk to ensure there is no undue exposure to significant interest rate movements.

(iii) Price risk

The Group is exposed to price risk in respect of financial assets at FVPL, which mainly include investments in wealth management products. The Group is not exposed to commodity price risk. See Note 3.3 for details.

(b) Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, time deposits, restricted cash, trade and notes receivables, other receivables and financial assets at FVOCI. The carrying amounts of above items represent the Group's maximum exposure to credit risk in relation to financial assets.

Credit risk is managed on a group basis. Time deposits are mainly placed with reputable financial institutions in the PRC, which management considers being of high credit quality. For accounts receivables, the Group assesses the credit quality of the receivables by taking account of various factors, including past operational and financial performance and other factors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Impairment of financial assets

The Group has the following types of financial assets that are subject to the expected credit loss model:

- Trade and notes receivables;
- Financial assets at FVOCI;
- Other receivables;
- Time deposits;
- Cash and cash equivalents; and
- Restricted cash.

(i) Trade and notes receivables

The Group applies the simplified approach prescribed by IFRS 9 to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and notes receivables. Trade and notes receivables are grouped based on shared credit risk characteristics and ageing period for the measuring of expected credit losses.

The Group divided trade and notes receivables into two categories to measure the expected credit loss rates. Category 1 is for customers who have a relatively low credit risk and no default history. Also, these customers are financially capable of settling the outstanding amount. Category 2 is for customers who have a relatively higher credit risk. With different types of customers, the Group calculated the expected credit loss rates respectively. The expected loss rates are determined based on the credit rating of counter parties, and adjusted to reflect the current conditions and the forward-looking information on the macroeconomic environment that may affect the ability of counterparties to settle the receivables. The Group has identified the Gross Domestic Product and Consumer Price Index to be the most relevant factors.

As of December 31, 2023 and 2022, the loss allowance provision for the trade and note receivables was determined as follows. The expected credit losses below also incorporated forward-looking information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Impairment of financial assets (continued)

(i) Trade and notes receivables (continued)

	Category 1	Category 2	Total
As of December 31, 2022			
Gross carrying amount (RMB'000)	204,971	9,166	214,137
Expected credit loss rates	1.18%	51.70%	3.34%
Loss allowance (RMB'000)	(2,415)	(4,739)	(7,154)
Net carrying amount (RMB'000)	202,556	4,427	206,983
As of December 31, 2023			
Gross carrying amount (RMB'000)	684,313	3,117	687,430
Expected credit loss rates	1.01%	71.32%	1.33%
Loss allowance (RMB'000)	(6,942)	(2,223)	(9,165)
Net carrying amount (RMB'000)	677,371	894	678,265

Movements on the Group's allowance for credit loss of trade and notes receivables are as follows:

	Trade and notes receivables RMB'000
As of January 1, 2022	4,747
Net impairment losses on financial assets	2,502
Receivables written off during the year as uncollectible	(95)
As of December 31, 2022	7,154
As of January 1, 2023	7,154
Net impairment losses on financial assets	2,288
Receivables written off during the period as uncollectible	(277)
As of December 31, 2023	9,165

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Impairment of financial assets (continued)

(ii) Financial asset at FVOCI

The Group applies the simplified approach to measure expected credit loss of financial asset at FVOCI under IFRS 9. As of December 31, 2023 and 2022, management considers that the expected credit loss is immaterial.

(iii) Other financial assets at amortized cost

Credit risk also arises from restricted cash, time deposits, cash and cash equivalents and other receivables. The carrying amount of each class of these financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

To manage risk arising from cash and cash equivalents and time deposits, the Group mainly transacts with state-owned or reputable financial institutions in the PRC and reputable international banks outside of the PRC. There has been no recent history of default in relation to these financial institutions. These instruments are considered to have low credit risk because they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term.

For impairment on other receivables, it is measured as either 12-months expected credit losses or lifetime expected credit loss, depending on whether there has been significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivables has occurred since initial recognition, then impairment is measured as lifetime expected credit loss. Management makes periodic collective assessments as well as individual assessment on these financial assets based on historical settlement records and past experience.

The expected credit loss on other financial assets at amortized cost is insignificant to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due, resulting from amount and maturity mismatches of assets and liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding. Due to the nature of the underlying businesses, the Group's management responsible for treasury function aims to maintain flexibility in funding by keeping sufficient cash available.

The table below analyzes the financial liabilities of the Group into relevant maturity groupings based on the remaining period at the date of the consolidated balance sheets to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 1 year	1 to 2 years	2 to 3 years RMB'000	Over 3 years	Total
Financial liabilities					
As of December 31, 2022					
Trade payables	223,849	—	—	—	223,849
Other payables and accruals (excluding non-financial liabilities)	1,029,951	—	—	—	1,029,951
Other non-current liabilities (excluding non-financial liabilities)	—	6,183	5,572	17,684	29,439
Lease liabilities (including interest to be paid)	18,358	12,326	1,114	—	31,798
	1,272,158	18,509	6,686	17,684	1,315,037
As of December 31, 2023					
Trade payables	490,202	—	—	—	490,202
Other payables and accruals (excluding non-financial liabilities)	147,645	—	—	—	147,645
Other non-current liabilities (excluding non-financial liabilities)	—	5,875	32,353	9,158	47,386
Lease liabilities (including interest to be paid)	14,600	1,203	20	—	15,823
	652,447	7,078	32,373	9,158	701,056

The Group also has Preferred Shares that are subject to liquidity risk, details of which are disclosed in Note 31(a).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Financial risk management (continued)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital (including share capital, share premium, Preferred Shares on an as-if-converted basis, Warrants and Convertible Notes) by regularly reviewing the capital structure. As part of this review, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. In the opinion of the management of the Company, the Group's capital risk is low.

3.3 Fair value estimation

The Group analyzes its financial instruments' fair value by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Financial risk management (continued)

3.3 Fair value estimation (continued)

The following table presents the Group's assets and liabilities that are measured at fair value.

	Level 3
	RMB'000
As of December 31, 2022	
Assets	
Financial assets at FVOCI (Note 22)	2,469
Financial assets at FVPL (Note 23)	337,859
	340,328
Liabilities	
Financial instruments issued to investors (Note 31)	6,996,043
As of December 31, 2023	
Assets	
Financial assets at FVOCI (Note 22)	22,032
Financial assets at FVPL (Note 23)	30,000
	52,032
Liabilities	
Financial instruments issued to investors (Note 31)	11,449,687

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Financial risk management (continued)

3.3 Fair value estimation (continued)

- (a) The changes in level 3 instruments of financial instruments issued to investors for the years ended December 31, 2023 and 2022 are presented in the Note 31.

The following table presents the changes in level 3 items of financial assets at FVOCI and financial assets at FVPL for the years ended December 31, 2023 and 2022, respectively:

	Year ended December 31,	
	2023	2022
	RMB'000	
Financial assets at FVOCI		
At the beginning of the year	2,469	3,139
Additions	58,257	9,032
Disposals	(38,694)	(9,702)
At the end of the year	22,032	2,469
Financial assets at FVPL		
At the beginning of the year	337,859	—
Additions	107,000	444,000
Disposals	(415,655)	(107,261)
Change in fair value	796	1,120
At the end of the year	30,000	337,859
Net unrealized gains for the year	—	859

- (b) Valuation techniques used to determine fair values

The Group has a team that manages the valuation of level 3 instruments for financial reporting purposes. The team manages the valuation exercise of the investments on a case-by-case basis. External valuation experts will be involved when necessary.

The valuation of the level 3 instruments mainly included financial instruments issued to investors (Note 31), financial assets at FVOCI (Note 22) and financial assets at FVPL (Note 23). As these instruments are not traded in an active market, their fair values have been determined by using various applicable valuation techniques, including:

- For financial assets measured at FVPL or FVOCI, discounted cash flow model is used and unobservable inputs are involved, mainly including assumptions of expected future cash flows and discount rate; and
- For the valuation of financial instruments issued to investors, equity allocation model is used and significant unobservable inputs are involved, including discount rate for lack of marketability ("DL0M"), expected volatility, risk-free interest rate, terminal growth rate, etc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Financial risk management (continued)

3.3 Fair value estimation (continued)

- (b) Valuation techniques used to determine fair values (continued)

There was no change to valuation techniques for the years ended December 2023 and 2022.

Major assumptions used in the valuation for financial instruments issued to investors are presented in Note 31.

The following tables summarize the quantitative information about the significant unobservable inputs used in the recurring level 3 fair value measurements for notes receivables measured at FVOCI and wealth management products measured at FVPL.

Description	Fair Value		Valuation technique	Unobservable input	Range of unobservable inputs	Relationship of unobservable inputs to fair value	Reasonable change in key assumptions	Fair value decreased/increased by	
	As of December 31,							As of December 31,	
	2023	2022						2023	2022
Financial assets at FVOCI									
					Year ended December 31, 2022		(1) Expected return rate		
					1.05%–2.07%		The higher the expected return rate increases by 1%		
					Year ended December 31, 2023		(2) Expected return rate		
– Notes receivables	22,032	2,469	Discounted cash flow	Expected return rate	2023 1.80%–2.06%		rate, the lower the fair value. decreases by 1%	95	9
Financial assets at FVPL									
							(1) Expected return rate		
					Year ended December 31, 2022		The higher the expected return rate increases by 1%		
– Wealth management products	–	307,859	Discounted cash flow	Expected return rate	2023 1.00%–3.20%		rate, the lower the fair value. decreases by 1%	N/A	153
							(2) Expected return rate	N/A	154

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Financial risk management (continued)

3.3 Fair value estimation (continued)

(b) Valuation techniques used to determine fair values (continued)

Level 3 financial instruments also comprise an investment (Note 23(a)) in unlisted company as of December 31, 2023 and 2022. The fair value of the investment is determined by reference to the latest round of financing of the investee with market calibration approach adjustments. If the fair value of the investment had been 5% higher/lower, the loss before income tax for the years ended December 31, 2023 and 2022 would have been approximately RMB1,500,000 lower/higher and RMB1,500,000 lower/higher, respectively.

There were no other changes in valuation techniques for the years ended December 31, 2023 and 2022.

There was no transfer between level 1, 2 and 3 of fair value hierarchy classification for the years ended December 31, 2023 and 2022.

4. Critical accounting estimates and judgments

The preparation of consolidated financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgment in applying the Group's accounting policies. The estimates and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are addressed below.

Estimates and judgments 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.

(a) Estimation of grant date fair value of the equity instruments granted to employees

The Group has granted restricted shares and restricted share units to the Group's employees. The Group has engaged an independent valuer to evaluate the grant date fair value of the restricted shares and restricted share units to employees, which is determined based on the fair value of the Company's ordinary shares at the grant date of the award. Prior to the IPO, estimation of the fair value of the Company's ordinary shares involves significant assumptions that might not be observable in the market. The complex and subjective variables which determine the fair value include discount rate, DLOM, expected volatility, risk-free interest rates and terminal growth rate (Note 28), subjective judgments regarding projected financial and operating results, its unique business risks, its operating history and prospects at the time the grants are made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Critical accounting estimates and judgments (continued)

(b) Estimation of the fair value of financial liabilities

Preferred Shares, Warrants and Convertible Notes are not traded in an active market and the respective fair value is determined by using valuation techniques. The discounted cash flow method was used to determine the total equity value of the Company and the equity allocation model was adopted to determine the fair value of the financial instruments. Key assumptions, such as discount rate, risk-free interest rate and volatility are disclosed in Note 31.

(c) Provision for expected credit losses of trade and notes receivables

The loss allowances for trade and notes receivables are based on assumptions about risk of defaults and expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 3.1(b).

(d) Current and deferred income tax

The Group recognizes deferred income tax assets based on estimates that it is probable to generate sufficient taxable profits in the foreseeable future against which the deductible losses will be utilized. The recognition of deferred income tax assets mainly involves management's judgments and estimations about the timing and the amount of taxable profits of the companies who have tax losses. No deferred income tax asset has been recognized in respect of such tax losses due to the unpredictability of future taxable income and details of unrecognized tax losses have been set out in Note 11.

(e) Estimation of provision for warranty claims

Provision for product warranties granted by the Group in respect of certain products are recognized based on sales volume and past experience of the level of repair and returns, discounted to their present values as appropriate. Factors that affect the Group's warranty liability include the number of products sold under warranty, historical and anticipated rates of warranty claim on those products, and cost per claim to satisfy the warranty obligation. The estimation basis is reviewed on an on-going basis and revised where appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Critical accounting estimates and judgments (continued)

(f) Inventory provision

Inventories are stated at the lower of cost and net realizable value as stated in Note 2.14. The 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. Even though the management of the Group has made the best estimate about the inventory write-down loss predicted to occur and provided allowance for write-down, the write-down assessment may still be significantly changed due to the change of market situations.

5. Revenue and segment information

(a) Segment information

The Group's business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the CODM who is the Chief Executive Officer of the Company. As a result of this evaluation, the CODM considers that the Group's operations are operated and managed as a single segment. Accordingly, no segment information is presented.

The Company is domiciled in the Cayman Islands while the Group mainly operates its businesses in the PRC and earns the revenue from customers in the PRC and other geographic locations as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	
Revenue from:		
the PRC	1,059,224	419,124
U.S.	24,215	75,660
Others	36,710	35,538
	1,120,149	530,322

As of December 31, 2023 and 2022, substantially all of the non-current assets of the Group were located in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Revenue and segment information (continued)

(b) Disaggregation of revenue

The breakdown of revenue for the years ended December 31, 2023 and 2022 is as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	
Revenue from:		
Products		
For ADAS	777,070	160,355
For robotics and others	186,473	239,053
	963,543	399,408
Solutions	110,074	122,260
Services and others	46,532	8,654
	1,120,149	530,322

Timing of revenue recognition for the years ended December 31, 2023 and 2022 is as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	
Revenue recognized at a point in time	1,120,045	530,188
Revenue recognized over time	104	134
	1,120,149	530,322

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Revenue and segment information (continued)

(c) Revenue from major customers

The major customers who contributed 10% or more of the Group's revenue for the years ended December 31, 2023 and 2022 are set out below:

	Year ended December 31,	
	2023	2022
	RMB'000	
Customer A	367,284	*
Customer B	142,716	*
Customer C	*	53,961

* Represents less than 10% of the Group's total revenue.

All the revenue derived from other single external customers were less than 10% of the Group's total revenue for the years ended December 31, 2023 and 2022.

(d) Contract liabilities

The Group has recognized the following contract liabilities related to contracts with customers:

	As of December 31,	
	2023	2022
	RMB'000	
Contract liabilities	16,940	19,651

(i) Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying goods or services are yet to be provided. A majority portion of contract liabilities balance at the beginning of the year will be recognized into revenue next year.

(ii) Unsatisfied performance obligations

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Revenue and segment information (continued)

(d) Contract liabilities (continued)

The following table shows unsatisfied performance obligations resulting from long-term technology development services contracts:

	As of December 31,	
	2023	2022
	RMB'000	
Aggregate amount of the transaction price allocated to long-term services contracts that are partially or fully unsatisfied	41,403	39,319

Management expects that RMB33,782,000 (2022: RMB36,533,000) of the transaction price allocated to the unsatisfied contracts as of December 31, 2023 will be recognized as revenue within one year. The remaining RMB7,621,000 (2022: RMB2,786,000) will be recognized over one to two years.

All other contracts with customers are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied performance obligations is not disclosed.

6. Other income

	Year ended December 31,	
	2023	2022
	RMB'000	
Government grants	34,912	24,149
Value added tax ("VAT") refund and additional input VAT deduction	8,089	6,365
Interest income from time deposits	2,426	969
	45,427	31,483

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. Other losses — net

	Year ended December 31,	
	2023	2022
	RMB'000	
Net fair value gains on financial assets at FVPL	796	1,120
Net foreign exchange losses	(10,439)	(45,132)
Others	(653)	(106)
	(10,296)	(44,118)

8. Expenses by nature

The detailed analysis of cost of sales, research and development expenses, sales and marketing expenses and general and administrative expenses is as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	
Changes in inventories of finished goods and work in progress	(1,295)	(166,586)
Raw materials and consumables used	835,475	550,827
Employee benefit expenses (Note 9)	909,195	460,567
Depreciation and amortization (Notes 13,14,15)	89,004	53,525
Inventory provision (Note18(c))	60,439	80,575
Listing expenses	48,695	3,558
Design and development expenses	43,450	40,441
Travel, office and freight expenses	34,260	28,647
Warranty expenses	21,116	7,626
Professional service fees	12,918	35,222
Advertising and promotion costs	3,442	3,928
Variable license fees (Note 30(a))	3,760	6,255
Audit remuneration		
— Audit service	305	1,056
— Non-audit service	74	8
Other expenses (Note(a))	32,736	25,642
	2,093,574	1,131,291

(a) Other expenses mainly include tax and levies, recruitment expenses, insurance expenses, bank charges and other miscellaneous expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. Employee benefit expenses

	Year ended December 31,	
	2023	2022
	RMB'000	
Wages, salaries and bonuses	457,455	363,496
Share-based compensation expenses (Note 28)	376,980	35,086
Pension costs — defined contribution plans, housing funds, medical insurances and other social insurances (Note (a))	57,011	40,163
Other employee benefits (Note (b))	17,749	21,822
	909,195	460,567

(a) Pension costs — defined contribution plans, housing funds, medical insurances and other social insurances

Full time employees of the Group in the PRC are members of a state-managed retirement benefit schemes operated by the PRC government. The Group is required to contribute a specified percentage of payroll costs, subject to certain ceiling, as determined by local government authority to the pension costs — defined contribution plans, housing funds, medical insurances and other social insurances to fund the benefits. The Group's liabilities in respect of benefits schemes are limited to the contribution payable in each year.

No forfeited contributions were utilized for the years ended December 31, 2023 and 2022 to offset the Group's contribution to the abovementioned retirement benefit schemes.

(b) Other employee benefits

Other employee benefits mainly include termination benefits, team building expenses, meal and traveling allowances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. Employee benefit expenses (continued)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include 1 director (2022: 1) whose emoluments were disclosed in Note 36(a). The emoluments paid or payable to the remaining non-director individuals are as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	
Wages, salaries and bonuses	7,800	5,846
Pension costs — defined contribution plans, housing funds, medical insurances and other social insurances	374	377
Share-based compensation expenses	156,143	7,810
Other employee benefits	—	10,147
	164,317	24,180

All of these individuals have not received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for the loss of office for the years ended December 31, 2023 and 2022.

The emoluments fell within the following bands:

	Year ended December 31,	
	2023	2022
Emolument band (in Hong Kong dollars)		
HKD1,500,001–HK\$2,000,000	—	1
HKD2,000,001–HK\$2,500,000	—	1
HKD11,500,001–HKD12,000,000	—	2
HKD20,000,001–HK\$20,500,000	1	—
HKD25,500,001–HK\$26,000,000	1	—
HKD50,500,001–HK\$61,000,000	1	—
HKD85,500,001–HK\$86,000,000	1	—
	4	4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. Finance income — net

	Year ended December 31,	
	2023	2022
	RMB'000	
Finance income:		
Interest income from cash and cash equivalents	80,951	20,491
	80,951	20,491
Finance costs:		
Net foreign exchange losses	(751)	(2,006)
Interest expenses on lease liabilities (Note 14)	(1,009)	(1,648)
Interest expenses on license fees payable (Note 30(a))	(1,105)	(1,392)
	(2,865)	(5,046)
Finance income — net	78,086	15,445

11. Income tax expenses

(a) Cayman Islands

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Under the current laws of the Cayman Islands, the Company is not subject to tax on either income or capital gain. Additionally, upon payments of dividends to the shareholders, no Cayman Islands withholding tax will be imposed.

(b) BVI

The Company's subsidiaries incorporated in BVI are exempted from income tax on its foreign-derived income in the BVI. There are no withholding taxes in the BVI.

(c) Hong Kong

When the subsidiary was incorporated in Hong Kong, the subsidiary was subject to Hong Kong profits tax at a rate of 16.5% for taxable income earned in Hong Kong. Commencing on April 1, 2018, the two-tiered profits tax regime took effect, under which the tax rate is 8.25% for assessable profits on the first HKD2,000,000 and 16.5% for any assessable profits in excess of HKD2,000,000. The payments of dividends to shareholders are not subject to withholding tax in Hong Kong.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. Income tax expenses (continued)

(d) United States

The applicable income tax rate of United States where the Company's subsidiaries having significant operations for the years ended December 31, 2023 and 2022 is 27.98%, which is a blended state and federal rate.

(e) PRC Enterprise Income Tax

Enterprise income tax ("**EIT**") was made on the estimated assessable profits of entities within the Group incorporated in the PRC and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC EIT rate is 25% for the years ended December 31, 2023 and 2022.

Certain subsidiaries of the Company in the PRC have been approved as High and New Technology Enterprises ("**HNTE**") under relevant tax rules and regulations, and accordingly, are subjected to a preferential EIT rate of 15% for the years ended December 31, 2023 and 2022.

According to a policy promulgated by the State Tax Bureau of the PRC and effective from 2018 onwards, enterprises engaged in R&D activities are entitled to claim an additional tax deduction amounting to 75% of the qualified R&D expenses incurred in determining its tax assessable profits for that year ("**Super Deduction**"). Starting from October 1, 2022, the additional deduction ratio was increased to 100%.

Certain subsidiaries of the Company in the PRC, which were granted the qualification as "**Small and Medium-sized Sci-tech Enterprise**", could claim additional 100% deduction of their research and development expenses before tax for the year ended December 31, 2023 and 2022.

Certain subsidiaries of the Company in the PRC were qualified as "**Small Low-Profit Enterprise**". The entitled subsidiaries are subject to a preferential income tax rate from 2.5% to 5% for the years ended December 31, 2023 and 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. Income tax expenses (continued)

(f) The PRC withholding tax

Under the EIT Law enacted by the National People's Congress of the PRC, dividends generated after January 1, 2008 and payable by a foreign investment enterprise in the PRC to its foreign investors who are non-resident enterprises are subject to a 10% withholding tax, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding arrangement. Under the taxation arrangement between the PRC and Hong Kong, a qualified Hong Kong tax resident which is the "beneficial owner" and directly holds 25% or more of the equity interest in a PRC resident enterprise is entitled to a reduced withholding tax rate of 5%. The Cayman Islands, where the Company was incorporated, does not have a tax treaty with the PRC.

In accordance with accounting guidance, all undistributed earnings are presumed to be transferred to the parent company and are subject to the withholding taxes. All foreign-invested enterprises are subject to the withholding tax from January 1, 2008. The presumption may be overcome if the Group has sufficient evidence to demonstrate that the undistributed dividends will be re-invested and the remittance of the dividends will be postponed indefinitely. The Group did not record any dividend withholding tax, as it has no retained earnings for any of the year presented.

The income tax expenses of the Group for the years ended December 31, 2023 and 2022 are analyzed as below:

	Year ended December 31,	
	2023	2022
	RMB'000	
Current income tax expenses	1,869	803
Deferred income tax expenses	—	—
Income tax expenses	1,869	803

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. Income tax expenses (continued)

(f) The PRC withholding tax (continued)

Reconciliations of the income tax expenses computed by applying the PRC statutory income tax rate of 25% to the Group's income tax expenses of the year presented are as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	
Loss before income tax	(4,329,097)	(2,085,310)
Income tax credit computed at the PRC statutory income tax rate of 25%	(1,082,274)	(521,328)
Effect of different tax rate of different jurisdictions	862,358	384,710
Effect of preferential tax rate	82,012	49,721
Share of net profit of an associate accounted for using the equity method	(669)	—
Expenses not deductible for income tax purposes	59,559	13,062
Effect of super deduction for qualified R&D expenses	(61,999)	(36,546)
Tax losses and deductible temporary differences for which no deferred tax asset was recognized	143,302	111,184
Utilization of previously unrecognized tax losses	(420)	—
Income tax expenses	1,869	803

- (i) As of December 31, 2023, the Group had unused tax losses of approximately RMB2,022,589,000 (2022: RMB1,115,370,000) that can be carried forward against future taxable income, respectively. No deferred income tax asset has been recognized in respect of such tax losses due to the unpredictability of future taxable income.
- (ii) The Group principally conducted its business in Mainland China, where the accumulated tax losses will normally expire within 5 years. Pursuant to the relevant regulations on extension for expiries of unused tax losses of HNTE issued in August 2018, the expiry period of the accumulated unexpired tax losses of Shenzhen Suteng, which is qualified as HNTE, from 2019 had been extended from 5 years to 10 years. Shenzhen Suteng re-applied for HNTE status in 2022 and the approval was obtained in December 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. Income tax expenses (continued)

(f) The PRC withholding tax (continued)

Deductible tax losses that are not recognized for deferred income tax assets will be expired as follows:

	As of December 31,	
	2023	2022
	RMB'000	
2023	—	4,602
2024	2,452	2,452
2025	3,197	3,197
2026	22,480	22,480
2027	47,904	47,904
2028	160,939	58,467
2029	132,059	132,059
2030	83,547	83,547
2031	132,315	132,315
2032	616,609	619,407
2033	796,199	—
No expiry year	24,888	8,940
	2,022,589	1,115,370

12. Loss per share

(a) Basic loss per share

Basic loss per shares is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding for the years ended December 31, 2023 and 2022.

The weighted average number of ordinary shares outstanding has been retrospectively adjusted for the effect of Reorganization and share split completed in January 2022 as if it had been in issue since January 1, 2022 and the capital injection to the Group for the years ended December 31, 2023 and 2022 were accounted for at time portion basis accordingly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. Loss per share (continued)

(a) Basic loss per share (continued)

In determining the weighted average number of ordinary shares in issue, the unvested restricted shares are excluded:

	Year ended December 31,	
	2023	2022
Loss attributable to ordinary equity holder of the Company (RMB'000)	(4,336,629)	(2,088,652)
Weighted average number of ordinary shares outstanding	97,082,430	97,259,964
Basic loss per share (in RMB)	(44.67)	(21.47)

(b) Diluted losses per share

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the years ended December 31, 2023 and 2022, respectively, the Company had four categories of potential ordinary shares: Preferred Shares, Convertible Notes, Warrants and share-based awards granted to employees (Notes 31 and 28, respectively). As the Company incurred losses for the years ended December 31, 2023 and 2022, these potential ordinary shares were not included in the calculation of loss per share as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the years ended December 31, 2023 and 2022 are the same as basic loss per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. Property, Plant and Equipment

	Machinery and equipment	Mold and tooling	Computer, electronic equipment and others	Vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000						
Year ended December 31, 2022							
Opening net book amount	35,733	1,944	10,522	1,506	23,510	5,814	79,029
Additions	34,392	5,690	13,109	1,206	9,606	96,354	160,357
Disposals	(22)	—	(1)	—	—	—	(23)
Transfers	—	—	—	—	22,988	(22,988)	—
Foreign currency translation adjustments	—	—	—	4	—	—	4
Depreciation charge	(7,458)	(1,372)	(5,424)	(390)	(16,657)	—	(31,301)
Closing net book amount	62,645	6,262	18,206	2,326	39,447	79,180	208,066
At December 31, 2022							
Cost	76,429	8,584	28,726	3,724	57,247	79,180	253,890
Accumulated depreciation	(13,784)	(2,322)	(10,520)	(1,398)	(17,800)	—	(45,824)
Net book amount	62,645	6,262	18,206	2,326	39,447	79,180	208,066
Year ended December 31, 2023							
Opening net book amount	62,645	6,262	18,206	2,326	39,447	79,180	208,066
Additions	26,245	10,413	39,017	3,310	6,588	36,862	122,435
Disposals	(532)	(235)	(1,181)	(46)	—	(469)	(2,463)
Transfers	35,554	5,185	9,982	—	3,054	(53,775)	—
Foreign currency translation adjustments	—	—	1	3	—	—	4
Depreciation charge	(13,735)	(4,510)	(14,041)	(1,028)	(26,644)	—	(59,958)
Closing net book amount	110,177	17,115	51,984	4,565	22,445	61,798	268,084
At December 31, 2023							
Cost	137,146	22,377	74,989	7,039	66,195	61,798	369,544
Accumulated depreciation	(26,969)	(5,262)	(23,005)	(2,474)	(43,750)	—	(101,460)
Net book amount	110,177	17,115	51,984	4,565	22,445	61,798	268,084

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. Property, Plant and Equipment (continued)

Depreciation expenses have been charged to the consolidated statements of comprehensive loss as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	
Cost of sales	30,495	16,022
Research and development expenses	23,823	9,518
General and administrative expenses	4,528	5,238
Sales and marketing expenses	1,112	523
	59,958	31,301

14. Leases

(a) Amounts recognized in the consolidated balance sheets

	As of December 31,	
	2023	2022
	RMB'000	
Right-of-use assets		
Offices and factories	14,232	27,536
Lease liabilities		
Current	14,362	17,356
Non-current	1,159	13,151
	15,521	30,507

Additions to the right-of-use assets for the year ended December 31, 2023 was RMB3,378,000 (2022: RMB16,706,000). There was no early termination of lease contracts of certain leased buildings (2022: RMB384,000) in the right-of-use assets for the year ended December 31, 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. Leases (continued)

(b) Amounts recognized in the consolidated statements of comprehensive loss

The consolidated statements of comprehensive loss include the following amounts relating to leases:

	Year ended December 31,	
	2023	2022
	RMB'000	
Depreciation charge of right-of-use assets	16,738	15,669
Interest expenses (included in finance costs)	1,009	1,648
Expense relating to short-term leases (included in cost of sales, research and development expenses, sales and marketing expenses, and general and administrative expenses)	327	19
COVID-19-related rent concessions from lessors	—	(92)
	18,074	17,244

The total cash outflow for short-term leases for the year ended December 31, 2023 was RMB327,000 (2022: RMB19,000).

The total cash outflows for leases except for short-term leases for the years ended December 31, 2023 and 2022 are as below:

	Year ended December 31,	
	2023	2022
	RMB'000	
Principal elements of lease payments (presented as financing cash flow)	18,489	15,495
Related interest paid (presented as operating cash flow)	1,009	1,648
	19,498	17,143

The future cash outflows relating to leases that have not yet commenced are disclosed in Note 37, to the consolidated financial statements.

The weighted average incremental other borrowing rate applied to the lease liabilities was 4.63% (2022: 4.68%), for the year ended December 31, 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. Leases (continued)

(c) The Group's leasing activities and how these are accounted for

The Group leases certain offices and factories. Rental contracts are typically made for fixed periods of one year to five years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

15. Intangible Assets

	Software	Patent	License rights	Total
	RMB'000			
At January 1, 2022				
Cost	3,747	3,000	35,211	41,958
Accumulated amortization	(885)	(588)	(3,261)	(4,734)
Net book amount	2,862	2,412	31,950	37,224
Year ended December 31, 2022				
Opening net book amount	2,862	2,412	31,950	37,224
Additions	21,575	—	—	21,575
Amortization charge	(2,343)	(300)	(3,912)	(6,555)
Foreign currency translation adjustments	(1)	—	—	(1)
Closing net book amount	22,093	2,112	28,038	52,243
As of December 31, 2022				
Cost	25,327	3,000	35,211	63,538
Accumulated amortization	(3,234)	(888)	(7,173)	(11,295)
Net book amount	22,093	2,112	28,038	52,243
Year ended December 31, 2023				
Opening net book amount	22,093	2,112	28,038	52,243
Additions	11,610	—	—	11,610
Amortization charge	(8,096)	(300)	(3,912)	(12,308)
Closing net book amount	25,607	1,812	24,126	51,545
As of December 31, 2023				
Cost	36,903	3,000	35,211	75,114
Accumulated amortization	(11,296)	(1,188)	(11,085)	(23,569)
Net book amount	25,607	1,812	24,126	51,545

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. Intangible Assets (continued)

Amortization expenses have been charged to the consolidated statements of comprehensive loss as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	
Research and development expenses	6,909	2,001
Cost of sales	4,250	4,001
General and administrative expenses	981	547
Sales and marketing expenses	168	6
	12,308	6,555

16. Investment in an Associate Accounted for Using the Equity Method

	Year ended December 31, 2023 RMB'000
Investment in an associate	
At the beginning of the year	—
Addition	49,000
Share of net profit	6,439
At the end of the year	55,439

The amounts recognised in the consolidated statement of comprehensive loss are as follows:

	Year ended December 31, 2023 RMB'000
Share of net profit of an associate accounted for using the equity method (Note (i))	4,457

(i) Unrealised profits or losses resulting from upstream transactions are eliminated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. Investment in an Associate Accounted for Using the Equity Method (continued)

- (ii) As of December 31, 2023, the Group has interests in an insignificant associate, Dongguan Luxsense Innovation Electronics Co., Ltd (“**Luxsense**”), that are accounted for using the equity method.

In February 2023, Shenzhen Suteng invested in Luxsense. The paid-in capital of Luxsense is RMB100,000,000. Shenzhen Suteng owns 49% equity interest of Luxsense and has significant influence over Luxsense through its shareholding of Luxsense.

Luxsense is a manufacturer of modules. The country of incorporation in the PRC is also its principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

(a) Summarized financial information for Luxsense

Set out below is the Group’s share of Luxsense’s result.

	Year ended December 31, 2023 RMB'000
Carrying amount of Luxsense	55,439
Net profit	6,439
Other comprehensive income	—
Total comprehensive income	6,439

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. Investment in an Associate Accounted for Using the Equity Method (continued)

(b) Reconciliation to carrying amount of the investment in an associate:

	Year ended December 31, 2023 RMB'000
Opening net assets as of February 27, 2023 of the investee	75,966
Total comprehensive income for the period	13,140
Closing net assets	89,106
Group's share in %	49%
Group's share of net assets in RMB	43,663
Adjustment for notional goodwill	11,776
Carrying amount	55,439

17. Other Non-Current Assets

Other non-current assets consisted of the following:

	As of December 31,	
	2023	2022
	RMB'000	
Prepayments for long-term assets (Note(a))	24,551	25,135
Long-term deposits (Note(b))	793	5,532
Right to returned goods (Note(c))	120	559
Prepayment for investment in an associate (Note (d))	—	49,000
	25,464	80,226

(a) Prepayments for long-term assets represented the amount prepaid for procurement of machinery and equipment, vehicles, leasehold improvements and intangible assets.

(b) Long-term deposits primarily consisted of deposits for offices and factories which will not be collectable within one year.

(c) Right to returned goods represented the non-current portion of the balance of the products expected to be returned or exchanged.

(d) The balance represented the prepayment of RMB49,000,000 to subscribe for 49% equity interest of Luxsense in the PRC, which was completed in February 2023 (Note 16).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. Inventories

	As of December 31,	
	2023	2022
	RMB'000	
Raw materials (Note (a))	72,315	103,039
Work-in-progress (Note (a))	101,144	174,402
Finished goods (Note (b))	77,361	102,804
Fulfillment cost	11,756	11,766
	262,576	392,011
Less: provision for inventories (Note (c))	(63,365)	(102,923)
– Raw materials (Note (c))	(22,485)	(8,477)
– Work-in-progress (Note (c))	(24,491)	(53,981)
– Finished goods (Note (c))	(16,389)	(40,465)
	199,211	289,088

(a) Raw materials and work-in-progress primarily consist of materials mainly for volume production as well as materials used for trial production.

(b) Finished goods primarily consist of products that are ready for sale at production factories or in transit to fulfil customer orders.

(c) Provision for inventories is recognized for the amount by which the carrying amount of the inventories exceeds the net recoverable amount, and is recorded in cost of sales in the consolidated statements of comprehensive loss. The provision for inventories as recognized for the year ended December 31, 2023 amounted to approximately RMB60,439,000 (2022: RMB80,575,000).

(d) The cost of inventories recognized as cost of sales for the year ended December 31, 2023 amounted to RMB1,020,852,000 (2022: RMB561,629,000).

(e) As of December 31, 2023 and 2022, no inventories were pledged as collaterals.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. Financial Instruments by Category

	As of December 31,	
	2023	2022
	RMB'000	
Financial assets		
Financial assets measured at amortized cost		
– Trade and notes receivables (Note 20)	678,265	206,983
– Prepayments, other receivables and other current assets, excluding non-financial assets (Note 21)	10,780	7,048
– Other non-current assets, excluding non-financial assets (Note 17)	793	5,532
– Time deposits (Note 24)	—	84,573
– Cash and cash equivalents (Note 25)	1,826,413	2,071,381
– Restricted cash	9,130	530
Financial assets measured at fair value		
– FVOCI (Note 22)	22,032	2,469
– FVPL (Note 23)	30,000	337,859
	2,577,413	2,716,375
Financial liabilities		
Financial liabilities measured at amortized cost		
– Trade payables (Note 32)	490,202	223,849
– Other payables excluding non-financial liabilities (Note 33)	146,775	178,363
– Other non-current liabilities, excluding non-financial liabilities (Note 30)	45,856	25,857
– Borrowings	1,003	—
– Lease liabilities (Note 14)	15,521	30,507
Financial liabilities measured at fair value		
– Financial instruments issued to investors (Note 31)	11,449,687	6,996,043
– Deposits paid by investors (Note 33(c))	—	850,250
	12,149,044	8,304,869

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. Trade and Notes Receivables

	As of December 31,	
	2023	2022
	RMB'000	
Trade receivables	672,426	206,604
Notes receivables	15,004	7,533
	687,430	214,137
Less: credit loss allowances	(9,165)	(7,154)
	678,265	206,983

As of December 31, 2023 and 2022, the ageing analysis of the trade and notes receivables based on recognition date is as follows:

	As of December 31,	
	2023	2022
	RMB'000	
Up to 6 months	638,404	170,853
6 months to 1 year	29,844	30,422
1 to 2 years	15,318	10,510
Over 2 years	3,864	2,352
	687,430	214,137

The Group's trade and notes receivables are mainly denominated in RMB and their carrying amounts approximated their fair value.

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9. For details, please refer to Note 3.1(b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. Prepayments, Other Receivables and Other Current Assets

The Group

	As of December 31,	
	2023	2022
	RMB'000	
Other receivables		
– Deposits	5,868	1,400
– Withholding individual income tax	1,547	1,547
– Amounts due from related parties (Note 35(b))	—	1,990
– Others	3,365	2,111
	10,780	7,048
Prepayments for		
– Products and services procurement (Note (a))	14,842	5,358
– Deferred listing expenses (Note (b))	8,135	—
	22,977	5,358
Value-added tax (“VAT”) recoverable	51,097	50,940
Right to returned goods (Note (c))	3,992	3,134
Others	2,792	—
	91,638	66,480

The Group's prepayments, other receivables and other current assets were mainly denominated in RMB.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. Prepayments, Other Receivables and Other Current Assets (continued)

The Company

	As of December 31,	
	2023	2022
	RMB'000	
Amounts due from subsidiaries (Note (d))	3,035,777	2,259,368
Deferred listing expenses (Note (b))	8,135	—
Amounts due from related parties (Note 35(b))	—	1,990
Withholding individual income tax	1,547	1,547
	3,045,459	2,262,905

(a) Prepayments for products and services procurement primarily consisted of prepayments for raw materials, exhibition fees, consulting and other services to be provided by suppliers.

(b) Deferred listing expenses will be deducted from equity upon listing of the Group.

(c) Right to returned goods were recognized for the products expected to be returned or exchanged within one year.

(d) Amounts due from subsidiaries mainly represented receivables due from RoboSense Limited, RoboSense HK and Shenzhen Suteng.

22. Financial Assets at Fair Value Through Other Comprehensive Income

	As of December 31,	
	2023	2022
	RMB'000	
Notes receivable	22,032	2,469

Notes receivable held both by collecting contractual cash flows and selling of these assets are classified as FVOCI. All the ageing of notes receivable is within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. Financial Assets at Fair Value Through Profit or Loss

	As of December 31,	
	2023	2022
Non-current assets		
Investment in puttable shares (Note (a))	30,000	30,000
Current assets		
Investment in wealth management products issued by banks (Note (b))	—	307,859
	30,000	337,859

- (a) In July 2022, the Group made investment in Vertilite Co., Ltd. (“Vertilite”) with total consideration RMB30,000,000 without control, joint control or significant influence. The Group has the right to require Vertilite to redeem equity interest held by the Group upon certain conditions, and accordingly, this investment is accounted for as financial investments at fair value through profit or loss.

Vertilite is a company specializing in the development of high power and high-speed vertical-cavity surface-emitting laser and module solutions.

The change in fair values of the investment from the date of investment to December 31, 2023 and 2022 were insignificant.

- (b) The principals and returns of the wealth management products are not guaranteed, hence their contractual cash flows do not qualify for solely payments of principal and interest. Therefore, the wealth management products issued by banks are measured at fair value through profit or loss.

Information about the Group’s exposure to financial risk and information about methods and assumptions used in determining fair value of these financial assets at FVPL have been set out in Note 3.3.

24. Time deposits

As of December 31, 2022, term deposits were denominated in USD and the initial terms of the Group’s term deposits were over three months. The annual interest rates of the Group’s term deposits held in banks throughout the year ended December 31, 2022 was 3.01% per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. Cash and Cash Equivalents

The Group

	As of December 31,	
	2023	2022
	RMB'000	
Cash at banks	395,573	412,639
Time deposits with initial terms within three months	1,430,840	1,658,742
	1,826,413	2,071,381

Cash and cash equivalents were denominated in the following currencies:

	As of December 31,	
	2023	2022
	RMB'000	
RMB	255,598	732,020
USD	1,570,613	1,339,152
EUR	199	203
HKD	3	6
	1,826,413	2,071,381

As of December 31, 2023 and 2022, the Group's cash and cash equivalents includes cash at banks, time deposits with initial terms of three months or less.

The weighted average effective interest rate on bank deposits of the Group with initial terms within three months as of December 31, 2023 was 5.32% (2022: 3.56%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. Cash and Cash Equivalents (continued)

The Company

	As of December 31,	
	2023	2022
	RMB'000	
Cash at banks	15,249	19,501
Time deposits with initial terms within three months	858,516	687,501
	873,765	707,002

Cash and cash equivalents were denominated in the following currency:

	As of December 31,	
	2023	2022
	RMB'000	
RMB	216	—
USD	873,549	707,002
	873,765	707,002

As of December 31, 2023 and 2022, the Company's cash and cash equivalents includes cash at banks, time deposits with initial terms of three months or less.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. Share Capital and Reserves

(a) Share capital

		Number of shares	Share capital USD'000
Authorized:			
As of December 31, 2023 and 2022		500,000,000	50
	Number of ordinary shares	Equivalent nominal value of ordinary share USD'000	Share capital RMB'000
Issued:			
As of January 1, 2022	136,192,582	14	88
Repurchase of restricted shares and cancellation of treasury shares (Note (a)(i))	(6,884,210)	(1)	(5)
Repurchase of ordinary shares (Note 31(a)(iv))	(3,600,000)	—	(2)
As of December 31, 2022	125,708,372	13	81
As of January 1, 2023	125,708,372	13	81
Issuance of ordinary shares to ESOP (Note (a)(i))	6,884,210	1	5
As of December 31, 2023	132,592,582	14	86

(i) In October 2022, 6,884,210 treasury shares were legally cancelled after a repurchase of restricted shares in the name of an employee, who was awarded with the aforementioned equity interests with certain conditions in July 2021 and left the Company in June 2022.

In May 2023, the Company re-issued 6,884,210 equity interests in legal form of restricted share units under a platform of ESOP B scheme.

(ii) As of December 31, 2023, issued shares of the Company comprised 132,592,582 ordinary shares and 293,709,341 Preferred Shares (Note 31), the breakdown is as follows:

- 97,082,430 ordinary shares of Founders of a nominal or par value of USD0.0001 each;
- 35,510,152 ordinary shares of ESOP platforms of a nominal or par value of USD0.0001 each;
- 15,995,501 Series Angel Preferred Shares of a nominal or par value of USD0.0001 each;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. Share Capital and Reserves (continued)

(a) Share capital (continued)

(ii) As of December 31, 2023, issued shares of the Company comprised 132,592,582 ordinary shares and 293,709,341 Preferred Shares (Note 31), the breakdown is as follows: (continued)

- 19,971,731 Series Seed Preferred Shares of a nominal or par value of USD0.0001 each;
- 15,521,371 Series A Preferred Shares of a nominal or par value of USD0.0001 each;
- 10,511,598 Series A+ Preferred Shares of a nominal or par value of USD0.0001 each;
- 31,859,744 Series B Preferred Shares of a nominal or par value of USD0.0001 each;
- 52,222,266 Series C Preferred Shares of a nominal or par value of USD0.0001 each;
- 10,054,493 Series D Preferred Shares of a nominal or par value of USD0.0001 each;
- 6,102,180 Series D-1 Preferred Shares of a nominal or par value of USD0.0001 each;
- 17,496,456 Series D-2 Preferred Shares of a nominal or par value of USD0.0001 each;
- 27,000,000 Series E Preferred Shares of a nominal or par value of USD0.0001 each;
- 53,894,003 Series F Preferred Shares of a nominal or par value of USD0.0001 each;
- 11,374,415 Series G-1 Preferred Shares of a nominal or par value of USD0.0001 each;
- 21,705,583 Series G-2 Preferred Shares of a nominal or par value of USD0.0001 each.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. Share Capital and Reserves (continued)

(b) Reserves movement of the Group

	Notes	Treasury shares	Capital reserve	Share-based compensation reserve	Own credit risk reserve	Foreign currency translation reserve	Subtotal	Accumulated losses	Total
RMB'000									
At January 1, 2022		(23)	(67,114)	29,897	(4,461)	317	(41,384)	(2,602,898)	(2,644,282)
Loss for the year		–	–	–	–	–	–	(2,088,652)	(2,088,652)
Fair value changes on convertible redeemable preferred shares and convertible notes due to own credit risk	31(a),(c)	–	–	–	(5,968)	–	(5,968)	–	(5,968)
Currency translation differences		–	–	–	–	(298,647)	(298,647)	–	(298,647)
Repurchase of ordinary shares	31(a)(iv)	–	2	–	–	–	2	–	2
Modification of convertible redeemable preferred shares	31(a)(vi)	–	–	27,276	(40)	–	27,236	40	27,276
Issuance of Series F Preferred Shares upon conversion of Series F convertible notes	31	–	–	–	495	–	495	(495)	–
Repurchase of restricted shares and cancellation of treasury shares	28(a)	5	–	(36,808)	–	–	(36,803)	–	(36,803)
Employee share scheme – value of employee services		–	–	(440)	–	–	(440)	–	(440)
At December 31, 2022		(18)	(67,112)	19,925	(9,974)	(298,330)	(355,509)	(4,692,005)	(5,047,514)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. Share Capital and Reserves (continued)

(b) Reserves movement of the Group (continued)

	Notes	Treasury shares	Capital reserve	Share-based compensation reserve	Own credit risk reserve	Foreign currency translation reserve	Safety reserve	Subtotal	Accumulated losses	Total
RMB'000										
At January 1, 2023		(18)	(67,112)	19,925	(9,974)	(298,330)	—	(355,509)	(4,692,005)	(5,047,514)
Loss for the period		—	—	—	—	—	—	—	(4,336,629)	(4,336,629)
Fair value changes on convertible redeemable preferred shares and convertible notes due to own credit risk	31(a)	—	—	—	(3,863)	—	—	(3,863)	—	(3,863)
Currency translation differences		—	—	—	—	(74,732)	—	(74,732)	—	(74,732)
Modification of convertible redeemable preferred shares		—	—	—	(106)	—	—	(106)	106	—
Issuance of treasury shares to ESOP	26(a)(i)	(5)	—	—	—	—	—	(5)	—	(5)
Employee share scheme – value of employee services		—	—	376,980	—	—	—	376,980	—	376,980
Appropriation to safety reserves		—	—	—	—	—	516	516	(516)	—
At December 31, 2023		(23)	(67,112)	396,905	(13,943)	(373,062)	516	(56,719)	(9,029,044)	(9,085,763)

27. Dividends

No dividends have been paid or declared by the Company for the year ended December 31, 2023 (2022: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. Share-Based Compensation

	Year ended December 31,	
	2023	2022
	RMB'000	
Share-based compensation expenses-related to ESOP (Note (a))	376,980	7,810
Share-based compensation expenses-related to redesignation of preferred share (Note (b))	—	27,276
	376,980	35,086

- (a) A Limited Liability Partnership ("**ESOP LLP**"), was established in August 2015 and holds ordinary shares of Shenzhen Suteng on behalf of Shenzhen Suteng for the purpose of ESOP. In May 2021, Shenzhen Suteng approved a share incentive plan ("**Suteng ESOP**") to grant certain amounts of equity interests in the ESOP LLP to certain directors, executive officers and employees with vesting commencement date in December 2020. The awards include both service conditions and the occurrence of a qualified IPO as performance conditions. All of the RSUs shall become vested 36 months post the occurrence of a qualified IPO. Employees are required to provide continued services through the occurrence of a qualified IPO in order to retain the award.

During the Reorganization, the pre-IPO share incentive scheme A (the "**ESOP A scheme**") and the pre-IPO share incentive scheme B (the "**ESOP B scheme**") have been established and approved pursuant to the Shareholders' resolutions dated on December 30, 2021. On December 31, 2021, the Company issued 18,299,626 equity shares in proportion to ESOP LLP's equity interests holding in Shenzhen Suteng. On the same day, the Company issued 17,210,526 shares for another new share incentive plan.

In addition, a post-IPO share incentive plan ("**ESOP C scheme**") was approved pursuant to the Shareholders' resolutions dated on October 27, 2022.

The Group's ESOP platforms of the share incentive plans were designed and operated to grant equity interests in the form of restricted shares and restricted shares units ("**RSUs**") with certain service conditions and/or performance conditions to eligible employees. Once the vesting conditions for the underlying restricted shares and RSUs are met, the shares will be released or exchanged to employees. The Group accounts for such awards in accordance with IFRS 2, Share-based payments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. Share-Based Compensation (continued)

ESOP A scheme

Movements in the number of equity awards granted under ESOP A scheme, after giving effect to the share subdivision and on an as if basis, are as follows:

	Number of restricted shares	Number of RSUs	Total number of equity awards	Weighted average grant date fair value RMB
Outstanding as of January 1, 2022	13,450	15,418,625	15,432,075	6.27
Granted during the year (Note (i), (ii))	—	293,207	293,207	15.98
Forfeited during the year	—	(731,985)	(731,985)	6.27
Outstanding as of December 31, 2022	13,450	14,979,847	14,993,297	6.46
Outstanding as of January 1, 2023	13,450	14,979,847	14,993,297	6.46
Granted during the year (Note (i), (ii))	—	3,928,516	3,928,516	24.02
Cancelled during the year (Note (iii))	—	(622,187)	(622,187)	6.27
Outstanding as of December 31, 2023	13,450	18,286,176	18,299,626	10.37

(i) In May 2022, the Company granted 250,000 RSUs under the platforms of ESOP A scheme to an employee at a consideration of RMB15.00 per share, with both four years' service conditions and the occurrence of an IPO as performance conditions. Given the consideration was approximated to the grant date fair value, the Group assessed that there was no incremental value of the grant to the employee and no share-based compensation expense to be recognized upon such equity settled transaction.

In January 2023, the Company granted another 299,000 RSUs under the platforms of ESOP A scheme to this employee at a consideration of RMB12.00 per share, with both four years' service conditions and the occurrence of an IPO as performance conditions. The difference of RMB2,861,000 between total consideration and the grant date fair value would be recognized over the vesting period.

If the employee leaves the Group during the vesting period, the prepayment for the non-vested portion will be refunded. The Group recorded the cash received by the Group as other payables and accruals and would transfer the portion to equity account upon vesting of each tranche. As of December 31, 2022 and December 31, 2023, the payables in relation to these grants (Note 33(a)(ii)) amounted to RMB3,750,000 and RMB7,338,000, respectively.

(ii) In November 2022, the Group granted 43,207 RSUs under the platforms of ESOP A scheme to an eligible employee at nil consideration, with the occurrence of a qualified IPO as performance conditions.

In January 2023, the Group granted 2,059,985 RSUs and under the platforms of ESOP A scheme to an eligible employee at nil consideration, with the occurrence of a qualified IPO as performance conditions.

In October 2023, the Group granted 1,569,531 RSUs under the platforms of ESOP A scheme to an eligible employee at nil consideration, with the occurrence of a qualified IPO as performance conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. Share-Based Compensation (continued)

ESOP A scheme (continued)

- (iii) In September 2023, 622,187 RSUs which were granted to an employee in May 2021 with the occurrence of an IPO as performance condition were cancelled by the Group. Such cancellation was accounted for as an acceleration of vesting. Therefore, the Group recognized an expense of RMB326,000 upon cancellation.

For the awards granted under ESOP A scheme with the qualified IPO performance condition, no expenses were recognized for the year ended December 31, 2022. Since the IPO has become probable in June 2023, an expense of RMB178,129,000 were recognized for the year ended December 31, 2023. The remaining expenses amounting to RMB5,701,000 is expected to be recognized for the future service over a weighted average period of 0.10 year since December 31, 2023, taking into consideration the projected forfeiture rate. The vesting period varied from 0.18 year to 4.00 years based on the IPO date.

ESOP B scheme

Movements in the number of equity awards granted under ESOP B scheme, after giving effect to the share subdivision and on an as if basis, are as follows:

	Number of restricted shares	Number of RSUs	Total number of equity awards	Weighted average grant date fair value RMB
Outstanding as of January 1, 2022	6,901,420	—	6,901,420	12.32
Granted during the year (Note (ii), (iii))	—	2,001,945	2,001,945	13.49
Vested during the year (Note (i))	(2,294,737)	—	(2,294,737)	12.32
Forfeited during the year (Note (i))	(4,589,473)	—	(4,589,473)	12.32
Outstanding as of December 31, 2022	17,210	2,001,945	2,019,155	13.43
Outstanding as of January 1, 2023	17,210	2,001,945	2,019,155	13.43
Granted during the period (Note (ii), (iii))	—	13,181,283	13,181,283	24.79
Forfeited during the year	—	(284,649)	(284,649)	14.99
Outstanding as of December 31, 2023	17,210	14,898,579	14,915,789	23.44

- (i) In June 2022, 2,294,737 restricted shares granted to an eligible employee were vested with share-based compensation expenses recognized in amount of RMB13,768,000. As the eligible employee left the Company in June 2022, the Company entered into an agreement to repurchase these vested 2,294,737 restricted shares in consideration of RMB19.64 per share. Given the payment exceeds the fair value of the equity instruments repurchased, measured at the repurchase date, such excess of RMB8,250,000 was recognized as an expense and a share-based compensation reserve of RMB36,808,000 was reversed for the year ended December 31, 2022. As of December 31, 2022, a liability of RMB12,292,000 was outstanding for such repurchase (Note 33(a)(iii)). The remaining unvested 4,589,473 restricted shares were forfeited and share-based compensation expenses of RMB14,208,000 recognized in 2021 was reversed. As a result, share-based compensation expenses related to the repurchase of restricted share amounted to RMB7,810,000 in total.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. Share-Based Compensation (continued)

ESOP B scheme (continued)

- (ii) In January 2022, 142,949 RSUs with only performance conditions to be vested immediately upon the consummation of a qualified IPO were granted under a platform of ESOP B scheme to eligible employees, who agreed on the cancellation of their outstanding bonus amounting to RMB3,780,000 for the year ended December 31, 2021 in exchange for the RSUs granted.

In January 2023, another 214,713 RSUs with only performance conditions to be vested immediately upon the consummation of a qualified IPO were granted under a platform of ESOP B scheme to eligible employees, who agreed on the cancellation of their outstanding bonus amounting to RMB7,916,000 for the year ended December 31, 2022 in exchange for the RSUs granted.

As a result, the consideration of the RSUs granted were equal to the amount of the bonus payable cancelled. As such, the Group has recorded the consideration of the RSUs as liability in relation to ESOP (Note 33) and expects to transfer it from liability to equity upon vesting on the completion date of a qualified IPO. If the eligible employees leave the Group prior to the consumption of a qualified IPO, the consideration which is equal to the bonus payable will be paid back to the eligible employees in cash and the RSUs granted will be forfeited concurrently. As of December 31, 2022 and December 31, 2023, the payables in relation to these repurchase obligations (Note 33(a)(iii)) amounted to RMB3,780,000 and RMB11,244,000, respectively.

- (iii) In January 2022, 1,858,996 RSUs were granted under a platform of ESOP B scheme to eligible employees at nil consideration for their future services from the grant date. The equity shares include both service conditions and the occurrence of an IPO as performance conditions.

In January 2023, 6,060,732 RSUs were granted under a platform of ESOP B scheme to eligible employees at nil consideration for their future services from the grant date. The equity shares include both service conditions and the occurrence of an IPO as performance conditions.

In October 2023, 6,905,838 RSUs were granted under a platform of ESOP B scheme to eligible employees at nil consideration for their future services from the grant date. The equity shares include both service conditions and the occurrence of an IPO as performance conditions.

For the awards granted under ESOP B scheme with the qualified IPO performance condition, no expenses were recognized for the year ended December 31, 2022. Since the IPO has become probable, an expense of RMB198,851,000 were recognized for the year ended December 31, 2023. The remaining expenses amounting to RMB138,171,000 is expected to be recognized for the future service over a weighted average period of 1.53 years since December 31, 2023, taking into consideration the projected forfeiture rate. The vesting period varied from 0.18 years to 4.28 years based on the IPO date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. Share-Based Compensation (continued)

ESOP B scheme (continued)

The discounted cash flow method and back-solve method were used to determine the underlying equity fair value of the Company and the fair value of the restricted shares and RSUs granted or shares transfer among shareholders. The key assumptions into the model other than the underlying equity fair value of the Company at the date of grant were as follows:

Grant date	Discount rate	DLOM	Expected volatility	Risk-free interest rate	Terminal growth rate
January 14, 2022	20.00%	15.00%	55.53%	2.37%	2.00%
January 20, 2022	20.00%	15.00%	55.53%	2.37%	2.00%
May 7, 2022	19.00%	15.00%	53.04%	2.13%	2.00%
November 25, 2022	19.00%	10.00%	53.91%	1.81%	2.00%
January 3, 2023	19.00%	10.00%	53.91%	1.81%	2.00%
January 13, 2023	19.00%	10.00%	53.91%	1.81%	2.00%
January 20, 2023	19.00%	10.00%	53.91%	1.81%	2.00%
October 20, 2023	19.00%	5.00%	48.81%	2.23%	2.00%
October 31, 2023	19.00%	5.00%	48.81%	2.23%	2.00%

- (b) As disclosed in Note 31(a)(vii), in October 2022, the Company committed to amend the terms of 4,882,604 Series C Preferred Shares in order to redesignate them into Series G-2 Preferred Shares when the investors successfully obtain the necessary regulatory approvals. To facilitate the transaction, the Series G-2 incoming investor agreed to pay a higher price to the Series C Preferred Shareholders. The Group recognised share-based compensation expenses of RMB27,276,000 for the difference of the incoming shareholder agreed to pay in excess of the fair value of Series G-2, with a credit to equity to reflect that the incoming investors had made contribution to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. Government Grants

	As of December 31,	
	2023	2022
	RMB'000	
Government grants	35,833	45,270

Movement of government grants is as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	
At the beginning of the year	45,270	10,001
Additions	10,725	53,678
Recognition of income	(20,162)	(18,409)
At the end of the year	35,833	45,270

30. Other Non-Current Liabilities

	As of December 31,	
	2023	2022
	RMB'000	
Refundable government grants	27,820	2,700
License fees payable (Note (a))	17,827	22,546
Warranty provision (Note (b))	11,964	2,320
Refund liabilities	209	611
	57,820	28,177

- (a) The Group entered into a license agreement with Velodyne Lidar Inc. ("Velodyne") in September 2020 to obtain cross-license of patent from February 2021 to February 2030. Pursuant to the agreement, a license fee calculated based on the net sales of the licensed products shall be paid by the Group in tranches during the lives of the license. For each year starting from February 2021, the payment of the license fee is determined to be the greater of fixed minimum annual payments and the amount calculated based on a tiered percentage of net sales of the licensed products.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. Other Non-Current Liabilities (Continued)

(a) (continued)

The license rights are recognized as intangible assets initially measured at a total amount of the present value of the fixed minimum annual payments to be made in subsequent years and are amortized using the straight-line method to allocate the cost of the licenses over the period of the respective contractual rights of 9 years.

License fees payable is initially recorded at the fair value, which represents the present value of the fixed minimum annual payments to be made in subsequent years. They are subsequently stated at amortized cost using the effective interest method less payments made. Interests incurred on license fees payable are charged to the consolidated statement of comprehensive loss as interest expense. The variable payment exceeds the fixed minimum annual payments will directly recognized as cost of sales.

Movement in license fees payable is as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	
At the beginning of the year	28,172	27,664
Payment of license fees	(7,180)	(3,179)
Interest expenses	1,105	1,392
Adjustment for exchange difference	526	2,295
At the end of the year	22,623	28,172
Current portion of the license fees payable (Note 33)	4,796	5,626
Non-current portion of license fees payable	17,827	22,546

The license fees payable is denominated in USD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. Other Non-Current Liabilities (Continued)

- (b) The Group provides warranties for certain LiDAR products and undertakes the obligation to repair or replace items that fail to perform satisfactorily. The amount of provisions for product warranties is estimated based on the sales volume and historical experience of the level of repairs and returns. The estimation is reviewed on an ongoing basis and is revised when appropriate.

The movements of the Group's warranty provisions are analyzed as follows:

	Year ended December 31,	
	2023	2022
	RMB'000	
At the beginning of the year	7,177	3,775
Provisions	21,116	7,626
Amounts utilized	(8,980)	(4,224)
At the end of the year	19,313	7,177
Current portion of warranty provision (Note 33)	7,349	4,857
Non-current portion of warranty provision	11,964	2,320

31. Financial Instruments Issued to Investors

	As of December 31,	
	2023	2022
	RMB'000	
Non-current		
Preferred Shares (Note (a))	1,398,963	783,999
Current		
Preferred Shares (Note (a)(vii))	10,050,724	6,212,044
	11,449,687	6,996,043

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. Financial Instruments Issued to Investors (continued)

(a) Preferred Shares

Issuance of Preferred Shares

- (i) The following table summarizes the issuances of Preferred Shares by series with proceeds up to December 31, 2023, after giving effect to the share subdivision and on an as if basis:

Series	Date of issuance	Issue price per share (in RMB)	Issued shares	Net proceeds from issuance RMB'000
Angel	January 10, 2015	0.07	27,647,451	2,000
Seed	October 22, 2015	0.54	27,647,451	15,000
A	March 10, 2016	0.93	9,700,864	9,000
A+	November 28, 2016	1.96	10,211,438	20,000
B	August 18, 2017	2.75	14,522,929	40,000
B	August 18, 2017	1.93	3,630,737	7,000
B	August 18, 2017	2.23	4,538,403	10,125
C	August 21, 2018	4.41	49,128,341	216,500
D	October 11, 2020	12.23	10,054,493	123,000
D-2	January 25, 2021	12.23	13,896,456	170,000
E	December 31, 2021 and January 19, 2022	20.00	27,000,000	540,000
F	April 29, 2022 and October 21, 2022	26.44	53,894,003	1,424,813
G-1	April 14, 2023	35.17	11,374,415	400,000
G-2	October 27, 2022, November 17, 2022 and April 14, 2023	38.68	16,822,979	650,769

All Preferred Shares were automatically converted into ordinary shares upon listing on January 5, 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. Financial Instruments Issued to Investors (continued)

(a) Preferred Shares (continued)

Conversion feature

Each Preferred Share shall automatically be converted into ordinary shares at the then-effective conversion price upon the closing of a qualified IPO. The initial conversion ratio of Preferred Shares to ordinary shares shall be 1:1, which is subject to subsequent adjustment upon fulfillments of predetermined conditions.

Redemption feature

At the option of the holders of the Preferred Shares (other than Series Angel Preferred Shares and Series Seed Preferred Shares), the Company and the Founders shall be jointly and severally liable to redeem the Preferred Shares held by such preferred shareholder any time after the earliest to occur of: (i) if the Company fails to complete a qualified IPO by December 31, 2024 (after modification on June 29, 2023) or a later date approved by general meeting; (ii) if any of the Company, the Founder Parties or other Shareholders fails to approve an IPO application provided that the Company satisfies the requirements of the IPO approved by the general meeting; (iii) violation of certain obligations under various agreements or documents set forth in the shareholder agreement by the Company, Founders and/or certain key employees; (iv) any of the Group companies or the Founders is subject to major administrative penalties or criminal punishments due to violation of laws which results in failure of an IPO of the Company, or causes material adverse effect to the interests of the holders of the Preferred Shares; or (v) any of the shareholders redeem all or partial of their shares by the Company and/or the Founders. The Founders' obligation in redeeming the shareholders should be limited to the fair value corresponding to all the equity of the Company held by the Founders at that time.

The redemption amount payable for each Preferred Shares, upon exercise of the redemption option by the holder, will be an amount equal to the greater of (a) the investment amount, which include all the investment and share transfer corresponding to such shareholder's holding of the Company's shares, plus compounded accrued interest at a rate of 10% per annum and all declared but unpaid dividends thereon up to the date of redemption, and (b) net asset value on a book basis in proportion to the shareholding percentage.

The Preferred Shares were also redeemable by the Company and the Founder upon certain deemed liquidation events (including the occurrence of a change in control), which is not solely within the control of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. Financial Instruments Issued to Investors (continued)

(a) Preferred Shares (continued)

Liquidation preferences

In the event of any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the assets and funds of the Company legally available for distribution shall be distributed among the holders of the issued and outstanding shares in the following order and manner:

The holders of Preferred Shares shall be entitled to receive a liquidation amount per share equal to 120% of the issue price per share and plus all dividends and distributions accrued but unpaid. If the liquidation amount of the holders of Preferred Shares could not be paid in full, Founders have the obligation to pay such shareholders the shortfall (if any).

The liquidation preference amount will be paid to the preferred shareholders in the following order: first to holders of Series G-2 and Series C Preferred Shares held by Cainiao, second to holders of Series G-1 Preferred Shares, third to holders of Series F Preferred Shares, fourth to holders of Series E Preferred Shares, fifth to holders of Series C Preferred Shares (except for those held by Cainiao), Series D-2 Preferred Shares and Series D Preferred Shares, sixth to holders of Series D-1 Preferred Shares, seventh to holders Series B Preferred Shares and two certain preferred shareholders and, eighth to holders of Series A+ Preferred Shares, ninth to holders of Series A Preferred Shares, tenth to holders of Series Angel Preferred Shares, and lastly to holders of Series Seed Preferred Shares. After distribution to the holders of Preferred Shares the amount of preference, all remaining assets and funds of the Company available for distribution to the shareholders shall be distributed ratably among all the ordinary shareholders and preferred shareholders on a fully diluted basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. Financial Instruments Issued to Investors (continued)

(a) Preferred Shares (continued)

Dividends rights

Each preferred shareholder and ordinary shareholder shall be entitled to receive dividends for each share held by such holder, payable out of funds or assets when and as such funds or assets become legally available therefor pari passu with each other on a pro rata basis. Such dividends shall be payable only when, as, and if declared by the board of directors and shall be cumulative.

No dividends on Preferred Shares and ordinary shares have been declared since the issuance date until December 31, 2023.

Voting rights

Each Preferred Share confers the right to receive notice of, attend and vote at any general meeting of members on an as-converted basis. The holders of the Preferred Shares vote together with the ordinary shareholders, and not as a separate class or series, on all matters put before the shareholders.

Classification and Measurement

The Preferred Shares are either redeemable at the holders' option any time if the Company fails to complete a qualified IPO by a specified date or are contingently redeemable upon the occurrence of certain events outside of the Company's control.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. Financial Instruments Issued to Investors (continued)

(a) Preferred Shares (continued)

Modification of Preferred Shares

The Group had several transactions which involved modification of contractual terms of certain Preferred Shares.

The Group also had redesignations of shares previously issued to facilitate investments from new investors. The terms of shares held by existing shareholders were amended by the Group. Concurrently, such amended shares were transferred to the new investors.

(ii) In March 2020, an investor transferred 8,242,387 Series A+ Preferred Shares and 4,538,403 Series B Preferred Shares to its related party with modification made to the redemption price and liquidation preference of such Preferred Shares transferred. The Group recorded the incremental change in fair value of RMB1,710,000 and RMB673,000 due to such modification during the transfer as fair value losses for the aforementioned Series A+ Preferred Shares and Series B Preferred Shares, respectively.

(iii) In January 2021, the Group redesignated certain ordinary shares and Preferred Shares in connection with the Series D-1 Preferred Shares issuance to several new investors.

Firstly, the Company amended the terms of 726,299 ordinary shares held by founders of the Company to match the terms of the Series D-1 Preferred Shares, which were immediately then transferred to a new investor for a total consideration of RMB7,108,000. The Group recognized 1) the difference of RMB4,337,000 between the fair value and the book value of the ordinary shares as a debit to capital reserve and 2) the difference of RMB2,771,000 between consideration of the Series D-1 Preferred Shares of RMB7,108,000 and the fair value of the ordinary shares of RMB4,337,000 as share-based compensation expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. Financial Instruments Issued to Investors (continued)

(a) Preferred Shares (continued)

Concurrently, the Group also amended the terms of 2,178,471 Series B Preferred Shares and 3,065,402 Series C Preferred Shares to match the terms of Series D-1 Preferred Shares, which were then transferred to the new investor for consideration of RMB21,320,000 and RMB30,000,000, respectively. The Group recognized 1) the incremental change in fair value of the Series B Preferred Shares and Series C Preferred Shares, amounting to RMB3,603,000 and RMB5,191,000, respectively, as fair value losses; 2) the difference of RMB2,409,000 between the consideration of the Series D-1 Preferred Shares and the fair value of Series B Preferred Shares immediately before the redesignation as share-based compensation expenses.

The Company also amended the terms of 132,008 treasury shares and redesignated them as Series D-1 Preferred Shares, which were then immediately transferred to a new investor at a total consideration of RMB1,292,000 paid to the Group. This transaction was accounted for as an issuance of Series D-1 Preferred Shares to the investor.

(iv) In November 2021, the Company committed to repurchase 3,600,000 ordinary shares from the Founders and to amend the terms of these ordinary shares to match the terms of the Series D-2 Preferred Shares to be transferred to certain new investors for a consideration of RMB60,000,000 upon the completion of the Reorganization and the success in obtaining the necessary regulatory approvals as stipulated in the agreements. The Company recognized a financial liability of RMB70,627,000 for its obligation to purchase its own ordinary shares. The difference of RMB25,192,000 between the fair value Series D-2 of RMB70,627,000 and the fair value of the ordinary shares of RMB45,435,000 was recognized as share-based compensation expenses.

Such transaction was subsequently completed in January 2022. Upon the redesignation, a recognition of the issuance of Series D-2 Preferred Shares at an amount of RMB70,627,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**31. Financial Instruments Issued to Investors (continued)****(a) Preferred Shares (continued)**

- (v) In December 2021, as part of the issuance of Series E Preferred Shares, the existing Preferred Shareholders (other than those of Series Angel and Series Seed Preferred Shares) agreed to amend the exercisable date of redemption right upon failure to complete a qualified IPO from August 30, 2023 to December 31, 2023 in order to align with that of Series E Preferred Shares. The Company evaluated and concluded this amendment should be accounted for as a modification of the applicable Preferred Shares with fair value changes recognized in profit or loss.
- (vi) In October 2022, for a portion of the Series G-2 financing, the Company committed to amend the terms of 4,882,604 Series C Preferred Shares in order to redesignate them into Series G-2 Preferred Shares when the investors successfully obtain the necessary regulatory approvals. On behalf of the Company, the Series G-2 incoming investor agreed to pay a higher transfer price to the holder of Series C Preferred Shares to facilitate the deal. As a result, the Company recognized RMB27,276,000 as share-based compensation expenses (Note 28(b)). In December 2022 and April 2023, 1,399,191 and 3,483,413 Series C Preferred Shares were redesignated to Series G-2 Preferred Shares at an amount of RMB32,266,000 and RMB81,816,000, respectively.
- (vii) In June 2023, all Preferred Shareholders (other than those of Series Angel and Series Seed Preferred Shares) agreed to postpone the exercisable date of redemption right upon failure to complete a qualified IPO from December 31, 2023 to December 31, 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. Financial Instruments Issued to Investors (continued)

(a) Preferred Shares (continued)

The Group's Preferred Shares activities are summarized as below:

	Series Angel Preferred Shares		Series Seed Preferred Shares		Series A Preferred Shares		Series A+ Preferred Shares		Series B Preferred Shares		Series C Preferred Shares	
	Number of shares	Amount RMB'000	Number of shares	Amount RMB'000	Number of shares	Amount RMB'000	Number of shares	Amount RMB'000	Number of shares	Amount RMB'000	Number of shares	Amount RMB'000
Balances of January 1, 2022	15,995,501	216,067	19,971,731	276,761	15,521,371	233,390	10,511,598	151,119	31,859,744	455,245	57,104,870	876,414
Issuance of Preferred shares, net of issuance costs (Note (a)(i))	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of Series F Preferred Shares upon conversion of Series F convertible notes (Note (c))	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of Series E Preferred Shares upon exercise of Series E Warrants (Note (b))	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of Series F Preferred Shares upon exercise of Series F Warrants (Note (b))	-	-	-	-	-	-	-	-	-	-	-	-
Modification of ordinary shares to Series D-2 Preferred Shares (Note (a)(iv))	-	-	-	-	-	-	-	-	-	-	-	-
Modification of Series C Preferred Shares to Series G-2 Preferred Shares (Note (a)(v))	-	-	-	-	-	-	-	-	-	-	(1,399,191)	(32,448)
Change in fair value	-	105,490	-	131,748	-	99,955	-	68,641	-	207,781	-	346,207
Includes: change in fair value due to own credit risk	-	-	-	-	-	251	-	103	-	321	-	943
Currency translation differences	-	23,698	-	30,235	-	25,102	-	16,393	-	49,418	-	94,101
Balances of December 31, 2022	15,995,501	345,255	19,971,731	438,744	15,521,371	358,447	10,511,598	236,153	31,859,744	712,444	55,705,679	1,284,274
Balances of January 1, 2023	15,995,501	345,255	19,971,731	438,744	15,521,371	358,447	10,511,598	236,153	31,859,744	712,444	55,705,679	1,284,274
Issuance of Series G-1 Preferred Shares upon exercise of Series G-1 Warrants (Note (b))	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of Series G-2 Preferred Shares upon exercise of Series G-2 Warrants (Note (b))	-	-	-	-	-	-	-	-	-	-	-	-
Modification of Series C Preferred Shares to Series G-2 Preferred Shares (Note (a)(v))	-	-	-	-	-	-	-	-	-	-	(3,483,413)	(82,112)
Change in fair value	-	272,006	-	331,976	-	240,513	-	169,491	-	517,018	-	813,869
Includes: change in fair value due to own credit risk	-	-	-	-	-	101	-	42	-	130	-	351
Currency translation differences	-	4,814	-	6,168	-	5,165	-	3,357	-	10,108	-	16,225
Balances of December 31, 2023	15,995,501	622,075	19,971,731	776,888	15,521,371	604,125	10,511,598	409,001	31,859,744	1,239,570	52,222,266	2,032,256

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. Financial Instruments Issued to Investors (continued)

(a) Preferred Shares (continued)

	Series D Preferred Shares		Series D-1 Preferred Shares		Series D-2 Preferred Shares		Series E Preferred Shares		Series F Preferred Shares		Series G-1 Preferred Shares		Series G-2 Preferred Shares		Total	
	Number of shares	Amount RMB'000	Number of shares	Amount RMB'000	Number of shares	Amount RMB'000	Number of shares	Amount RMB'000	Number of shares	Amount RMB'000	Number of shares	Amount RMB'000	Number of shares	Amount RMB'000	Number of shares	Amount RMB'000
Balances of January 1, 2022	10,054,493	180,820	6,102,180	101,059	13,896,456	249,090	12,000,000	245,216	–	–	–	–	–	–	193,017,944	3,005,181
Issuance of Preferred shares, net of issuance costs (Note (a)(ii))	–	–	–	–	–	–	–	–	7,333,386	193,875	–	–	5,183,594	200,519	12,516,980	394,394
Issuance of Series F Preferred Shares upon conversion of Series F convertible notes (Note (c))	–	–	–	–	–	–	–	–	36,487,260	1,012,096	–	–	–	–	36,487,260	1,012,096
Issuance of Series E Preferred Shares upon exercise of Series E Warrants (Note (b))	–	–	–	–	–	–	15,000,000	331,245	–	–	–	–	–	–	15,000,000	331,245
Issuance of Series F Preferred Shares upon exercise of Series F Warrants (Note (b))	–	–	–	–	–	–	–	–	10,073,357	324,152	–	–	–	–	10,073,357	324,152
Modification of ordinary shares to Series D-2 Preferred Shares (Note (a)(iv))	–	–	–	–	3,600,000	70,627	–	–	–	–	–	–	–	–	3,600,000	70,627
Modification of Series C Preferred Shares to Series G-2 Preferred Shares (Note (a)(vii))	–	–	–	–	–	–	–	–	–	–	–	–	1,399,191	32,266	–	(182)
Change in fair value	–	58,204	–	37,947	–	100,605	–	125,102	–	147,801	–	–	–	(1,242)	–	1,428,239
Includes: change in fair value due to own credit risk	–	343	–	162	–	573	–	1,133	–	1,823	–	–	–	–	–	5,652
Currency translation differences	–	18,766	–	10,680	–	33,260	–	60,387	–	67,009	–	–	–	1,242	–	430,291
Balances of December 31, 2022	10,054,493	257,790	6,102,180	149,686	17,496,456	453,582	27,000,000	781,950	53,894,003	1,744,933	–	–	6,582,785	232,785	270,695,541	6,996,043
Balances of January 1, 2023	10,054,493	257,790	6,102,180	149,686	17,496,456	453,582	27,000,000	781,950	53,894,003	1,744,933	–	–	6,582,785	232,785	270,695,541	6,996,043
Issuance of Series G-1 Preferred Shares upon exercise of Series G-1 Warrants (Note (b))	–	–	–	–	–	–	–	–	–	–	11,374,415	421,087	–	–	11,374,415	421,087
Issuance of Series G-2 Preferred Shares upon exercise of Series G-2 Warrants (Note (b))	–	–	–	–	–	–	–	–	–	–	–	–	11,639,385	450,250	11,639,385	450,250
Modification of Series C Preferred Shares to Series G-2 Preferred Shares (Note (a)(vii))	–	–	–	–	–	–	–	–	–	–	–	–	3,483,413	81,816	–	(296)
Change in fair value	–	130,113	–	85,780	–	221,432	–	259,274	–	332,026	–	13,691	–	67,152	–	3,454,341
Includes: change in fair value due to own credit risk	–	138	–	65	–	246	–	539	–	1,372	–	371	–	508	–	3,863
Currency translation differences	–	3,901	–	2,216	–	6,892	–	12,446	–	29,116	–	10,603	–	17,251	–	128,242
Balances of December 31, 2023	10,054,493	391,804	6,102,180	237,682	17,496,456	681,906	27,000,000	1,053,670	53,894,003	2,106,075	11,374,415	445,381	21,705,583	849,254	293,709,341	11,449,687

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. Financial Instruments Issued to Investors (continued)

(a) Preferred Shares (continued)

The Group's Preferred Shares activities are summarized as below: (continued)

As of December 31, 2023, Series A, A+, B, C, D, D-1, D-2, E, F, G-1, G-2 Preferred Shares were all reclassified as current liability in view of the exercisable date of redemption right upon failure to complete a qualified IPO by December 31, 2024.

The Company has engaged an independent valuer to determine the fair value of Preferred Shares. The discounted cash flow method was used to determine the total equity value of the Company and then equity allocation model was adopted to determine the fair value of the Preferred Shares. Key assumptions are set as below:

	As of December 31,	
	2023	2022
Discount rate	17.00%	19.00%
DLOM	1.00%	10.00%
Expected volatility	49.80%	53.46%
Risk-free interest rate	2.08%	1.81%
Terminal growth rate	2.00%	2.00%

Discount rate (post-tax) was estimated by weighted average cost of capital as of each valuation date. The directors estimated the risk-free interest rate based on the yield of PRC government bond with maturity life close to the qualified IPO timing as of valuation date. The DLOM was estimated based on the option-pricing method. Under option-pricing method, the cost of put option, which can hedge the price change before the privately held share can be sold, was considered as a basis to determine the lack of marketability discount. Volatility was estimated based on annualized standard deviation of the daily return embedded in historical stock prices of comparable companies with a time horizon close to the expected term. Probability weight among redemption, liquidation and IPO scenarios was based on the Company's best estimates. In addition to the assumptions adopted above, the Company's projections of future performance were also factored into the determination of the fair value of Preferred Shares on each valuation date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. Financial Instruments Issued to Investors (continued)

(a) Preferred Shares (continued)

Sensitivity test

The Company performed sensitivity test in determining the fair value of Preferred Shares issued by the Company. The changes in unobservable inputs including discount rate, DLOM, expected volatility, risk-free interest rate and terminal growth rate will result in a significantly higher or lower fair value measurement. The increase in the fair value of Preferred Shares would increase the loss of fair value changes in the consolidated statements of comprehensive loss. When performing the sensitivity test, management applied an increase or decrease to each unobservable input, which represents management's assessment of reasonably possible change to these unobservable inputs, and effect of those changes to the fair value of Preferred Shares is as below:

Unobservable inputs	Effect
Discount rate	1% increase change would result in decrease in fair value of RMB905,790,000 (2022: RMB444,828,000). 1% decrease change would result in increase in fair value of RMB1,043,650,000 (2022: RMB504,859,000).
DLOM	1% increase/(decrease) change would result in (decrease)/increase in fair value of RMB103,877,000/RMB103,878,000 (2022: 5% increase/(decrease) change would result in (decrease)/increase in fair value of RMB307,799,000/RMB307,158,000).
Expected volatility	5% increase change would result in increase in fair value of RMB165,000 (2022: RMB7,000). 5% decrease change would result in decrease in fair value of RMB172,000 (2022: RMB1,763,000).
Risk-free interest rate	1% increase change would result in decrease in fair value of RMB113,000 (2022: RMB6,800,000). 1% decrease change would result in increase in fair value of RMB115,000 (2022: RMB6,884,000).
Terminal growth rate	1% increase change would result in increase in fair value of RMB531,860,000 (2022: RMB241,725,000). 1% decrease change would result in decrease in fair value of RMB465,366,000 (2022: RMB214,841,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. Financial Instruments Issued to Investors (continued)

(b) Warrants

In November 2021, the Company entered into warrant agreements with certain new investors to purchase Series E Preferred Shares at the purchase price of RMB20.00 per share for an aggregate purchase price of RMB340,000,000 once the necessary regulatory approvals have been obtained ("**Series E Warrants**"). The Series E Warrants were issued in December 2021. The Series E Warrants are derivatives that shall be accounted for at fair value through profit or loss.

The Series E Warrants of RMB40,000,000 were exercised by one of the investors in December 2021. The remaining Series E Warrants were exercised by the other investors in January 2022, upon which, the Company derecognized the Series E Warrants and recognized Series E Preferred Shares at the fair value of RMB331,245,000 initially.

In April 2022, the Company issued warrants to certain new investors to purchase Series F Preferred Shares at the purchase price of RMB26.44 per share for an aggregate purchase price of RMB266,312,000 once the necessary regulatory approvals have been obtained ("**Series F Warrants**"). Similar to the Series E Warrants, the Series F Preferred Shares into which Series F Warrants are exercisable are financial liabilities. The Series F Warrants are derivatives that shall be accounted for as fair value through profit or loss.

The Series F Warrants were subsequently exercised by the investors in October 2022, upon which, the Company derecognized the Series F Warrants and recognized Series F Preferred Shares at the fair value of RMB324,152,000 initially.

In October 2022, the Company issued warrants to certain new investors to purchase Series G-1 and Series G-2 Preferred Shares at the purchase price of RMB35.17 and RMB38.68 per share for an aggregate purchase price of RMB850,250,000 once the necessary regulatory approvals have been obtained. The Series G-1 and Series G-2 Preferred Shares into which warrants are exercisable into are financial liabilities and the Company accounted for the Series G-1 and Series G-2 Warrants as derivatives. As of December 31, 2022, the warranty liability in relation to the Series G warrants was immaterial and none of the Series G-1 and Series G-2 Warrants have been exercised.

The Series G-1 and G-2 Warrants were subsequently exercised by the investors in April 2023, upon which, the Company derecognized the Series G-1 and Series G-2 Warrants and recognized Series G-1 and Series G-2 Preferred Shares at the fair value of RMB421,087,000 and RMB450,250,000 initially.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. Financial Instruments Issued to Investors (continued)

(b) Warrants (continued)

The Group's Warrants liabilities activities are summarized as below:

	Warrants RMB'000
<hr/>	
As of January 1, 2022	31,245
Change in fair value for Series E Warrants	(318)
Change in fair value for Series F Warrants	55,327
Exercise of Series E Warrants	(31,245)
Exercise of Series F Warrants	(57,840)
Currency translation differences	2,831
<hr/>	
As of December 31, 2022	—
<hr/>	
As of January 1, 2023	—
Change in fair value for Series G-1 and Series G-2 Warrants	20,876
Exercise of Series G-1 and Series G-2 Warrants	(21,087)
Currency translation differences	211
<hr/>	
As of December 31, 2023	—

(c) Convertible Notes

In August 2021, in the midst of the Reorganization, the Company entered into convertible notes subscription agreements with certain investors to issue Series E Convertible Notes and Series F Convertible Notes of the equivalent USD to an aggregate principal amount of RMB200,000,000 and RMB964,625,000, respectively. The Series E and Series F Convertible Notes were issued in October 2021 and November 2021, respectively.

According to the terms of the Series E Convertible Notes, the un-paid principal amount of the Series E Convertible Notes shall be convertible into Series E Preferred Shares at a conversion price of RMB20.00 per share upon the closing of the Series E financing around. The holders of the Series E Convertible Notes may also convert the un-paid principal amount into registered capital of Shenzhen Suteng if the Reorganization was not completed by an agreed maturity date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. Financial Instruments Issued to Investors (continued)

(c) Convertible Notes (continued)

According to the terms of the Series F Convertible Notes, the un-paid principal amount of the Series F Convertible Notes shall be convertible into Series F Preferred Shares at a conversion price of RMB26.44 per share upon the completion of the Reorganization. The holders of the Series F Convertible Notes, at its sole discretion, may also convert into Series F Preferred Shares at any time.

The Group is obligated to repay the principal amount and accrued interest at 10% upon an event of default or if the Convertible Notes were not converted at the holder's option by March 31, 2022 unless otherwise approved by the investors.

The Group had elected to designate the Series E and Series F Convertible Notes as financial liabilities at fair value through profit or loss.

In December 2021, the Series E Convertible Notes were converted to Series E Preferred Shares. In April 2022, the Series F Convertible Notes were converted to Series F Preferred Shares.

The Company's Convertible Notes activities for the years ended December 31, 2023 and 2022 are summarized as below:

	Convertible Notes
	RMB'000
As of January 1, 2022	974,046
Change in fair value	7,551
— change in fair value due to own credit risk	316
Conversion to Series F Preferred Shares	(1,012,096)
Currency translation differences	30,499
As of December 31, 2022	—
As of January 1, 2023 and December 31, 2023	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. Trade Payables

	As of December 31,	
	2023	2022
	RMB'000	
Trade payables	490,202	223,849

The carrying amounts of trade payables approximate as their fair value due to their short-term maturity in nature.

At December 31, 2023 and 2022, the ageing analysis of the trade payables based on the date of the goods and services received are as follows:

	As of December 31,	
	2023	2022
	RMB'000	
Up to 6 months	485,280	222,122
Between 6 months and 1 year	1,769	1,723
Over 1 year	3,153	4
	490,202	223,849

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. Other Payables and Accruals

The Group

	As of December 31,	
	2023	2022
	RMB'000	
Payable for long-term assets	46,549	67,905
Accrued expenses	60,495	68,145
Salaries and welfare payables	109,537	68,010
Payables in relation to ESOP (Note (a))	18,582	19,822
License fees payable (Note 30(a))	4,796	5,626
Tax payables	9,531	17,868
Government grants received on behalf of joint applicants	8,942	450
Refundable government grants	—	9,000
Warranty provision (Note 30(b))	7,349	4,857
Refund liabilities (Note (b))	6,268	4,887
Deposits paid by investors (Note (c))	—	850,250
Other payables	2,237	4,375
	274,286	1,121,195

The Company

	As of December 31,	
	2023	2022
	RMB'000	
Amount due to subsidiaries	16,068	6,979
Payables in relation to ESOP (Note (a)(i), (ii))	7,338	16,042
Accrued expenses	13,370	—
	36,776	23,021

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. Other Payables and Accruals (continued)

As of December 31, 2023 and 2022 other payables and accruals were mainly denominated in RMB and the carrying amounts of other payables and accruals approximated their fair values.

(a) The outstanding balances in relation to equity-settled share-based payment transaction are as below.

(i) As of December 31, 2022, a liability to an employee in relation to the grant of 250,000 RSUs under ESOP A scheme in May 2022 (Note 28(a) — ESOP A scheme (i)) amounted to RMB3,750,000.

As of December 31, 2023, the liability to this employee in relation to ESOP A scheme amounted to RMB7,338,000 with an increase arising from another grant of 299,000 RSUs in January 2023 (Note 28(a) — ESOP A scheme (i)).

(ii) As of December 31, 2022, a liability to an employee for the repurchase of restricted shares granted, who resigned from his position in 2022 (Note 28(a) — ESOP B scheme (i)) amounted to RMB12,292,000.

As of December 31, 2023, the liability for this transaction has been settled in cash.

(iii) As of December 31, 2022, a liability in relation to the repurchase obligation under the ESOP B scheme (Note 28(a) — ESOP scheme (ii)) amounted to RMB3,780,000.

As of December 31, 2023, the liability in relation to repurchase obligation under the ESOP B scheme amounted to RMB11,244,000 with a net increase of repurchase obligation in January 2023 (Note 28(a) — ESOP B scheme (ii)).

(b) Refund liabilities represented the variable consideration in relation to the estimated sales return and sales exchange with a corresponding adjustment to revenue.

(c) In October 2022, concurrent with the issuance of Series G-1 and G-2 Warrants, investors of the Series G-1 and G-2 Preferred Shares entered into a tri-party deposit agreement with the Company and Shenzhen Suteng, whereby the investors agreed to prepay the consideration for Series G-1 and G-2 Preferred Shares to Shenzhen Suteng. If the necessary regulatory approvals are successfully obtained, Shenzhen Suteng will repay the deposits received to the investor, who will then remit it to the Company as consideration to exercise the warrant. If the necessary regulatory approvals cannot be obtained, Shenzhen Suteng will refund the amount paid, subject to additional interest depending on whether the Group contributed to the cause of failing to obtain such approvals. The Group had elected to designate the deposits as financial liabilities at fair value through profit or loss.

The deposits relating to Series G-1 and G-2 Preferred Shares amounted to RMB850,250,000 as of December 31, 2022. The necessary regulatory approvals were subsequently obtained in April 2023. Accordingly, the Series G-1 and G-2 Warrants were exercised into Series G-1 and G-2 Preferred Shares, at an aggregated consideration of RMB400,000,000 and RMB450,250,000, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. Note to the Consolidated Statements of Cash Flows

(a) Cash used in operations

	Year ended December 31,	
	2023	2022
	RMB'000	
Cash flows from operating activities		
Loss before income tax	(4,329,097)	(2,085,310)
— Depreciation of property and equipment	59,958	31,301
— Amortization of intangible assets	12,308	6,555
— Depreciation of right-of-use assets	16,738	15,669
— loss of disposal of long-term assets	900	52
— Amortization of government grants	(20,162)	(18,409)
— Credit loss allowances on financial assets	2,288	2,502
— Inventory provision	60,439	80,575
— Foreign exchange loss	11,190	47,138
— Share of profit of equity investment	(4,457)	—
— Share-based compensation	376,980	35,086
— Fair value losses on financial instruments issued to investors	3,471,058	1,484,649
— COVID-19-related rent concessions from lessors	—	(92)
— Finance income — net	(78,837)	(17,451)
— Interest income on time deposits	(2,426)	(969)
— Fair value gains on financial assets at fair value through profit or loss	(796)	(1,120)
Operating loss before changes in working capital	(423,916)	(419,824)
Changes in working capital:		
— Trade and notes receivables	(474,572)	(90,721)
— Prepayments, other receivables and other current assets	(16,283)	(38,105)
— Inventories	27,456	(231,080)
— Restricted cash	(8,600)	(530)
— Other non-current assets	5,178	(4,705)
— Trade payables	266,353	152,922
— Contract liabilities	(2,711)	8,043
— Government grants	9,888	7,373
— Other payables and accruals	22,102	75,557
— Other non-current liabilities	21,891	602
— Financial assets at fair value through other comprehensive income	(19,563)	670
Net cash used in operations	(592,777)	(539,798)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. Note to the Consolidated Statements of Cash Flows (continued)

(b) Changes in liabilities from financing activities

The following table provides a reconciliation for the movement of liabilities arising from financing activities for the years ended December 31, 2023 and 2022.

	Other borrowings	Financial instruments issued to investors	Lease liabilities	License fees payable (included in other payables and accruals and other non-current liabilities)	Other payables and accruals (excluding non-financing nature)	Total
	RMB'000					
As of January 1, 2022	—	(4,010,472)	(29,876)	(27,664)	(70,627)	(4,138,639)
Financing cash flows	—	(960,706)	15,495	1,787	(854,000)	(1,797,424)
Additions	—	—	(16,706)	—	—	(16,706)
Changes in fair values	—	(1,490,617)	—	—	—	(1,490,617)
Currency translation differences	—	(463,621)	26	(2,295)	—	(465,890)
Other changes						
– Financial instruments issued to investors transferred from other payables and accruals	—	(70,627)	—	—	70,627	—
– Payables in relation to ESOP	—	—	—	—	(16,072)	(16,072)
– Interest expenses	—	—	(1,648)	(1,392)	—	(3,040)
– Interest payments (presented as operating cash flows)	—	—	1,648	1,392	—	3,040
– Termination of leases	—	—	462	—	—	462
– COVID-19-related rent concessions from lessors	—	—	92	—	—	92
As of December 31, 2022	—	(6,996,043)	(30,507)	(28,172)	(870,072)	(7,924,794)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. Note to the Consolidated Statements of Cash Flows (continued)

(b) Changes in liabilities from financing activities (continued)

	Other borrowings	Financial instruments issued to investors	Lease liabilities	License fees payable (included in other payables and accruals and other non-current liabilities)	Other payables and accruals (excluding non-financing nature)	Total
	RMB'000					
As of January 1, 2023	—	(6,996,043)	(30,507)	(28,172)	(870,072)	(7,924,794)
Financing cash flows	(2,005)	(850,250)	18,489	6,075	858,954	31,263
Additions	—	—	(3,378)	—	—	(3,378)
Changes in fair values	—	(3,474,921)	—	—	—	(3,474,921)
Currency translation differences	—	(128,473)	(125)	(526)	—	(129,124)
Other changes						
– Payables in relation to ESOP	—	—	—	—	(7,464)	(7,464)
– Interest expenses	—	—	(1,009)	—	—	(1,009)
– Interest payments (presented as operating cash flows)	—	—	1,009	—	—	1,009
– Other changes	1,002	—	—	—	—	1,002
As of December 31, 2023	(1,003)	(11,449,687)	(15,521)	(22,623)	(18,582)	(11,507,416)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. Related Party Transactions

The following is a summary of the transactions carried out between the Group and its related parties for the years ended December 31, 2023 and 2022, and balances with related party transactions as of December 31, 2023 and 2022.

(a) Name and relationship with related parties

The following individuals/companies are related parties of the Group that had significant balances and/or transactions with the Group as of/or for the years ended December 31, 2023 and 2022.

Name of related parties	Relationship with the Group
Zhejiang Cainiao Supply Chain Management Co., Ltd.* (“Cainiao”)	Shareholder having significant influence over the Company
Taobao (China) Software Co., Ltd.*	Fellow subsidiary of Cainiao
Alibaba Cloud Computing Ltd.*	Fellow subsidiary of Cainiao
Hangzhou XiaoManLv Intelligent Technology Co., Ltd.*	Fellow subsidiary of Cainiao
Zhejiang Alibaba Cloud Computing Co., Ltd.*	Fellow subsidiary of Cainiao
Alibaba Damo Academy (Hangzhou) Technology Co., Ltd.*	Fellow subsidiary of Cainiao
Luxsense	Associate of the Group
Mr. Qiu Chunchao	Executive director
Dr. Qiu Chunxin	Founding shareholder
Mr. Liu Letian	Founding shareholder
Dr. Zhu Xiaorui	Founding shareholder

* The English name of the PRC company referred to in this note represents management’s best effort in translating the Chinese name of this company as no English name has been registered or is available.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. Related Party Transactions (continued)

(b) Significant transactions and balances with related parties

	Year ended December 31,	
	2023	2022
	RMB'000	
Sales of goods and services		
Alibaba Cloud Computing Ltd.	1,865	295
Alibaba Damo Academy (Hangzhou) Technology Co., Ltd.	115	264
Zhejiang Alibaba Cloud Computing Co., Ltd.	66	2,343
Hangzhou XiaoManLv Intelligent Technology Co., Ltd.	2	2,155
Taobao (China) Software Co., Ltd.	—	4
	2,048	5,061
Purchase of goods and services		
Luxsense	195,868	—
Alibaba Cloud Computing Ltd.	31	5
	195,899	5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. Related Party Transactions (continued)

(b) Significant transactions and balances with related parties (continued)

	As of December 31,	
	2023	2022
	RMB'000	
Trade receivables		
Alibaba Cloud Computing Ltd.	96	334
Alibaba Damo Academy (Hangzhou) Technology Co., Ltd.	—	230
Taobao (China) Software Co., Ltd.	—	5
	96	569
Other receivables		
Mr. Qiu Chunchao	—	1,434
Dr. Qiu Chunxin	—	504
Mr. Liu Letian	—	52
	—	1,990
Trade payables		
Luxsense	249,705	—

(c) Key management compensation

Key management includes directors and senior managements. The compensation paid or payable to key management for employee services is shown below:

	Year ended December 31,	
	2023	2022
	RMB'000	
Wages, salaries and bonuses	6,649	6,746
Pension costs — defined contribution plans, housing funds, medical insurances and other social insurances	301	327
Share-based compensation expenses	136,829	7,810
Other employee benefits	—	613
	143,779	15,496

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. Benefits and Interests of Directors

(a) Directors' emoluments

Details of the emoluments paid or payable to the directors are set out as follows:

	Fees	Wages, salaries and bonuses	Share-based compensation RMB'000	Pension costs — defined contribution plans, housing funds, medical insurances and other social insurances	Total
Year ended December 31, 2023					
Name of executive directors:					
Dr. Qiu Chunxin (Note (a)(i))	—	1,666	—	100	1,766
Mr. Liu Letian (Note (a)(ii))	—	1,391	—	100	1,491
Mr. Qiu Chunchao (Note (a)(iii))	—	1,590	120,779	100	122,469
Name of a non-executive director:					
Dr. Zhu Xiaorui (Note (a)(iv))	—	—	—	—	—
Name of resigned directors:					
Mr. Wang Huan (Note (a)(v))	—	—	—	—	—
Mr. Zhou Quan (Note (a)(v))	—	—	—	—	—
Mr. Zhou Shaojun (Note (a)(v))	—	—	—	—	—
	—	4,647	120,779	300	125,726

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. Benefits and Interests of Directors (continued)

(a) Directors' emoluments (continued)

Details of the emoluments paid or payable to the directors are set out as follows: (continued)

	Fees	Wages, salaries and bonuses	Pension costs — defined contribution plans, housing funds, medical insurances and other social insurances	Total
	RMB'000			
Year ended December 31, 2022				
Name of executive directors:				
Dr. Qiu Chunxin	—	1,558	95	1,653
Mr. Liu Letian	—	1,290	94	1,384
Mr. Qiu Chunchao	—	1,470	94	1,564
Name of a non-executive director:				
Dr. Zhu Xiaorui	—	—	—	—
Name of resigned directors:				
Mr. Wang Huan	—	—	—	—
Mr. Zhou Quan	—	—	—	—
Mr. Zhou Shaojun	—	—	—	—
	—	4,318	283	4,601

- (i) Dr. Qiu Chunxin was appointed as a director on June 23, 2021 and was re-designated as an executive director on June 28, 2023.
- (ii) Mr. Liu Letian was appointed as a director on December 31, 2021 and was re-designated as an executive director on June 28, 2023.
- (iii) Mr. Qiu Chunchao was appointed as a director on December 31, 2021 and was re-designated as an executive director on June 28, 2023.
- (iv) Dr. Zhu Xiaorui was appointed as a director on December 31, 2021 and was re-designated as a non-executive director on June 28, 2023.
- (v) Mr. Wang Huan, Mr. Zhou Shaojun and Mr. Zhou Quan were appointed as directors on December 31, 2021 and resigned from the Company with effect from April 26, 2023, April 27, 2023 and June 28, 2023, respectively.
- (vi) Mr. Feng Jianfeng, Dr. Lu Cewu and Mr. Ng Yuk Keung were appointed as independent non-executive directors of the Company on June 28, 2023, the term of their appointment took effect from the listing date. Dr. Lu Cewu has resigned and Mr. Liu Ming has been appointed as an independent non-executive director of the Company from February 9, 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. Benefits and Interests of Directors (continued)

(a) Directors' emoluments (continued)

Details of the emoluments paid or payable to the directors are set out as follows: (continued)

All of these individuals have not received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for the loss of office.

(b) Directors' retirement and termination benefits

For the year ended December 31, 2023, there were no termination benefit nor no additional retirement benefit received by the directors except for the attributions to a retirement benefit scheme in accordance with the rules and regulations in the PRC (2022:nil).

(c) Consideration provided to the third parties for making available directors' services

For the years ended December 31, 2023 and 2022, the Group did not pay consideration to any third parties for making available directors' services.

(d) Information about loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors

For the years ended December 31, 2023 and 2022, there were no loans, quasi-loans and other dealings entered into by the Company or subsidiaries undertaking of the Company, where applicable, in favor of director.

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted as of December 31, 2023 and 2022 or at any time for the years ended December 31, 2023 and 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. COMMITMENTS

- (a) Significant capital expenditure contracted as at the end of the reporting period but not recognized as liabilities is as follows:

	As of December 31,	
	2023	2022
	RMB'000	
Contracted but not provided for		
– Property, plant and equipment	5,475	8,085
– Intangible assets	1,726	–
	7,201	8,085

- (b) The Group has various lease contracts that have not yet commenced as of and December 31, 2023 and 2022. As of December 31, 2023, the future lease payments for these non-cancellable lease contracts due within one year was nil (2022: nil), and these non-cancellable lease contracts due in the second to fifth years was nil (2022: nil), respectively.

38. Contingencies

As of December 31, 2023 and 2022, the Group did not have any significant contingent liabilities.

39. Event Occurring after the Reporting Period

In January 2024, the Company successfully completed its Global Offering of 22,909,800 shares at HK\$43 per share on the Main Board of The Stock Exchange of Hong Kong Limited. In February 2024, the underwriters of the Global Offering partially exercised the over-allotment option, and an aggregate of 1,727,700 shares were newly allotted and issued by the Company. The net proceeds received by the Company from the Global Offering, including the exercise of over-allotment option, after deduction of the underwriting commission and other related expenses payable, have increased the net assets of the Company. Upon listing, all the Preferred Shares were automatically converted into ordinary shares and were reclassified from liabilities to equity accordingly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. Balance Sheet and Reserve Movement of the Company

(a) Balance sheet of the Company

	Notes	As of December 31, 2023 RMB'000	2022
ASSETS			
Non-current assets			
Investments in subsidiaries	1.2(c)	4,206,422	3,769,471
		4,206,422	3,769,471
Current assets			
Prepayments, other receivables and other current assets	21	3,045,459	2,262,905
Cash and cash equivalents	25	873,765	707,002
		3,919,224	2,969,907
Total assets		8,125,646	6,739,378
EQUITY			
Share capital		86	81
Other reserves	40(b)	1,761,261	1,386,814
Accumulated losses	40(b)	(5,122,164)	(1,666,581)
Total deficits		(3,360,817)	(279,686)
LIABILITIES			
Non-current liabilities			
Financial instruments issued to investors	31	1,398,963	783,999
		1,398,963	783,999
Current liabilities			
Financial instruments issued to investors	31	10,050,724	6,212,044
Other payables and accruals	33	36,776	23,021
		10,087,500	6,235,065
Total liabilities		11,486,463	7,019,064
Total deficits and liabilities		8,125,646	6,739,378

The balance sheet of the Company was approved by the Board of Directors on March 27, 2024 and was signed on its behalf:

Dr. Qiu Chunxin
Chairman of the Board and Executive Director

Mr. Qiu Chunchao
Executive Director and Chief Executive Officer

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. Balance Sheet and Reserve Movement of the Company (continued)

(b) Reserves movement of the Company

	Treasury shares	Capital reserve	Share-based compensation reserve	Own credit risk reserve	Foreign currency translation reserve	Subtotal	Accumulated losses	Total
Notes	RMB'000							
At January 1, 2022	(23)	(45,435)	28,741	(179)	364	(16,532)	(146,397)	(162,929)
Loss for the year	—	—	—	—	—	—	(1,519,729)	(1,519,729)
Fair value changes on convertible redeemable preferred shares and convertible notes due to own credit risk	31(a)(c)	—	—	(5,968)	—	(5,968)	—	(5,968)
Currency translation differences	—	—	—	—	60,446	60,446	—	60,446
Repurchase of ordinary shares	31(a)(iv)	—	2	—	—	2	—	2
Modification of convertible redeemable preferred shares	31(a)(vi)	—	—	27,276	(40)	27,236	40	27,276
Issuance of Series F Preferred Shares upon conversion of Series F convertible notes	31	—	—	495	—	495	(495)	—
Contributions from ordinary shareholders from share swap from Shenzhen Suteng to the Company upon the completion of the Reorganization	—	1,358,378	—	—	—	1,358,378	—	1,358,378
Repurchase of restricted shares and cancellation of treasury shares	26(a)(i), 28(a)	5	—	(36,808)	—	(36,803)	—	(36,803)
Employee share scheme – value of employee services	—	—	(440)	—	—	(440)	—	(440)
At December 31, 2022	(18)	1,312,945	18,769	(5,692)	60,810	1,386,814	(1,666,581)	(279,767)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. Balance Sheet and Reserve Movement of the Company (continued)

(b) Reserves movement of the Company (continued)

	Notes	Treasury shares	Capital reserve	Share-based compensation reserve	Own credit risk reserve	Foreign currency translation reserve	Subtotal	Accumulated losses	Total
		RMB'000							
At January 1, 2023	(18)	1,312,945		18,769	(5,692)	60,810	1,386,814	(1,666,581)	(279,767)
Loss for the year	—	—	—	—	—	—	—	(3,455,689)	(3,455,689)
Fair value changes on convertible redeemable preferred shares and convertible notes due to own credit risk	31(a)	—	—	—	(3,863)	—	(3,863)	—	(3,863)
Currency translation differences	—	—	—	—	—	1,441	1,441	—	1,441
Modification of convertible redeemable preferred shares	31(a)(vi)	—	—	—	(106)	—	(106)	106	—
Issuance of treasury shares to ESOP	26(a)(i)	(5)	—	—	—	—	(5)	—	(5)
Employee share scheme – value of employee services	—	—	—	376,980	—	—	376,980	—	376,980
At December 31, 2023	(23)	1,312,945		395,749	(9,661)	62,251	1,761,261	(5,122,164)	(3,360,903)

DEFINITIONS AND GLOSSARY

In this annual report, unless the context otherwise requires, the following terms and expressions have the meanings as set forth below.

“ADAS”	advanced driver assistance systems, the groups of electronic technologies that assist drivers in driving and parking functions; it also refers to levels 1 to 3 autonomous driving as defined by the Society of Automotive Engineers
“Annual General Meeting”	the annual general meeting for the year ended December 31, 2023 to be held on June 27, 2024 or any adjournment thereof
“Articles” or “Articles of Association” or “Memorandum and Articles of Association”	the eighth amended and restated memorandum and articles of association of our Company, which was conditionally adopted on December 21, 2023 and became effective on the Listing Date, as amended, supplemented, or otherwise modified from time to time
“Audit Committee”	the audit committee of the Company
“Auditor”	PricewaterhouseCoopers, the independent auditor of the Company
“Beijing Surui”	Beijing Surui Consulting Services Co., Ltd. (北京速銳諮詢服務有限公司), a company incorporated under the laws of the PRC on June 4, 2021, and an indirectly wholly-owned subsidiary of the Company
“Board”	the board of Directors of the Company
“Board Committee(s)”	the board committees of our Company, namely the Audit Committee, Remuneration Committee, and Nomination Committee
“Company” or “our Company” or “the Company”	RoboSense Technology Co., Ltd (速騰聚創科技有限公司), an exempted company incorporated in the Cayman Islands with limited liability on June 23, 2021, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 2498)
“Companies Ordinance”	Companies Ordinance, Chapter 622 of Laws of Hong Kong
“connected person(s)”	has the meanings ascribed to it under the Listing Rules
“Corporate Governance Code” or “CG Code”	Corporate Governance Code, as set out in Appendix C1 to the Listing Rules
“Chief Executive Officer”	the chief executive officer of the Company
“Director(s)”	director(s) of the Company
“Dr. Qiu”	Qiu Chunxin (邱純鑫), our co-founder, chairman of the Board, executive Director and chief scientist
“Dr. Zhu”	Zhu Xiaorui (朱曉蕊), our co-founder, non-executive Director and scientific advisor
“ESOP Holding Entities”	Robust Limited, Ruby International Limited, and Hoping Dream International Limited

DEFINITIONS AND GLOSSARY

“ESG”	environmental, social and governance
“ESG Committee”	the environmental, social and governance committee of the Company
“ESG Guide”	Environmental, Social and Governance Reporting Guide, as set out in Appendix C2 to the Listing Rules
“Global Offering”	the Hong Kong public offering and the international offering of the Company, details of which are set out in the Prospectus
“Group” or “our Group” or “the Group” or “RoboSense” or “we” or “us” or “our”	the Company and its subsidiaries from time to time
“HKD” or “HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hong Kong Suteng”	Hong Kong Suteng Innovation Technology Co. Limited (香港速騰聚創科技有限公司), a company incorporated under the laws of Hong Kong on February 7, 2018, and an indirect wholly owned subsidiary of the Company
“IFRS”	IFRS Accounting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and interpretation issued by the International Accounting Standards Committee
“Latest Practicable Date”	April 17, 2024, being the latest practicable date for the purpose of ascertaining certain information in this annual report prior to its publication
“LiDAR”	a remote sensing method that uses light to measure the distance or range of objects
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange on January 5, 2024
“Listing Date”	January 5, 2024, the date on which our Shares are listed on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Luxsense”	Dongguan Luxsense Innovation Electronics Co., Ltd. (東莞立騰創新電子有限公司), a company incorporated under the laws of the PRC, and an entity held by Suteng Innovation Technology Co., Ltd. (深圳市速騰聚創科技有限公司), a wholly-owned subsidiary of the Company, as to 49% and Dongguan Cowell Optic Electronics Co., Ltd. (東莞高偉光學電子有限公司), an independent third party, as to 51%
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix C3 to the Listing Rules

DEFINITIONS AND GLOSSARY

“Mr. Liu”	Liu Letian (劉樂天), our co-founder, executive Director and chief technology officer
“Mr. Qiu”	Qiu Chunchao (邱純潮), our executive Director and Chief Executive Officer
“Nomination Committee”	the nomination committee of our Company
“Optixpan Semiconductors”	Optixpan Semiconductors Inc. (深圳市涵光半導體有限公司), a company incorporated under the laws of the PRC on October 16, 2016, and an indirectly wholly-owned subsidiary of the Company
“Over-allotment Option”	the option we expect to grant to the International Underwriters, exercisable by the Overall Coordinators (for themselves and on behalf of the International Underwriters) under the International Underwriting Agreement, which may require us to allot and issue up to an aggregate of 3,436,400 additional Offer Shares at the Offer Price to, among other things, cover over-allocations in the International Offering, if any
“PRC” or “Mainland China” or “China”	the People’s Republic of China, which, for the purpose of this annual report and for geographical reference only, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus of the Company dated December 27, 2023 in relation to the Global Offering and the Listing
“Reporting Period”	the year ended December 31, 2023
“Remuneration Committee”	the remuneration committee of our Company
“RMB”	Renminbi, the lawful currency of the PRC
“RoboSense Beijing”	RoboSense Beijing Technology Co., Ltd. (北京路泊盛世科技有限公司), a company incorporated under the laws of the PRC on September 2, 2021, and an indirectly wholly-owned subsidiary of the Company
“RoboSense BVI”	RoboSense Limited, a company incorporated under the laws of the BVI on June 25, 2021, and a wholly-owned subsidiary of the Company
“RoboSense HK”	RoboSense HongKong Limited, a company incorporated under the laws of Hong Kong on July 16, 2021, and an indirectly wholly-owned subsidiary of the Company
“R&D”	research and development
“Securities and Futures Ordinance” or “SFO”	Securities and Futures Ordinance, Chapter 571 of Laws of Hong Kong
“Shanghai Lubo”	Shanghai Lubo Shengshi Information Technology Co., Ltd. (上海路泊盛世信息科技有限公司), a company incorporated under the laws of the PRC on December 4, 2018, and an indirectly wholly-owned subsidiary of the Company
“Share(s)”	the ordinary shares in the share capital of the Company

DEFINITIONS AND GLOSSARY

“Shareholder(s)”	the holder(s) of Share(s)
“Shenzhen Suteng”	Suteng Innovation Technology Co., Ltd. (深圳市速騰聚創科技有限公司), a company incorporated under the laws of the PRC on August 28, 2014, and an indirectly wholly-owned subsidiary of the Company
“SOP”	start of production, which signifies the transition from the development and testing phase to manufacturing and commercialization, when the product is ready for mass production and delivery
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Suteng Zhigan Technology”	RoboSense Shenzhen Zhigan Technology Co., Ltd. (深圳速騰智感科技有限公司), a company incorporated under the laws of the PRC on September 6, 2021, and an indirectly wholly-owned subsidiary of the Company
“Suteng Zhizao”	Shenzhen Suteng Zhizao Technology Co., Ltd. (深圳市速騰智造科技有限公司), a company incorporated under the laws of the PRC on July 19, 2019, and an indirectly wholly-owned subsidiary of the Company
“Suzhou Xijing MEMS”	Suzhou Xijing MEMS Technology Co., Ltd. (蘇州希景微機電科技有限公司), a company incorporated under the laws of the PRC on November 29, 2017, and a subsidiary of the Company, which is owned as to 55% indirectly by the Company and 45% by Ms. ZHANG Xiaohong (張小紅), who is an Independent Third Party other than being the substantial shareholder of Suzhou Xijing MEMS
“Tianjin Lubo”	Tianjin Lubo Shengshi Technology Co., Ltd (天津路泊盛世科技有限公司), a company incorporated under the laws of the PRC on November 9, 2022
“U.S. dollar(s)” or “USD”	United States dollars, the lawful currency of the United States of America
“V2X”	communication between a vehicle and any object, such as road, traffic lights and roadside signals that may affect, or may be affected by, the vehicle

In this annual report, certain amounts and percentage figures included have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

For ease of reference, the names of the PRC established companies or entities, governmental authorities, institutions, natural persons, laws or regulations have been included in this annual report in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail. English translation of the official Chinese names are for identification purpose only.



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